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HISTORIC ENVIRONMENT SCOTLAND

MINUTES OF HES BOARD MEETING HELD ON 15 AUGUST 2019

THE LIGHTHOUSE, GLASGOW

Present:

Jane Ryder, Chair
Janet Brennan
Ian Brennan
Andrew Holmes
Coinneach Maclean
Fiona McLean
Paul Stollard
Ken Thomson
Ian Robertson

In attendance:

Alex Paterson, Chief Executive
Barbara Cummins, Director of Heritage
Stephen Duncan, Director of Commercial and Tourism
Kirsteen Rowlands, Director of Communications
Donella Steel, Director of Finance
Alison Turnbull, Director of Development and Partnerships
Pat Kenny, Director, Deloitte (part)
Gillian MacDonald, Head of Business Development and Enterprise (part)
Audrey Jones, Head of New Business (part)
Nick Thomas, Head of Commercial Performance and Systems (part)
Ranald MacInnes, Head of Place and Publishing (part)
Rebecca Bailey, Head of Education and Outreach (part)

Suzanne Casey, Head of the Chief Executive's Office
Jules Davidson-Welch, Board Secretariat

Introduction and Apologies

1. The Chair welcomed everyone to the meeting. Apologies were received from Trudi Craggs, David Mitchell and Gary Love.

Minutes of the 13 June Board Meeting and Action Tracker

2. The Board approved the minutes of the June meeting. The table of actions was reviewed and progress discussed, including the ongoing work on the Orkney project, which will now be closed in the action table. The Chair clarified that, with reference to Holyrood Park, the Board had asked for a long-term strategy and a separate operational plan. Proposals for the former will be submitted to the Board in due course.

Chair's Update

3. The Chair updated the Board on June's Strategic Historic Environment Forum (SHEF), which took place immediately following the last Board meeting, noting a number of new members of the forum. SHEF members had expressed their support for the direction and progress of the working groups, and had discussed the significant challenges within scope of the Built Heritage group in particular.
4. The Director of Conservation will provide a summary following the next meeting of the Built Heritage Investment Group on 19 August, to be shared with the Board prior to the 02 October Board meeting. A discussion on Built Heritage Conservation Principles has been scheduled for the 14 November Board strategy day, allowing the Board to review progress in the run up to the next SHEF meeting on 05 December.
5. The Chair informed the Board that a meeting with Scottish Government, including the Public Appointments Team, to discuss recruitment of future members, had been postponed until 05 September.

Chief Executive's Report

6. The Chief Executive presented his update to the Board. A number of matters were discussed, including:
 - Visitor numbers and income have increased during quarter one compared to last year, and membership numbers are at a record high;
 - The quarter one commercial performance figures, combined with confirmation that government will provide a contribution to cover 73% of the increased civil service pension contributions, will now allow a midyear review of budget to be undertaken;
 - Progress on the pay remit is ongoing, with Scottish Government approval of HES' proposal, allowing engagement with Trades Unions to commence. The Staff Governance Committee will have sight of the final settlement;
 - The group discussed Brexit readiness, noting the positive position of HES overall;
 - A public engagement on the future location of the Stone of Destiny is due to be launched on 15 August by Scottish Government on behalf of the Commissioners of the Regalia. The feedback will assist the Commissioners

as they consider their recommendation in response to a request by Perth and Kinross Council for the Stone to be housed in Perth;

- Members raised concerns over the increase in health and safety incidents involving staff. This will be considered by the Corporate Health, Safety and Wellbeing Forum, chaired by the Chief Executive, and an update provided to the Board;
- The Chief Executive gave an update of his recent visit to Shetland, the primary purpose of which was to liaise with local landowners on the challenges and opportunities posed by the growth in the cruise liner industry, specifically to Jarlshof, the most popular Property in Care in Shetland. While there, he took the opportunity to engage more broadly with range of stakeholders, noting a generally positive perception of HES;
- The Chief Executive briefed the Board on the Spending Review process, currently being carried out by the Scottish Government. Our new outcomes-focussed Corporate Plan demonstrates a strong contribution to the priority areas outlined by Scottish Government, and costed proposals for the period covered by the Spending Review are being produced;
- Board members noted the ongoing discussion regarding delivery of the CMIS project;
- The Chief Executive updated Members on progress with the Edinburgh Castle Masterplan. Early communication with stakeholders and the recruitment of the Project Director will commence shortly; and
- The Board asked for sight of the Evaluation of the Engine Shed once completed, and for the opportunity to discuss future ambitions for the facility. This is scheduled for the December Board Meeting.

ACTION: Director of Conservation

7. Members commended the new format of the Corporate Report and noted good progress to date.
8. The Director of Finance summarised the Financial Statement as at the end of June 2019. The year to date surplus position is £6.7m, £1.8m ahead of budget, mainly due to better than expected commercial income. The Board discussed the highly seasonal distribution of the organisation's income, and the challenges of income phasing, noting that the effect of Brexit and/or poor weather later in the year are potential risks.

ARAC Annual Report

9. Ian Brennan, Chair of the Audit, Risk and Assurance Committee (ARAC), introduced the annual Report for the year to 31 March 2019. The report provided a summary of matters addressed by the Committee over the year, including the organisation's approach to risk management, internal audits on key areas of control and reviews of a number of projects. The report noted that substantial assurance had been provided that HES' controls were robust and well managed.
10. Over the year, ARAC had conducted its first 'deep-dive' examinations of specific topics, which had proven successful. Ian thanked the candour of participants in

the process. The Committee had reviewed compliance in relation to Properties in Care as one of the exercises, and had received assurance that a plan is now in place to take this forward.

11. Ian offered his thanks to fellow ARAC members, staff and external auditors for their contributions to the progress made over the year. The HES Chair thanked Ian for his report.

Annual Report and Financial Accounts 2018/19

Pat Kenny joined the meeting

12. The Director of Finance introduced the Annual Report and Financial Accounts for 2018/19, noting the successful year, both in terms of financial outturn and corporate performance. The Chair of ARAC confirmed that the draft report and accounts had been reviewed by ARAC on 24 July, and that the Committee recommended them for the Board's approval.
13. Pat Kenny, external auditor from Deloitte, advised the Board that he was content to sign-off an unmodified opinion. He noted a significant improvement in HES' financial controls over recent years and commended all involved for their positive engagement in the process.
14. Board Members approved the Annual Report and Accounts, commending the successful style and layout.

Pat Kenny left the meeting

Dallas Dhu

Gillian MacDonald and Audrey Jones joined the meeting

15. The Head of Business Development and Enterprise and Head of New Business gave an introduction to a proposal for a partnership between HES and a third party (P) for the operation of Dallas Dhu. Investment by P would see the introduction of small-scale whisky distilling, warehousing, and enhanced visitor experience at the Dallas Dhu site. The Outline Business Case submitted to the Board is the culmination of a process begun through a request for interest through Public Contracts Scotland. P were selected as the preferred partner for the site, their proposal combining improved conservation and updated interpretation with financial return for HES.
16. The Board were asked to approve, in principle, the proposal noting that further discussion with P and with Diageo as the site owners will be required, and due diligence completed. The Board's view of the proposal is important to inform these next steps. In discussing the draft business case the following points were raised:

- It will be important to be satisfied as to the financial strength of P
- Estimates of a financial return for HES would remain speculative until an agreement could be reached on P's level of contribution towards the maintenance and conservation of the site;
- Any agreement should contain provision that the status of the residential cottages on site remains unchanged;
- Plans should be developed to mitigate risks identified by the Board;
- The Board raised concerns and received verbal assurances on the status of water supply and sewerage at the site. The Head of New Business will seek formal confirmation of this from the Scottish Environmental Protection Agency (SEPA);
- The Board noted the consideration which had been given to arrangements for current site staff, e.g. a range of possible options including a Transfer of Undertakings (TUPE) process or secondment agreement.

17. In light of the possibility of a partnership with Moray College UHI to operate a 'whisky academy' on the site, Fiona McLean reminded the Board of her prior declaration of interest as Vice-Chair of University of the Highlands and Islands, of which Moray College is part.

18. The Board approved the draft business case in principle, agreeing that it should now be submitted to Scottish Government for approval and due diligence concluded.

ACTION: Director of Commercial and Tourism

Gillian MacDonald and Audrey Jones left the meeting

Draft Communications and Engagement Strategy

19. The Director of Communications introduced the paper, which sets out a vision and strategic framework for Communications, aligned to corporate plan outcomes. She explained that the document was deliberately top-level, with tactical delivery plans to nest underneath.

20. Board Members discussed the strategy and offered the following comments:

- The Strategy should be more explicit in communicating the challenges of looking after the historic environment, whether as a result of climate change or finite resources;
- More use can be made of the Board as ambassadors and as effective channels for communication. In order to do so, as well as for general intelligence, Members should be provided with clear messages and improved real-time briefing;
- There is scope for further emphasis on reaching new audiences and inclusivity; and
- The strategy should acknowledge importance of collaboration and partnerships, and greater recognition of what HES does and support provided to other organisations.

ACTION: Director of
Communication

21. The Board approved the draft Strategy.

Updated Approach to Inclusive Pricing

Nick Thomas joined the meeting

22. The Director of Commercial and Tourism and the Head of Commercial Performance and Systems introduced the paper, which outlines various scenarios for admissions pricing at Properties in Care with the aim of providing more inclusive access arrangements, particularly for young people, to HES sites without an overall net reduction in admissions revenues. The Board had previously asked for this matter to be considered.

23. Some members questioned the need to alter pricing, noting the current system of targeted activity to educational and specific groups. Members acknowledged the impact of the School Visits Travel Subsidy, administered by HES and financed by the Scottish Government. This allows Scottish schools to claim up to 75% or £250 towards the transport costs of a visit.

24. An alternative view was offered that a £1 child entry and student discount should be applied to promote inclusive access, with the cost offset by adjustment to the price of other ticketing categories.

25. Following lengthy discussion, the Board accepted the recommendations outlined in the paper, concluding that the introduction of a £1 child entry and student discount would not broaden access to specific groups more effectively than the targeted approach currently in place. Members particularly commended the travel subsidy scheme

26. Members agreed that the age for concessionary pricing should be raised from 60 to 65, the increased revenue offsetting the introduction of a family ticket. Given new investment, the Board approved price increases for 2020/21 at Stirling Castle.

27. Authority to sign off was delegated to the Chief Executive on provision of information from the Director of Commercial and Tourism detailing the actions and implementation plan for the pricing changes

ACTION: Director of Commercial
and Tourism

Nick Thomas left the meeting

Our Plan for Publishing

Rebecca Bailey and Ranald MacInnes joined the meeting

28. The Head of Education and Outreach gave an introduction and overview to the paper, which covers the three-year period 2020-2023, gives an account of our current publishing activities, outlines our publishing ambitions, describes the actions we will take, and details how we will measure if they have been successful.

29. The Board welcomed the paper and its corporate approach. Members emphasised the following points:

- While there is a strong emphasis on cost effectiveness, worthwhile publications that do not make a net financial contribution must also be recognised;
- Publications should align strongly with other areas of HES activity; providing 'hooks' for other parts of the business in terms of marketing, brand awareness and engagement;
- The ambition for international reach and an inclusive approach is to be commended, but this may not be realistic within the three-year lifespan of the strategy;
- Care should be taken that in adopting a more rational decision-making model, the desirable 'quirky' nature of the topics selected is not lost, and that decisions are not reach based on a desire to 'chase numbers'; and
- The Board suggested a number of minor changes to wording used in the plan.

30. The Board commended the draft plan, noting that further enquiry into the cost / benefit of technical publications is required. The Board will be kept informed of progress via the CEO's Report.

ACTION: Chief Executive

Update of the 24 July and 14 August ARAC Meetings

31. Ian Brennan, Chair of the Audit, Risk and Assurance Committee (ARAC), gave the Board an update of the 24 July and 14 August meetings.

32. The 24 July meeting was called to consider the draft Annual Report and Financial Accounts 2018/19, at which ARAC concluded that it was content to recommend them for Board approval. Turning to the business of the 14 August meeting, Ian highlighted the following points:

- The Director of Finance updated the Committee with regard to CMIS, including current concerns around implementation which are being addressed;
- ARAC considered changes to the HES Risk Management Policy and Strategy, and were content with the changes proposed and recommended Board Approval. The documents will be circulated to the Board along with draft Board minutes for formal approval;
- The Committee had considered an internal audit report on IT Governance, which had assessed the internal control as limited, and considered the agreed actions;

- ARAC had conducted a development session on the auditing culture which was regarded to be positive.

ACTION: Director of Finance

Minute of the 12 June and update of the 14 August HESe Board Meetings

33. Coinneach Maclean, Chair of Historic Environment Scotland Enterprises, updated the Board on the 12 June and 14 August meetings, including:

- The HESe Board reviewed the HESe risk register, which is to be aligned more closely with the HES risk register and corporate plan;
- Benugo have been offered a renewed contract to provide a catering service across the HES estate after winning a rigorous procurement process;
- The Board discussed the challenge of developing new commercial opportunities. Careful messaging is required to ensure that responsibility for this lies not just with the teams traditionally tasked with commercial activities;
- The Chief Executive attended the most recent HESe Board meeting, one of several measures to ensure greater line of sight with the core organisation;
- The next meeting of the HESe Board will give strategic consideration to NCAP and the Holiday Letting Plans. The Board discussed the challenge of residential properties; and
- A briefing on the Buildings at Risk Register will be prepared and shared with the Board.

ACTION: Director of Conservation
/Director of Heritage

34. The HES Chair informed the Board that Coinneach Maclean had stood down as Chair of HESe, but would be continuing on the Board of HESe, and confirmed that Ian Robertson will be his successor as Chair.

There followed a closed session of the Board and Chief Executive.