

Model Framework Document – Executive NDPBs

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Approved	Version	Next Review	Signed by
22/10/2024	2.0	As required, but suggest initial review May 2025	HES Board Chair Hugh Hall and Joe Griffin Portfolio AO

Introduction

1. This framework document is agreed between Historic Environment Scotland (HES) and the Scottish Ministers. It summarises how HES and Scottish Government (SG) will work together, and the key roles and responsibilities of:
 - the Board
 - the Chief Executive and Accountable Officer of HES;

- the Scottish Ministers; and
- the Portfolio Accountable Officer within the SG whose remit includes HES.

While this document does not confer any legal powers or responsibilities, it forms a key part of the accountability and governance framework and as a live document it should be reviewed by SG and HES regularly, and at least every 2-3 years. Any significant changes will be agreed between the Board and the Scottish Ministers.

2. Any question regarding the interpretation of the document will be determined by the SG after consultation with HES. Legislative provisions take precedence over any part of the document.
3. References to HES include any subsidiaries and joint ventures owned or controlled by HES. HES is not permitted to establish any subsidiaries or enter into joint ventures without express approval from Scottish Ministers.
4. Copies of the document will be published on the HES website.

Purpose

5. HES is a charitable Non-Departmental Public Body (NDPB) established under the Historic Environment Scotland Act 2014 (HES Act 2014). Its primary purpose is to investigate, care for and promote Scotland's historic environment and to manage its collections as a national resource for reference, study and research.
6. Additionally, Scottish Ministers may delegate their functions relating to one or more of the properties in their care and one or more objects in their collections to Historic Environment Scotland or other bodies. Details concerning the specific functions which are delegated and the conditions under which such delegations are undertaken are contained in a scheme of delegation.
7. HES's purpose, strategic aims and objectives, as agreed by the Scottish Ministers and set out below, are published in the HES corporate plan approved by Scottish Ministers. These aims shall support the statutory responsibilities of HES and Ministerial objectives and shall be such as to enable compliance with this Framework Document.
8. HES is the lead public body in protecting, understanding and sharing Scotland's historic environment, for today and in the future.

Purpose

- Care for more than 300 sites of national importance all across the country and are the largest operator of paid visitor attractions in Scotland.
 - Look after internationally significant archives and artefacts.
 - At the forefront of investigating and researching the historic environment and addressing the impacts of climate change on its future.
 - Protect our historic places through designations and consents, promote their sustainable development, and provide millions of pounds each year to local communities to repair and revitalise their historic environment.
9. Provide advice and guidance about the historic environment and offer a wide range of training and learning opportunities.

Strategic outcomes

- The historic environment makes a real difference to people's lives
- The historic environment is looked after, protected and managed for the generations to come
- The historic environment makes a broader contribution to the economy of Scotland and its people
- The historic environment inspires a creative and vibrant Scotland
- The historic environment is cared for and championed by a high-performing organisation

Governance and Accountability

Legal origins of powers and duties

10. HES is an NDPB established by the Historic Environment Scotland Act 2014. HES does not carry out its functions on behalf of the Crown. HES is also registered as a charity by the Office of the Scottish Charity Regulator (OSCR) (No. SC045925) which regulates its activities in that regard.
11. This section summarises the specific responsibilities and accountabilities of the key people involved in governance of HES.

HES Board Responsibilities

12. Members of the Board of HES, including the Chair, are non-executives appointed by the Scottish Ministers in line with the [Code of Practice for Ministerial Public Appointments in Scotland](#). The Chair and Board Members are accountable to the Scottish Ministers and also to the Scottish Parliament and may be required to give evidence to Parliamentary Committees.
13. The Board has overall responsibility for the delivery of the functions of HES, as set out at paragraph 8 above, in accordance with the aims, policies and priorities

of the Scottish Ministers. It has corporate responsibility, under the leadership of the Chair, for the following:

- a. set strategic plans to deliver the functions of HES, focusing on how the work of HES can most effectively contribute to achievement of the outcomes in the [National Performance Framework](#), the [Programme for Government](#) and any relevant SG strategies in collaboration with the SG and other public bodies;
- b. regularly scrutinise current and projected performance against the aims, objectives and targets set out in plans and take decisions on remedial action where required;
- c. ensure that effective governance is established and maintained, including ensuring that decision-taking is open and transparent and, with support from the Accountable Officer and the Audit, Risk and Assurance Committee, ensure that key risks are identified and managed;
- d. approve the annual report and accounts and ensure these are provided to the Scottish Ministers to be laid before the Scottish Parliament;
- e. promote the efficient, economic and effective use of resources consistent with the principles of [Best Value](#), and regularly scrutinise financial performance and compliance with financial guidance issued by the SG;
- f. promote the wellbeing, learning and development of staff, provide support and challenge to the Chief Executive on staffing matters and ensure that HES meets the [HES staff management responsibilities](#) described in the section below.

14. The Board Chair will:

- a. lead the Board, ensuring that all Board members have suitable induction to understand the role and their responsibilities, that the skills and experience of all Board Members are used effectively and that the Board undertakes regular self-assessment of its performance;
- b. ensure that the performance of each Board member is reviewed at least once per year and that the Board and/or individual Board members undertake development activity when required to ensure the effectiveness of the Board;
- c. ensure that the Board reviews its effectiveness annually;
- d. ensure that a Code of Conduct (aligned to the Model Code of Conduct for Board Members) is in place, that corporate actions are taken to implement it as required and that Members understand their responsibilities, using the guidance provided by the Standards Commission;
- e. work with the Portfolio Accountable Officer or their delegate(s) and the Public Appointments Team in SG on succession planning for the Board, action necessary to fill vacancies as they arise, skills requirements and promoting diversity by encouraging applications from less represented

groups, including younger people, people from minority ethnic backgrounds and people with disabilities.

15. Specific guidance on how the Chair and Board Members should discharge their duties will be provided in their appointment letters and in [On Board – A Guide for Members of Statutory Boards](#). Guidance on governance good practice is available in the Scottish Public Finance Manual and from the sponsor team, who may consult the SG Governance and Risk Team. A list of key aspects of governance to consider is included in the section on Governance and Risk below.

HES Chief Executive Responsibilities

16. The Chief Executive of HES is employed and appointed by the Board with the approval of the Scottish Ministers and is the principal adviser to the Board on the discharge of its functions and is accountable to the Board. The Chief Executive role is to provide operational leadership to staff working for HES and to ensure that its aims and objectives are met, its functions are delivered, and its targets are met through effective and properly controlled executive action.
17. The specific duties of the Chief Executive will be set out in a job description, and annual objectives will be agreed with the Chair and used in appraisal of the Chief Executive's performance.
18. In addition to any other specific duties, the Chief Executive will:
 - a. advise the Board on the discharge of its responsibilities – as set out in this Framework Document, in the founding legislation and in any other relevant instructions and guidance issued by or on behalf of the Scottish Ministers;
 - b. implement or oversee implementation of the decisions of the Board;
 - c. work with the Board on preparation of the Corporate Plan, including liaising with the Senior Sponsor and Sponsor Team on key points which need to be addressed and the timetable for preparation and review, and work with the Board to ensure that business plans are put in place to meet the Corporate Plan aims, objectives and performance measures;
 - d. lead and manage the staff of HES, ensuring their wellbeing, learning and development are prioritised, and ensuring that the [HES staff management responsibilities](#) set out in the section below are addressed;
 - e. manage the budget for HES in line with Scottish Government Finance guidance, policies and procedures, including the Scottish Public Finance Manual, and advise the Board on financial implications of all Board decisions, ensuring that appropriate financial appraisal and evaluation techniques are followed (see the [Appraisal and Evaluation](#) section of the SPFM);
 - f. agree with the Board and the Senior Sponsor what information is required to enable the Board and SG to scrutinise the performance of HES and progress against overall strategic and business plan aims and objectives,

and ensure that the agreed information is provided and that is both accurate and timely;

- g. The Chief Executive's Executive Leadership Team will manage the day-to-day relationship with the Sponsor Team, with other SG officials who have an interest in the work of HES and other key stakeholders, including staff of other public bodies.
19. In advising the Board, the Chief Executive will ensure that the key governance issues highlighted in the section on Governance and Risk below are addressed.

HES Accountable Officer Responsibilities

20. The Principal Accountable Officer for the Scottish Administration will designate the Chief Executive as the Accountable Officer for HES. The Accountable Officer is personally responsible for the propriety and regularity of the public finances of HES and ensuring that its resources are used economically, efficiently and effectively, as required by section 15 of the Public Finance and Accountability (Scotland) Act 2000 and may be called to give evidence to the Public Audit Committee of the Scottish Parliament. The responsibilities of the Accountable Officer are set out in full in the [Memorandum to Accountable Officers for Other Public Bodies](#) in the Scottish Public Finance Manual.
21. It is incumbent on the Chief Executive to combine his/her Accountable Officer responsibilities to the Scottish Parliament with his/her wider responsibilities to the Board. The Board / Chair should be fully aware of, and have regard to, the Accountable Officer responsibilities placed upon the Chief Executive, including the statutory duty described above.
22. It is important for the Chair and Board members to recognise that one aspect of these duties is the requirement under section 15(8) of the Public Finance and Accountability (Scotland) Act 2000, where the Accountable Officer considers that any action they are required to take is not consistent with their Accountable Officer responsibilities, they must obtain written authority from the Board and send a copy of the written authority to the Auditor General for Scotland as soon as possible and sent to the Clerk of the Public Audit Committee. The Accountable Officer should consult the Portfolio Accountable Officer before seeking written authority from the Board in these circumstances and should always notify the Portfolio Accountable Officer when such a written authority has been issued.

The Scottish Ministers

23. The Scottish Ministers appoint the Chair and Board Members and hold the Board to account for the performance of HES and its use of resources. Ministers are ultimately accountable to the Scottish Parliament for ensuring that the Board is discharging its duties effectively, although the Parliament will scrutinise the performance of HES directly as it does with all public sector bodies. The Scottish Ministers are not directly responsible for the operation of HES and founding

legislation prevents them from directing the Board in relation to specific statutory functions.

24. The Scottish Ministers will:

- a. agree the strategic aims, objectives and key targets of HES as part of the corporate planning process;
- b. agree the budget for HES, and secure the necessary Parliamentary approval;
- c. approve the Code of Conduct of the HES Board;
- d. approve pay remits or proposals and superannuation arrangements for the staff, Chief Executive, Chair and Board members;
- e. Lay the accounts of HES before the Scottish Parliament;
- f. carry out responsibilities specified in the Historic Environment Scotland Act 2014 including
 - appointments to HES's Board, and approval of the selection of Chief Executive; and
 - approving the terms and conditions of Board members.
- g. undertake the Ministerial roles in processes specified in other legislation which is applicable to HES (including legislation amended by the 2014 Act).

25. Ministers will maintain an appropriate distance from operational decisions, in particular those which rest solely or primarily upon expert judgement and operational managerial decisions of the Board. The areas in which distance from Ministerial involvement is of particular interest to stakeholders include designation and regulatory work, the allocation of grants and the management of collections. However, Ministers can direct HES with regard to properties in care and associated collections as these remain the responsibility of Ministers.

SG Portfolio Accountable Officer

26. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) has designated the Director General for Strategy and External Affairs as the Portfolio Accountable Officer (AO) for the SG portfolio budget which will provide funding for HES.
27. The Portfolio AO's duties are to establish a framework for the relationship between SG and a public body, oversee the operation of that framework, ensure the public appointments to the body are made appropriately and ensure that appropriate assurance is provided on the performance and governance of the body. These activities are known collectively as 'sponsorship'. In practice, the Portfolio AO is likely to delegate some or all sponsorship duties to a Director or Deputy Director as Senior Sponsor and/or to other SG officials in a 'Sponsor Team'. The responsibilities of a Portfolio Accountable Officer are set out in detail

in the [Memorandum to Accountable Officers for Parts of the Scottish Administration](#).

28. The Portfolio AO will:

- a. make sure the framework document is agreed between the Scottish Ministers and the Board of HES, reviewed regularly and oversee the operation of the roles and responsibilities set out;
- b. ensure that financial and other management controls being applied by HES are appropriate and sufficient to safeguard public funds and conform to the requirements both of propriety and of good financial management;
- c. in line with [Code of Practice for Ministerial Appointments](#), ensure that public appointments are made in good time and secure appropriate skills, experience and diversity amongst Board members, working with the Chair on succession planning; that there is effective induction for new appointees; and ensure that there is regular review and a formal annual appraisal of the performance of the Chair;
- d. support regular and effective engagement between HES and the relevant Scottish Minister(s); and
- e. make sure there is clear, documented delegation of responsibilities to a Senior Sponsor and/or Sponsor Team and that the Board and senior officials of HES are aware of these delegated responsibilities.

29. The Portfolio AO remains personally answerable to the Scottish Parliament for the effectiveness of sponsorship activity.

Relationship between Scottish Government and HES

30. Strategic engagement between the SG and HES is essential in order that they work together as effectively as possible to maintain and improve public services and deliver improved outcomes. Specific governance and accountability roles are described in the section above, but more generally, both the SG and HES will take all necessary steps to ensure that their relationship is developed and supported in line with the jointly agreed principles set out in the statement on '[Strategic Engagement between the Scottish Government and Scotland's NDPBs](#)'. This emphasises the need for cooperation and good communication, and particularly early warning from either side about any emerging risk or issue with significant implications for the operation or governance of HES.

Scottish Government Director and Deputy Director

31. The Director for Culture and External Affairs Events and Deputy Director for Culture and Historic Environment have responsibility for overseeing and ensuring effective relationships between the SG and HES which support alignment of HES's business to the SG's Purpose and National Outcomes and high performance by HES. They will work closely with the HES Chief Executive and be answerable to the Portfolio Accountable Officer for maintaining and developing positive relationships with HES characterised by openness, trust, respect and mutual support. They will be supported by a sponsor unit in

discharging these functions. The Director shall be responsible for assessing the performance of the HES Chair at least annually.

Sponsor team responsibilities

32. The SG sponsor team for HES is based in the Culture and Historic Environment Division (CHED). It is the normal point of contact for HES in dealing with the SG. The Sponsor Team's primary function is to carry out the responsibilities delegated to it by the Portfolio AO, directly or via the Senior Sponsor, as described above. In addition to ensuring that the arrangements in this framework document operate effectively, managing public appointments and providing assurance to the Portfolio AO, the Sponsor Team will usually be the first point of contact for the body on any issue with SG. As part of the assurance they provide to the Portfolio AO, they must ensure that key actions and decisions agreed are documented and implemented. This includes ensuring that SG teams implement any agreed actions.

HES staff management responsibilities

Broad responsibilities for HES staff

33. The Chief Executive, challenged and supported by the Board, has responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward staff are to ensure that:
- HR policies, practices and systems comply with employment and equalities legislation, and standards expected of public sector employers;
 - the level and structure of staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness (subject to the SG [Pay Policy for Staff Pay Remits](#));
 - the performance of staff at all levels is regularly appraised and performance management systems are reviewed from time to time;
 - staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the body's objectives;
 - proper consultation with staff takes place on key issues affecting them, as appropriate, including working in partnership with trade unions;
 - effective grievance and disciplinary procedures are in place and ensures that staff know where to access and how to use;
 - effective whistle-blowing policy and procedures consistent with the Public Interest Disclosure Act 1998 are in place and ensures that staff know where to access and how to use; and
 - a code of conduct for staff is in place.

Pay and conditions of service

34. HES will comply with SG Pay Policy in relation to staff and the Chief Executive. The Chief Executive will ensure that a pay remit, in line with the SG [Pay Policy for Staff Pay Remits](#), is submitted to the SG for approval in line with the timetable notified and negotiate a pay settlement within the terms of the approved remit. This should normally be done annually, unless a multi-year deal has been agreed. Payment of salaries should also comply with the [Tax Planning and Tax Avoidance](#) section of the SPFM. Proposals on non-salary rewards will comply with the guidance in the [Non-Salary Rewards](#) section of the SPFM.
35. HES will also seek appropriate approval under the SG [Pay Policy for Senior Appointments](#) for the chief executive's remuneration package prior to appointment, annually or when a new appointment or change to the remuneration package is being proposed.

Pensions, redundancy and compensation

36. Superannuation arrangements for staff are subject to the approval of the Scottish Ministers. HES staff are eligible for a pension provided by the Principal Civil Service Pension Scheme (PCSPS) or a partnership pension with an occupational defined contribution pension arrangement. Staff may opt out of the occupational pension scheme provided, but the employers' contribution to any personal pension arrangement, including stakeholder pension, will normally be limited to the national insurance rebate level.
37. Any proposal by HES to move from existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of the Scottish Ministers. Proposals on compensation payments will comply with the [Settlement Agreements, Severance, Early Retirement and Redundancy Terms](#) section of the SPFM. This includes referral to the Scottish Ministers of any proposed severance scheme (for example, a scheme for voluntary exit), business case for a settlement agreement being considered for an individual, or proposal to make any other compensation payment. In all instances, a body should engage with the Sponsor Team prior to proceeding with proposed severance options, and prior to making any offer either orally or in writing.

Corporate and business plans

38. As set out in Part 1, Section 9 of the HES Act 2014, HES will prepare a draft corporate plan every 3 years setting out its strategic aims, objectives and targets over that period, for consideration by the Scottish Ministers. When a new plan is to be prepared, the Chief Executive or their delegate will liaise with the Sponsor Team to agree the key points to be addressed and the timetable for preparation and review. The final, agreed version of the corporate plan will be published on the HES website.
39. The corporate plan will include HES's:
- purpose and principal aims;

- contribution to the national outcomes set out in the [National Performance Framework](#), the Programme for Government and relevant SG strategies/priorities in collaboration with the SG and other public bodies;
 - analysis of the environment in which it operates;
 - key objectives and associated key performance targets for the period of the plan, and the strategy for achieving those objectives;
 - indicators against which its performance can be judged;
 - details of planned efficiencies, describing how better value for money will be achieved, including through collaboration and use of shared services (if needs be by reference to separate documents); and
 - other key points agreed with the Sponsor Team as described above.
40. The corporate plan will inform the development of a separate annual business plan for each financial year, which will include key targets and milestones for the year immediately ahead, aligned to the NPF, and be linked to budgeting information so that, where possible, resources allocated to achieve specific objectives can be identified. A copy of the business plan will be provided to the sponsor unit prior to the start of the relevant financial year.

Annual report and accounts

41. HES will publish an annual report of its activities together with its audited accounts after the end of each financial year. The annual report and accounts will cover the activities of any corporate, subsidiary or joint ventures under the control of HES. It will comply with the Government [Financial Reporting Manual](#) (FReM) and the [Charities SORP](#) and outline HES's main activities and performance against agreed objectives and targets for the previous financial year. It is the responsibility of the Chief Executive, as Accountable Officer, and the Board Chair to sign the accounts.
42. The accounts will be prepared in accordance with relevant statutes and the specific accounts direction and other relevant guidance issued by the Scottish Ministers. Any financial objectives or targets set by the Scottish Ministers should be reported on in the accounts and will therefore be within the scope of the audit. Any subsidiary or joint venture owned or controlled by HES shall be consolidated in its accounts in accordance with International Financial Reporting Standards as adapted and interpreted for the public sector context.
43. The SG Sponsor Team should receive a copy of the annual report for comment, and a copy of the draft accounts for information, by 31 August. HES is responsible for the publication of the annual report and accounts after they have been laid by the Scottish Ministers. Whilst the statutory deadline for laying and publishing accounts audited by the AGS is 31 December after the end of the relevant financial year, the Scottish Ministers expect that accounts will be laid before the Scottish Parliament and published as early as possible.

External audit

44. The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, HES's annual accounts and passes them to the Scottish Ministers who then lay them before the Scottish Parliament, together with the auditor's report and any report prepared by the AGS. The AGS, or examiners appointed by the AGS, may also carry out examinations into the economy, efficiency and effectiveness with which the body has used its resources in discharging its functions and/or carry out examinations into the arrangements made by HES to secure Best Value.
45. The AGS, or the AGS's appointed auditors or examiners, have a statutory right of access to documents and information held by relevant persons, including any contractors to or recipients of grants from HES. HES will ensure that this right of access to documents and information is made clear in the terms of any contracts issued or conditions of any grants awarded and will also use its best endeavours to secure access to any other information or documents required which are held by other bodies.

Internal audit

46. HES will:

- establish and maintain arrangements for internal audit in accordance with the [Public Sector Internal Audit Standards](#) and the [Internal Audit](#) section of the SPFM;
- set up an Audit Committee of its Board, in accordance with the [Audit Committees](#) section of the SPFM, to advise both the board and the Accountable Officer;
- ensure that the Sponsor Team receive promptly after they are produced or updated: the audit charter, strategy, periodic audit plans and annual audit assurance report, including the Head of Internal Audit opinion on risk management, control and governance – and provide any other relevant audit reports as requested by sponsors;
- keep records of, and prepare and forward promptly to the SG an annual report on fraud and theft suffered by HES and notify the Senior Sponsor immediately of any unusual or major incidents.

Budget management and delegated authority

47. Each year the Sponsor Team will send to HES a Budget Allocation and Monitoring letter, notifying HES of the budget provision, any related matters and details of the budget monitoring information required. HES will comply with the format and timing of the monitoring information requested and with any requests for further information.
48. The statement of budgetary provision will set out the budget within the classifications of resource Departmental Expenditure Limits (RDEL), capital DEL (CDEL) and Ring-fenced (non-cash) (RfDEL) – and, where applicable, Annually Managed Expenditure (AME). These categories are explained in [Annual](#)

[Budgeting Process](#) in the SPFM, and HES will not transfer budgetary provision between the categories without the prior approval of the SG Finance Directorate, which should be sought via the Sponsor Team. Transfers within the categories are at the discretion of the Board or, subject to delegated authority, the Chief Executive or relevant senior manager, if these do not breach any other constraints, for instance the approved pay remit.

49. Where budgetary provision includes projected income, including any income from disposal of non-current assets, the Chief Executive will ensure that the SG Finance Directorate and Sponsor Team are made aware promptly of any forecast changes in income – usually via the monthly budget monitoring statement. The Scottish Ministers expectation is that any shortfall in income unless otherwise agreed with the SG and in circumstances beyond HES's control (e.g., weather related events at the end of the financial year) will be offset by a matching reduction in gross expenditure, and prior approval from the SG Finance Directorate and the Sponsor Team must be sought for any alternative arrangement.
50. Excluding income resulting from gifts, bequests or donations, if income is higher than originally projected, HES shall make SG aware of any forecasted changes in income – usually via the monthly budget monitoring statement. Notwithstanding this and to give HES flexibility to manage income/expenditure over the course of the year, HES has the authority to utilise additional income generated within the financial year without the requirement to seek approval. Where such additional income could not be spent in-year by HES, transferred to the Historic Scotland Foundation (separate charity).
51. HES must still keep the SG informed about income resulting from gifts, grants, bequests and donations so the SG can settle the associated public expenditure treatment. Such income should be spent in-year by HES, transferred to restricted funds in line with the Charities SORP or transferred to the Historic Scotland Foundation (separate charity). Principles for the treatment of such income are set out in Annex B.
52. HES's specific delegated financial authorities - as agreed in consultation between the Board and the Scottish Ministers - are set out in Annex A. The Board will obtain the prior written approval from sponsors and SG Finance before entering into any undertaking to incur any expenditure that falls outside these delegations, and before incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive¹ or which has or could have significant future cost implications.

¹ 'Novel' projects or programmes would include proposed expenditure or financial arrangements of a sort not previously undertaken or entered into or that could not be considered, reasonably, to be standard practice. 'Contentious' projects or programmes would include proposed expenditure or financial arrangements where there is doubt as to regularity, i.e. compliance with relevant legislation, guidance or propriety. Proposed expenditure or financial arrangements that might be considered to be politically sensitive would also be regarded as Contentious. Information on 'novel or contentious projects' can be found in the [Delegated Authority](#) section of the SPFM, particularly paragraph 13.

Governance and Risk

53. Guidance on governance requirements is available in several documents referred to earlier in this framework document:

- [the Scottish Public Finance Manual](#) (SPFM)
- [the Audit and Assurance Committee Handbook](#)
- [On Board – A Guide for Members of Statutory Boards](#)

54. If in any doubt about a governance issue, the Chair or Chief Executive should consult the Senior Sponsor or Sponsor Team in the first instance, and sponsors may in turn consult the SG Public Bodies Unit, the SG Governance and Risk Branch and/or other teams with relevant expertise.

55. The Board and Chief Executive are advised to pay particular attention to guidance on the following issues.

Risk management

56. HES must develop an approach to risk management consistent with the Risk Management section of the Scottish Public Finance Manual and establish reporting and escalation arrangements with the Portfolio AO or Senior Sponsor.

57. The Board should have a clear understanding of the key risks, threats and hazards it may face in the personnel, accommodation and cyber domains, and take action to ensure appropriate organisational resilience, in line with the guidance in: [Having and Promoting Business Resilience](#) (part of the Preparing Scotland suite of guidance) and the [Public Sector Cyber Resilience Framework](#).

Internal control

58. The Board should establish clear internal [delegated authorities](#) with the Chief Executive, who may in turn delegate responsibilities to other members of staff and establish an assurance framework consistent with the [internal control framework](#) in the SPFM.

59. Counter-fraud policies and practices should be adopted to safeguard against fraud, theft, bribery and corruption - see the [Fraud](#) section of the SPFM.

60. Any major investment programmes or projects² undertaken should be subject to the guidance in the [Major Investment Projects](#) section of the SPFM and in line with delegated authorities. The Sponsor Team must be kept informed of progress on such programmes and projects and Ministers must be alerted to any developments that could undermine their viability. ICT investment plans must be reported to the SG's Office of the Chief Information Officer.

61. HES must comply with the requirements of the Freedom of Information (Scotland) Act 2002 and ensure that information is provided to members of the public in a spirit of openness and transparency. HES must also register with

² 'Major investment projects' are those with a total budget of £5m inclusive of VAT.

[Information Commissioners Office](#) and ensure that it complies with the Data Protection Act 2018 and the General Data Protection Regulations, commonly known as GDPR.

Specific financial provisions

62. Many of the provisions included in this section - and other sections - of the framework document highlight specific requirements in the SPFM that are considered of particular relevance to HES. It should be noted however that guidance in the SPFM should always be considered in its entirety as and when relevant issues arise.

Financial investments

63. HES is free to invest non grant in aid income e.g. donations, endowments, bequests and gifts in line with any guidance from OSCR. Unless covered by a specific delegated authority, financial investments from grant in aid are not permitted without the prior approval of sponsors and SG Finance. This includes equity shares in ventures which further a body's objectives. Public bodies should not invest in any venture of a speculative nature.

Tax arrangements

64. Non-standard tax management arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by the Portfolio AO and SG Finance. Relevant guidance is provided in the [Tax Planning and Tax Avoidance](#) section of the SPFM. HES must comply with all relevant rules on taxation, including VAT, and recover input tax where it is entitled to do so.

Income generation

65. Optimising income (not including grant-in-aid) from all sources should be a priority, and sponsors should be kept informed about any significant projected changes in income. Novel or contentious proposals for new sources of income or methods of fundraising must be approved by sponsors and SG Finance. Fees or charges for any services supplied must be determined in accordance with the [Fees & Charges](#) section of the SPFM.
66. Gifts, bequests or donations received by HES, which happen regularly as part of normal operational activity, score as income and should be provided for in the agreed resource DEL and capital DEL budgets, updated as necessary in consultation with the SG. However, HES should be able to demonstrate that expenditure funded by gifts etc is additional to expenditure normally supported by grant in aid (i.e. SG core funding) or by trading and other income unless there is a restriction placed on the donation. Before accepting such gifts etc HES shall consider if there are any associated costs in doing so or any conflicts of interests arising – see the principles in the Gifts section of the SPFM. Note that this relates to gifts to the body - gifts to individuals are covered in the Model Code of Conduct.

Borrowing

67. Borrowing cannot be used to increase HES's spending power. All borrowing - excluding agreed overdrafts - must be from the Scottish Ministers in accordance with guidance in the [Borrowing, Lending & Investment](#) section of the SPFM.

Lending and guarantees

68. Any lending by HES must be in line with the guidance in the [Borrowing, Lending & Investment](#) section of the SPFM on undertaking due diligence and seeking to establish a security. Unless covered by a specific delegated limit (such as within the terms of a grant scheme approved by Scottish Ministers) HES must not lend money, charge any asset, give any guarantee or indemnity or letter of comfort, or incur any other contingent liability (as defined in the [Contingent Liabilities](#) section of the SPFM), whether or not in a legally binding form, without the prior approval of sponsors, SG Finance and where necessary the relevant committee of the Scottish Parliament. Guarantees, indemnities and letters of comfort of a standard type given in the normal course of business are excluded from this requirement. It is for HES to determine if the issue of such lending, guarantees, indemnities or letters of comfort are part of the normal course of business or should be notified to SG for approval.

Asset and property management

69. An accurate and up-to-date record of current and non-current assets should be maintained, consistent with the [Property: Acquisition, Disposal & Management](#) section of the SPFM. HES is also subject to the [SG Asset Management Policy](#).
70. HES has three classifications of property assets:
- Assets specified in any Scheme of Delegation under s.s 3 & 8 of the Historic Environment Scotland Act 2014;
 - Specialised operational properties; and
 - Administrative accommodation properties

Assets specified in any Scheme of Delegation under s.s 3 & 8 of the Historic Environment Scotland Act 2014

71. This section does not apply to assets specified in any Scheme of Delegation under s.s 3 & 8 of the Historic Environment Scotland Act 2014 which will set out specific requirements on the management by HES of properties and other assets owned by the Scottish Ministers, although many of its provisions will be similar or the same as those in this section.

Specialised operational properties

72. Specialised operational properties are those properties which are ancillary to the operation of assets specified in any Scheme of Delegation under s.s 3 & 8 of the Historic Environment Scotland Act 2014. These include but are not limited to depots, collections, archive stores and properties associated with commercial activity.
73. Any proposal to acquire land, buildings or other rights in property for specialised operational purposes should comply with the SPFM. HES's specific delegated financial authority for such properties is included in the attached **Annex**.

Administrative accommodation properties

74. Administrative accommodation properties are those properties which are used for administrative purposes such as headquarter buildings.
75. Any proposal to acquire land, buildings or other rights in property for administrative accommodation purposes should comply with the SPFM. HES is also subject to the SG Asset Management Policy, including (subject to the delegated authority in the attached **Annex**) the requirement for acquisition of a new lease, continuation of an existing lease, decision not to exercise a break option in a lease or purchase of property for administrative accommodation purposes to be approved in advance by Scottish Ministers. The Property Controls Team should be consulted as early as possible in this process.

Lease arrangements

76. Unless covered by a specific delegated authority HES must not enter into any finance, property or accommodation related lease arrangement – including the extension of an existing lease or the non-exercise of a tenant's lease break - without prior approval from sponsors. Before entering/ continuing such arrangements HES must be able to demonstrate that the lease offers better value for money than purchase and that all options of sharing existing public sector space have been explored.
77. Non-property / accommodation related operating leases are subject to a specific delegated authority as set out in the **Annex**. There must be capital DEL provision in the budget allocation for finance leases and other transactions which are in substance borrowing.

Impairments, provisions and write-offs

78. Assets should be recorded on the balance sheet at the appropriate valuation basis in accordance with the FReM. When an asset (including any investment)

suffers impairment, when there is significant movement in existing provisions and/or where a new provision needs to be created, this should be communicated to sponsors and SG Finance as soon as possible to determine the implications for HES's budget. Similarly any significant movement in existing provisions or the creation of new provisions should be discussed in advance with the SG. Write-off of bad debt and/or losses scores against HES's resource DEL budget classification and is subject to specific delegated limit.

Clawback

79. Where HES has financed expenditure on assets by a third party, HES shall make appropriate arrangements to ensure that any such assets above an agreed value are not disposed of by the third party without HES's prior consent in line with the [Clawback](#) guidance in the SPFM. HES shall put in place arrangements sufficient to secure the repayment of its due share of the proceeds - or an appropriate proportion of them if HES contributed less than the whole cost of acquisition or improvement. HES shall also ensure that if assets financed by HES cease to be used by the third party for the intended purpose an appropriate proportion of the value of the asset shall be repaid to HES.

Gifts made, special payments and losses

80. Unless covered by a specific delegated authority, prior approval from sponsors and SG Finance is required before making gifts or special payments or writing off losses. Special payments and losses are subject the guidance in the [Losses and Special Payments](#) section of the SPFM. Gifts by management to staff are subject to the guidance in the [Non-Salary Rewards](#) section of the SPFM.

Procurement and payment

81. Procurement policies should reflect relevant guidance in the [Procurement](#) section of the SPFM and any other relevant guidance issued by the SG's Procurement and Property Directorate. Procurement should be undertaken by appropriately trained and authorised staff and treated as a key component of achieving HES's objectives consistent with the principles of Value for Money, the highest professional standards and any legal requirements. The SG's directory of [SG Framework Agreements](#), is available to support organisations but they should check the Framework Agreement's 'buyer's guide' before proceeding to ensure they are eligible to use the Framework. All external consultancy contracts over the value of £100,000 or any proposal to award a contract without competition (non-competitive action) over the value of £100,000 must be endorsed in advance by the Chief Executive.
82. All matured and properly authorised invoices relating to transactions with suppliers should be paid in accordance with the [Expenditure and Payments](#) section of the SPFM wherever possible and appropriate within Scottish Ministers' target of payment within 10 working days of their receipt.

Insurance

83. HES is subject to the SG policy of self-insurance. Commercial insurance must however be taken out where there is a legal requirement to do so and may also

be taken out in the circumstances described in the [Insurance](#) section of the SPFM - where required with the prior approval of sponsors and their finance business partner subject to the level of inherent financial risk. In the event of uninsured losses being incurred the SG shall consider, on a case by case basis, whether or not it should make any additional resources available to HES. The relevant sponsor team will provide a Certificate of Exemption for Employer's Liability Insurance.

Third party grants

84. Authority under the normal course of business, as provided in the Historic Environment Scotland Act 2014, Part 1, Section 11, is provided for all proposals to make a grant to a third party, whether one-off or under a scheme except where the proposal is Novel and Contentious. Further guidance on Novel or Contentious issues can be found in the [Delegated Authority](#) section of the SPFM. Such funding will be subject to the guidance in the [Subsidy Control](#) section of the SPFM, the principles set out in the framework for the control of third party grants provided as an [annex](#) to the 'Grant' and 'Grant in Aid' section of the SPFM and any other SG guidance on grant giving such as Fair Work conditions. HES grant schemes are subject to approval by the Scottish Ministers with the award of individual grant applications under such approved schemes subject to approval by HES. The Historic Environment Scotland Act 2014 provides that Scottish Ministers may not direct HES either to make or not to make a grant or loan in respect of any individual application which is properly constituted under the terms of a grant scheme approved by them.

Subsidy control

85. The EU State aid regime was effectively revoked from UK law from 1 January 2021 and subsidy control provisions are now covered by the UK-EU Trade and Cooperation Agreement (TCA). They are also covered by the UK's international obligations, including various Free Trade Agreements and those arising as a consequence of World Trade Organisation membership. Currently, any activity that HES undertakes itself, or funds other bodies to undertake, that can be offered on a commercial market for goods and services, is subject to the TCA subsidy rules. A full assessment is required prior to disbursing any funding, subject to the guidance in the subsidy regime section of the SPFM. The UK Subsidy Control Act received Royal Assent in April 2022 and the current position will be subject to change when the new regime comes into force.
86. Awards of third party grants from approved HES grant schemes are covered by the Historic Environment Scotland Culture and Heritage Infrastructure Scheme (the "Scheme") which operates in accordance with the UK Subsidy Control Regime and EU-UK Trade and Cooperation Agreement declaring certain categories of aid compatible with the UK Internal Market and the strategic objectives of the UK Subsidy Control Regime.

Remuneration

87. Remuneration, allowances and any expenses paid to the Chair and Board Members must comply with the latest SG Pay Policy for Senior Appointments and any specific guidance on such matters issued by the Scottish Ministers.
88. Staff pay, pensions and any severance payments must be in line with the requirements of Public Sector Pay Policy and the responsibilities described in the section on NDPB Staff Management Responsibilities.
89. All individuals who would qualify as employees for tax purposes should be paid through the payroll system with tax deducted at source.

Banking and cash management

90. Banking arrangements must comply with the [Banking](#) section of the SPFM.
91. Cash management arrangements need to be addressed as well as overall budget management. Any [grant in aid](#) (i.e. the cash provided to HES by the SG to support the allocated budget) for the year in question will be authorised by the Scottish Parliament in the annual Budget Act. HES will normally receive monthly instalments based on updated profiles and information on unrestricted cash reserves and will not seek any payment in advance of need. HES will keep its unrestricted cash reserves held during the year to the minimum level needed for efficient operation and any relevant liabilities which have to be met at the year-end. Grant in aid not drawn down by the end of the financial year will lapse. HES will not pay Grant-in-Aid into any restricted reserve it holds.

Helpful information

92. The Public Bodies Support Unit has produced a register of reporting requirements for devolved public bodies which will help in regard to compliance with certain legislative asks. Copies of the register can be obtained from the [PBSU mailbox](#).

Annex A: Specific Delegated Financial Authorities

		Delegated Limit
Commit expenditure, authorise payments		Within HES's overall budget provision
Major investment programmes / projects		£5,000,000 per project inclusive of irrecoverable VAT. HES to notify SG of all investment projects/programmes with a value of between £2,000,000 and £5,000,000 inclusive of irrecoverable VAT.
Operating leases – other than specialised operational property related leases		£250,000 per lease
Specialised operational property leases (ancillary to assets specified in any Scheme of Delegation under s.s 3 & 8 of the Historic Environment Scotland Act 2014)		HES can take a lease at market value of up to 15 years duration with at least one lease break and rental of up to £300,000 per year.
Third party grants		Within grant schemes approved by Scottish Ministers
Compensation payments		£50,000 per case
Gifts		£5,000 per gift
Special payments		£50,000
Claims waived or abandoned		£50,000
Write-off of bad debt and/or losses		£250,000

Annex B: Treatment of additional income, gifts, grants, bequests and donations

	Treatment
Restricted for specific purpose by donor or grantor	Transfer to HES restricted funds
Unrestricted and HES has capacity to spend funds in the same year	Spend within the same year as receipt
Unrestricted and HES does not have capacity to spend funds in the same year	Transfer to Historic Scotland Foundation (separate charity)