



HISTORIC
ENVIRONMENT
SCOTLAND

ÀRAINNEACHD
EACHDRAIDHEIL
ALBA

HISTORIC ENVIRONMENT SCOTLAND

MINUTES OF HES BOARD MEETING HELD ON 13 AUGUST 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
Barbara Cummins, Director of Heritage
Stephen Duncan, Director of Commercial and Tourism
Gary Love, Director of Corporate Services
Lisa McGraith, Director of Communications
David Mitchell, Director of Conservation
Lindsey Ross, Director of People
Donella Steel, Director of Finance
Alison Turnbull, Director of Development and Partnership
Chris Carney, External Consultant: Factory (part)
Scott Sherrard, External Consultant: Factory (part)
Heather Macnaughton, Partnership Manager (part)
Andy Gibb, Head of Finance (part)
Craig Marshall, Head of Financial Business Support (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. No apologies were noted.

Minute of 20 July Board Meeting and Action Tracker

2. The Board approved the draft minute of the June Board meeting with minor amendments. Members considered the Action Tracker, noting updates and agreeing to close a number of entries.

Chair's Update

3. The Chair noted that since the last formal Board meeting, Scottish Government officials had provided confirmation that Ministers had agreed to provide additional funding to HES in response to the business case submitted in June. This will amount to an additional £37.1m in 2020/21, for the purpose of enabling reforming HES to perform its statutory functions including caring for properties in care and collections, designations and regulatory responsibilities, delivery of committed grants, and HES lead role for the wider sector. The resource also includes the required funding to implement public sector pay policy.
4. The Chair congratulated all staff involved in the reopening of Edinburgh, Stirling and Urquhart Castles on 01 August, noting that she and a number of other Board members had attended over the opening weekend. All Board members were very impressed by the efficient organisation, enhanced safety measures and overall visitor experience, with the real enthusiasm and commitment of staff very evident.

Chief Executive's Report

5. The Chief Executive provided the Board with an update on a number of matters, including:
 - Work is under way to develop appropriate arrangements and criteria for staff returning to work in Headquarters buildings. NCAP staff have already successfully returned to John Sinclair House and have resumed operations;
 - HES has been invited to appear at the Culture, Tourism, Europe and External Affairs Committee (CTEEA) on 03 September as it looks to understand concerns about the impact of COVID-19 on the culture and tourism sectors. The Chief Executive will appear on behalf of HES;
 - Following funding confirmation from Scottish Government, plans are in hand to implement the pay policy for 2020/21;
 - The level of membership retention is around 88%. A three-month extension will be offered to members at the time of renewal, which represents a modest investment relative to the lifetime value of a membership. A briefing paper on membership will be shared with the Board;

ACTION: Director of Commercial and Tourism

 - The Chief Executive updated the Board on the work of the OPiT CEO's Forum, noting that this will be covered in greater detail at the Board in September; and
 - A follow-up to the sector research survey completed in May will be launched shortly and will be reported to the Board.
6. The Director of Finance gave an overview of the Financial Statement, noting a year-to-date surplus position slightly ahead of budget, largely due to tight spending controls. It remains the expectation that HES will not need to draw down 100% of the funding from Scottish Government in the first six months of the year.
7. The Board sub-group established to review financial reporting in advance of Board meetings summarised their discussion, noting that the process had been useful in providing assurance and understanding of a number of points including investment plan spend profile, grants, and expenditure on Archive House. Going forward more detail will

be available on the split of commercial income and operational expenditure. The Board requested a breakdown of staffing costs within each directorate and function. The Director of Finance confirmed that this should be possible to provide towards the end of the financial year as CMIS comes online.

8. Turning to the Corporate Performance Report, the Chief Executive indicated that excellent progress was being made, the more so given the work associated with resumption of activities including site reopening. He noted that 50 out of 53 indicators are presently on track or have been achieved, with some anticipated to carry over into the Action Plan for the second half of the year.
9. In considering the wider report, the Board offered the following comments:
 - In planning for the balance of the year and beyond, it will be important to be ambitious and consider appropriate measures;
 - Members noted that previous discussion had been inconclusive and further consideration was required on the use of a human rights approach to equalities. The Staff Governance Committee are due to consider this at their meeting on 17 August; and
 - Given the progress to date, opportunities should be taken to highlight the work of the organisation externally. The Board requested information on how this would be achieved.

The Chair commended the content of the recently published Planning Performance Report and suggested there should be an early Board briefing on the topic. She highlighted that in future the Board should be given sight of the report prior to publication, as this was a formal report of a key statutory responsibility of the organisation.

ACTION: Director of Heritage/
Chief Executive

10. The Chief Executive gave an overview of highlights from the Resumption Plan update, including:
 - Work continues on the reopening of a further 23 sites following the successful opening of Edinburgh, Stirling and Urquhart castles. Communications have met with a very positive response;
 - Care has been taken to liaise closely with trade unions over reopening details, building upon very positive relationships;
 - Over 4000 'hits' were recorded for the new digital interpretation content at the main three sites during first few days, indicating a high level of engagement; and
 - Members noted that a number of booked visitors do not turn up for their visit. This reflects experience for visitor attractions in other parts of the UK. Work is underway to try to mitigate this drop-off and offset the impact.
11. The Board noted the update on work to develop a partnership between HES and a third party at Dallas Dhu Distillery Board members observed that some significant issues remain outstanding and noted that a final business case is scheduled to be brought to the Board in November 2020.

Reimagining

12. The Chair introduced the discussion with the purpose of establishing the high-level approach that HES will adopt as it considers reimagining the organisation in light of the global coronavirus pandemic and at the next stage of HES development. In addressing questions posed around the possible scale, purpose, drivers and timescales of reimagining, the following key principles had been agreed in Board discussion:

- 2030 is an appropriate longer-term 'horizon' but should not be viewed as a single endpoint; and
- It will be important to engage with stakeholders in this process. Within this, insight into Scottish Government policy and thinking will be key, as will be engagement with the wider sector to ensure clarity of expectation and support for HES plans.

13. Drawing on all discussion to date, the Chair proposed and the Board agreed the following as desired outcomes of the process, namely:

- Clarity of purpose for the next decade;
- A viable financial model; and
- A fit for purpose organisational model.

14. The Chief Executive outlined a high-level approach to the reimagining work. The Board agreed this should be will be developed in more detail with intensive action required including identification of dedicated project, policy and analytical resource. The Board agreed that reimagining should be a standing item at meetings over the next few months.

ACTION: Chief Executive

Heritage Hub

15. The Director of Heritage gave the Board an update on the Heritage Hub project in advance of the development of a business case. The project will address the complex legacy digital landscape that HES has inherited, currently accessed via a range of websites and portals associated with our archives and related materials. Internal and external users will be able to use the Heritage Hub platform to access the range of HES content via one point of contact.

16. The Board warmly welcomed the project, noting that it is intended to open up access to a range of users and build in ways for users to engage with and contribute information. The option of charging for certain added value services will be built into the service design, with careful consideration of the implications for access. In further consideration the Board particularly wished to understand the relationship with current Digital and Data Management strategies.

17. A business case will be submitted to the Board for consideration prior to submission to the Historic Scotland Foundation. This is anticipated by the end of the calendar year.

ACTION: Director of Heritage

ARAC Draft Annual Report

18. Ian Brennan, Chair of the Audit, Risk and Assurance Committee (ARAC), introduced the draft ARAC annual report for the year to 31 March 2020. The report provided a summary of matters addressed by the Committee over the year, including five internal audits on key areas, ongoing liaison with the external auditor, management of corporate risk, and review of organisational resilience, particularly as HES tackled the early stages of the Covid-19 situation. The Board noted the recommendations which the Internal Auditor had made to ARAC.
19. The report noted that assurance had been provided that HES' controls were robust and well managed. They noted that the modified opinion expected to be provided by the external auditor in respect of the accounts for HES and HESe had arisen entirely as a consequence of COVID-19 rather than any weakness in the HES control framework or risk management of the group.
20. Ian Brennan offered his thanks to fellow ARAC members and staff for their contributions to the progress made over the year. The HES Chair thanked Ian for his report, which will return in full to the Board in September as accompaniment to the Annual Report and Accounts.

HESe Loan

Andy Gibb, Head of Finance and Craig Marshall, Head of Financial Business Support, joined the meeting.

Board Members Ian Robertson and Coinneach Maclean, as well as the Directors of Finance and Commercial and Tourism left the meeting due to a possible conflict of interest relating to their roles as HESe Directors.

21. The Head of Finance introduced the proposal, inviting the Board to formally approve an inter-company loan from HES to HESe to be drawn down from 30 September 2020 and repayable over a 4-year period. The Board were also asked to approve a letter of comfort to HESe directors confirming HES' ability and intention to financially support HESe.
22. HESe is a trading subsidiary of HES, established as a tax efficient structure to undertake commercial activity without incurring corporation tax. Due to Covid-19, HESe is now forecasting significant reductions in its income projections for 2020/21 and 2021/22 and so is unable to meet its obligation to donate its profit to HES, as required by the HES/HESe Operating Agreement. An intercompany loan has been identified as the best way to resolve the situation in a budget-neutral manner.
23. Board members discussed the proposed loan, identifying a need for the total loan amount to be increased to cover a scenario in which HESe may not be in a position to start repayments at the beginning of the 2022/23 financial year.
24. The Board approved the offer of a loan on condition of the amendments outlined above, and noted that Scottish Government must also give formal approval. This is in hand. Members also approved the proposed letter of comfort to HESe Directors.
25. Members agreed to delegate authority to the Chair's Committee, which will meet in due course, to approve the loan documentation.

*The Head of Finance and Head of Financial Business Support left the meeting.
The four HESe Directors rejoined the meeting.*

Fundraising

Chris Carnie and Scott Sherrard joined the meeting.

26. Chris Carnie and Scott Sherrard from independent consultancy Factory presented the proposed approach to the development of a fundraising strategy for HES. Fundraising is a key strand to the work to explore increased income diversification and financial resilience, as identified in the six-month Action Plan.

27. The Board discussed of the key themes raised in the presentation, in particular:

- The Board noted that the culture and practice around fundraising is increasingly professional, with philanthropic donors becoming more sophisticated and strategic in their expectations. In this context, translation of HES' values into a cohesive package is vital, with challenges posed by the diverse nature of HES' activities and responsibilities as well as possible external preconceptions;
- The fundraising message must address why the public would wish to donate significantly to the upkeep of assets which government own or for which government has assumed responsibility. There may be valuable insights to be gained from the way in which the NHS fundraises to provide non-core services;
- There were wider ethical issues to be considered for HES and for potential donors;
- The Board identified that HES must establish how any funds raised would be used, e.g. restricted funding for projects to improve access or deliver specific benefits, rather than use in bridging gaps in revenue funding. It must also be determined whether fundraising would be conducted for HES' own activities, or by HES as a lead body on behalf of the wider sector. HES must have in place robust processes and boundaries to prevent conflicts of interest.

28. Members agreed to be interviewed separately by the consultants to feed in their thoughts in greater detail. Feedback from this process and a progress report will be shared with the Board in October.

ACTION: Director of Development
and Partnership

Board Programme 2021

29. The Chair proposed a structure of dates for Board meetings, including securing dates which can be stood down if necessary. The Board agreed the indicative schedule and intention to alternate business and strategy sessions, with the option for more informal conference calls as necessary.

30. The Chair will liaise with the Chief Executive and secretariat in the coming days to produce a proposed schedule of specific dates and outline programme of business for the first six months.

There followed a closed session of the Board and Chief Executive