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HISTORIC ENVIRONMENT SCOTLAND

MINUTES OF HES BOARD MEETING HELD ON 23 APRIL 2020

VIA CONFERENCE CALL

Present:

Jane Ryder, Chair
Ian Brennan
Janet Brennan
Andrew Davis
Emma Herd
Terry Levinthal
Coinneach Maclean
Fiona McLean
Ian Robertson
Paul Stollard
Ken Thomson
Jane Williamson

In attendance:

Alex Paterson, Chief Executive
Donella Steel, Director of Finance
Lindsey Ross, Director of People (part)
Jules Davidson-Welch, Board Secretariat

Introduction and Apologies

1. The Chair welcomed everyone to the meeting, in particular the four newly appointed Board Members: Andrew Davis, Emma Herd, Terry Levinthal and Jane Williamson, who took up their positions on 06 April. The Chair thanked the new Members for their early contributions to Board deliberations. No apologies were recorded.
2. In opening the meeting, the Chair acknowledged the significant changes brought about by the Covid-19 pandemic and resulting lockdown measures. In the intervening time the Board have provided a heightened level of support and oversight, particularly via weekly conference calls of the Board and Chief Executive.
3. The Chair particularly commended the Chief Executive and wider staff for managing HES' response to the rapidly changing situation extremely well, in terms of the postponed seasonal opening of sites and the roll-out of remote working, which has protected staff and enabled maintenance of essential non site based business.

Minutes of 06 February Board Meeting and 12 March Strategy Meeting

4. The Board approved the minute of the meeting of 06 February, including the note of the closed session.
5. The Board also approved the minute of the strategy meeting on 12 March, including the accompanying note of the discussion on strategic risk, and the note of the closed session. The Chair noted that work that has been done including Better by Design and work on Business Structure Review remain relevant but in a different context, and further consideration and responses may significantly adjust accordingly.
6. Members considered the Action Tracker, noting progress against a number of items:
 - The Chief Executive gave an update on the Paisley Museum grant application, where an approach has been agreed with the Local Authority and other funding bodies;
 - The Board also reflected upon an outstanding action to develop both a strategic plan and an operating plan for Holyrood Park. A briefing will be prepared for the Board outlining the legal and practical considerations, as well as HES' position and responsibilities in light of the current pandemic;
ACTION: Director of Commercial and Tourism
 - The recorded action on the Engine Shed will not be closed at this time as the intention is that Board will consider a full business case for future development and operations in due course.
7. The Action Tracker should be streamlined in advance of the next Board Meeting.

ACTION: Board Secretariat/
Chief Executive

Chair's Update

8. The Chair updated the Board on her meeting the previous day with David Seers, Scottish Government Head of Culture and Historic Environment Sponsorship and Funding. This had provided a useful insight into Scottish Government's thinking on the anticipated need for additional support in the second half of the 2020/21 financial year, as well as their approach to longer-term planning.

Programme for Success

9. The Chief Executive gave an update on the Programme for Success, noting that the newly appointed Programme Manager, Phil Burnside has now started in his

role. He reported on the 16 April meeting of the Corporate Projects Programme Board. Board Members who were present at the 16 April meeting concurred with the Chief Executive report, commending the new Programme Manager's early progress, particularly in terms his understanding of the budgetary position and of a new approach of reporting on projects individually as well as taking a programme-wide view.

10. Board members discussed the possible implications of the current pandemic on the programme, particularly the Headquarters and Archives projects. This will be considered fully in an options appraisal currently underway, to be considered at the July meeting of the Corporate Programme Governance Board. On this basis, the Board were assured as to progress with the Corporate Projects, to be more fully reported to the Board in future, but recognised that there may be adjustments to be made considering the options appraisal.

Investment Plan

11. The Director of Finance gave the Board an overview of progress against the programme set out in the Investment Plan to 2021/22. £30.6m has been invested against the plan over the past three years, slightly below the published rate of £36m. Members noted the paper's summary of spend against the strategic priority areas identified in the Plan as well as its summary key projects delivered or initiated over the past 3 years. The prioritisation of the Investment Plan budget for the first half of 2020/21 will be heavily focused on the Programme for Success.

12. Members discussed the paper, noting the following points:

- Just over £14m funding was proposed last year, which was subsequently revised to £12m. The year-end position is currently in the region of £10.3m, subject to audit;
- While there have been some variations from the spend forecast in the April 2019 Investment Plan Update, overall there has been a large degree of consistency to the plan;
- The resumption plan for reopening sites will likely need to address several critical compliance issues, therefore the assumption is that there will be less available funding for investment projects. The Director of Finance highlighted the accounting challenge of distinction between routine maintenance and investment – a view endorsed by the Chair of ARAC;
- Given the financial scenario, the 2020/21 Action Plan as proposed will see the emphasis for major investment shift to costed but currently unfunded projects. This will necessitate a focus on external sources of funding which will be new territory for HES.

13. Considering the above, Members requested a briefing summarising the status of individual Monument Investment Plans, giving a general overview of the MIP

process, and exploring the position with regards to forward commitments and partnership funding, to come to the June Board.

ACTION: Director of Finance

Annual Corporate Performance Report 2019-2020

14. The Board noted the corporate performance results for 2019-20, noting good progress towards delivery of objectives with 95% of indicators achieved or partially achieved by 31 March 2020. This reflects positive action throughout the year but also the impact of COVID-19 felt towards the end of the year. Members discussed a small number of measures that have not been achieved or partially achieved, noting the mitigating factors involved with each.

Chief Executive's Report

15. The Chief Executive presented his update to the Board. A number of matters were discussed, including:

- While the year-end financial outturn for 2019/20 was significantly impacted by Covid-19 in March, he expects the financial outturn for the 2019/20 financial year to be within 1% of budget, subject to audit;
- HES' sector survey, which seeks in the context of lead body to build a detailed picture of how the sector is being impacted by the current conditions, has received over 200 responses so far;
- A 'learning from home' strand of digital and social media activity has been launched; and
- Progress has been made on HES' application to the UK Government's Job Retention Scheme. The intention is to furlough around 600 staff who are not currently working due to the nature of their roles. Options for a wider roll-out of furlough leave are being explored, with one consideration being the implications on HES' capacity to deliver the six-month action plan, discussed later in the meeting. Members reflected on a number of factors which must be considered in reaching a decision, requesting a briefing on which functions of HES are required by law.

ACTION: Chief Executive

Action Plan and Budget

16. The Chief Executive introduced the Action Plan and Budget for the first six months of 2020-21 that will be published instead of the Annual Operating Plan 2020/21. In the context of the Covid-19 pandemic, we are no longer able to continue operating as business-as-usual and our planning and budgeting must reflect this. The Action Plan and Budget sets out the workplan for the immediate future to address the direct impact of the outbreak on the organisation and to ensure that HES is able to maximise the resources still available. As well as the

immediate term planning, resumption and long-term strategy also run through the Action Plan.

17. Turning in detail first to the budget at Annex B of the paper, the Director of Finance gave an overview of the assumptions underpinning the document and invited the Board to discuss the scenarios outlined. Both scenarios anticipate different degrees of prolonged financial difficulties after the current restrictions are lifted, both in terms of commercial income, and the level of Grant in Aid available from Scottish Government.
18. The Board conducted a detailed discussion of the assumptions and priorities supporting the budget as part of a wider strategic reflection on the matter, covering the following points:
 - Members agreed that the more pessimistic scenario outlined in the budget, Scenario B, was the more likely of the two, indicating a desire to err on the side of caution;
 - Although effort is focused on the immediate future, planning for the longer term is absolutely critical;
 - The Board should be given opportunities to provide support and add value to the process of resumption planning. The Chief Executive will bring a resumption plan framework to the May Board meeting for initial feedback and consideration. The resulting plan should be considered by the Board in June;
 - A key element of resumption planning will be the business case for additional grant in aid funding. A Chair's Committee will consider this prior to formal approval by the Board;
 - The Board will provide heightened support and oversight over the organisation's liquidity via a variety of forums, including their regular Thursday evening conference calls. The Director of Finance will produce a briefing on the approach to be adopted on cash management;
 - The Board considered the impact that the current situation may have on HES' capacity to award grant funding at the same level as previously. While the six-month budget factors in existing commitments in grants and consideration of new applications to specific schemes, the Board noted that many current grant-aided projects may now not go ahead as planned. The grants team is continuing to engage with grant awardees to monitor the situation;
 - In terms of Investment Plan commitments, members noted that the six-month budget prioritises funding for the Programme for Success. As noted above, a paper on Monument Investment Plans is due for consideration by the Board in June.

ACTION: Director of Finance

19. Turning to the Action Plan, which is based on budget 'scenario B', the Chief Executive explained that the structure and themes of the Corporate Plan had been retained to ensure continuity for staff. The Board discussed the content of the plan and offered the following feedback:
 - Care should be taken to ensure that key risks associated with Covid-19 align with the Action Plan;

- Members emphasised the importance of supporting and advocating for the wider sector at this time;
- Digital activity is key, and consideration should be given to ensure a coherent and directed service where HES can make the biggest impact.

20. The Board approved the Action Plan and Budget with the caveats outlined above and based on the adoption of 'scenario B' as the working assumption. The Chief Executive will submit a 'milestone report' to the June Board on progress with the plan.

ACTION: Chief Executive

Financial Reporting

21. Following a request for more detailed financial reporting at the March 2020 meeting of the Chair's Committee, members noted the proposals outlined in the Future Financial Reporting paper.

22. Noting much of which would result from the implementation of the Corporate Management Information System (CMIS) project which is not due for completion until 2021, the Board emphasised the need for more detailed financial reporting in the immediate term, particularly in the context of providing oversight of the Investment Plan and Programme for Success. Ian Brennan and Andrew Davis will reflect further on what financial information will be useful to the Board and will liaise directly with the Director of Finance to agree and improve current reporting in time for the June Board.

ACTION: Ian Brennan and
Andrew Davis

Lindsey Ross, Director of People, joined the meeting

People Strategy

23. The Director of People introduced the People Strategy for 2020 – 2025 and Year One Implementation Plan. Prior drafts of the strategy had been considered by the Board and Staff Governance Committee, and it is now presented for formal approval.

24. The Chair of the Staffing Governance Committee commended the strategy for approval by the Board, praising the Director of People for the way in which the views and requests of the Committee had been incorporated into the strategy.

25. Work is underway to develop the communication plan for the strategy, both for the official launch and ongoing internal communications.

26. In discussion members noted:

- the principle of robust performance management is intrinsic to each of the four 'pillars' of the strategy, however more explicit reference should be included in the strategy;
- The Board also emphasised the importance of ensuring that employee groups without easy access to IT feel included in the 'employee voice' element of the strategy, and that while HES will provide much support, there is an expectation that staff will look to invest in their own development;
- While extensive work has been undertaken to address connectivity and access, the Director of People will reflect on how the wording of the strategy may reinforce this message.

ACTION: Director of People

27. The Board commended the strategy, approving it subject to minor amendments outlined above.

There followed a closed session of the Board and Chief Executive