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MINUTES OF HES BOARD MEETING

HELD ON 22 FEBRUARY 2024

LONGMORE HOUSE, EDINBURGH

Present:

Hugh Hall
Ian Brennan
Gemma Butterfield
Andrew Davis
Joe Doogan
Emma Herd
Simon Hodge
Gary Jebb
Ann Leslie
Terry Levinthal
Anne-Marie O'Hara
Ian Robertson

In attendance:

Alex Paterson, Chief Executive
Stephen Duncan, Director of Marketing and Engagement
Craig Marshall, Interim Director of Finance and Corporate Services
Elizabeth McCrone, Director of Heritage
Craig Mearns, Director of Operations
David Mitchell, Director of Cultural Assets
Lindsay Ross, People Director
Alison Turnbull, Director of External Relations and Partnership
Callum Stanners, Head of Chief Executive's Office
Zsombor Bardossy, Chief Executive's Office Manager
Denise Mattison, Head of Corporate Analysis and Performance (part)
Agnieszka Davren, Head of Strategic People Projects (part)
Rob Lennox, Managing Director, Sterling Reward Management (part)

Introduction, Apologies, and Minute of the Last Meeting

1. The Chair welcomed everyone to the meeting.

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2. Terry Levinthal declared an interest in the item on Outline Strategic Plan for Holyrood Park in the Chief Executive's report given his employers involvement.
3. The minutes of the Board meeting held on 23 November 2023 were approved.

Matter Arising

4. The CEO provided the Board with an update on the Archive House project. It was noted that concerns raised at the Finance Committee and at the Audit and Risk Committee including, but not limited to: a) significant investment in a short term lease property and continuing uncertainty over exercising the right to buy; b) significant increase in development costs; c) the absence of a capital allocation from the Scottish Government and the requirement to fund from revenue; d) the growing prospect of construction not being completed on time to secure a seamless move from John Sinclair House e) the exploration of alternative plans.
5. The Board requested a more comprehensive report for the next meeting and noted the significant risks associated with the project.
ACTION: Chief Executive
6. The CEO updated the Board on the progress of Dallas Dhu Distillery. A comprehensive document pack is currently being prepared and will be presented at the Board Strategy Day on 21 March for approval.
7. The Board homologated the Business Case for implementation of the 35-Hour Week and changes to the HES Enterprise Board Membership, both of which had been approved by Board members via circulation.

Chair's Update

8. The Chair updated the Board on a number of matters, including the appointment of the new minister and the CEO recruitment progress.

Chief Executive's Update

9. The Chief Executive highlighted a range of items, which supplemented the written report, including;
 - Skills Shortages: It was recognised that while HES has a key role in addressing the issues surrounding skills shortages, in particular traditional skills, it was not the sole responsibility of HES. It is imperative for HES to work with key partners within the sector to address shortages acting as a catalyst to leverage support from within the sector and Scottish Government.

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- Scotland’s Historic Environment Forum (SHEF) 2024 went ahead on 7 February. It was well attended and well received by partners.
 - Business Model Framework Document: Discussions with Scottish Government were progressing well. However, there remained a few issues which required further clarification and refinement.
10. The Board commended the work undertaken in relation to the review of the City Heritage Trusts funding programme and confirmed that Board Members were content with the suggested direction of travel.
ACTION: Director of External Relationships and Partnership
11. The Board noted that a refreshed Skill Investment Plan for Scotland’s historic environment has been developed and will be published in March. The forthcoming plan aims to maintain the comprehensive approach, ensuring coverage across all relevant skills within the sector.

Financial Statement

12. The Interim Director of Finance and Corporate Services presented the Financial Statement to 31 December 2023. The year-to-date position continues to show a surplus against budget largely due to strong commercial performance. Cost pressures particularly in relation to the approved pay award can be accommodated within increased income, and the year-end position is expected to offset the over-commitment in the original budget and not require use of the designated fund. The utilisation of additional commercial income has yet to be agreed with SG.

Corporate Performance Report

13. The Board considered the mid-year results of HES’ performance against the 27 indicators in the Annual Operating Plan. Of these, 22 are either Achieved or On Track to be Achieved (81%), and 4 are At Risk (15%) and 1 (4%) is to be confirmed.

Pay and Grading Review

14. The Director of People led on the presentation on the work undertaken on the Pay and Grading Project. The project was commissioned to address some of the challenges and inconsistencies identified within the existing pay and grading structure at HES and ensure the structure is comparable with other public sector bodies and Scottish Government. By addressing these challenges, including around the value placed on technical versus management positions, it would address some of the difficulties experienced in recruiting for specific roles.
15. The project is being supported by Sterling Reward Management and Rod Lennox, Managing Director, gave a more detailed explanation on the

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methodology and the scope of the project. It was stressed that Job Evaluation underpinned the approach and Mr Lennox reassured Board Members that the Trades Unions (TUs) had been fully consulted and had played an active role in the Job Evaluation process. Board Members sought clarification around the methodology, the scope and wider implications of the project. These were addressed during the presentation.

16. The Board commended the effort and work that had gone into the project and were supportive of the overall approach. The Board noted that there would need to be further consideration of the outcomes from the project, including careful consideration of the impact and demands it would place on the budget. It was agreed that the Pay and Grading Business Case would be considered by the Finance and People Committees, before it being presented formally to the Board.

Draft Budget 2024-25

17. The Chief Executive presented the draft budget for the 2024-25 financial year. It was noted that this version was for information purposes only. The Chief Executive explained that there were a number of outstanding issues which would directly impact on the final budget. These included decisions on the implementation of the pay and grading review.
18. Board members asked several questions on points of detail. The Board recognised that there would continue to be pressures on the budget. There was general discussion in relation to future cost cutting measures and the feasibility and implications of such measures. It was expected that the new Business Model Framework might afford new opportunities to address some of these pressures.
19. More detail was sought on overall cost reduction and revenue generating options. Further discussion was also required on the capital investment programme and prioritisation. This would allow Board Members the opportunity to understand more fully the medium to longer term financial strategy and provide the basis for a more informed discussion.

ACTION: Interim Director of Finance and Corporate Services

Denise Mattison joined the meeting.

Draft Annual Operating Plan 2024-25

20. The Interim Director of Finance and Corporate Services provided an update on the development of the Annual Operating Plan (AOP) for 2024-25, emphasising that this update was for discussion purposes only. The AOP would be brought for discussion and approval at the forthcoming Board Strategy Day. In the meantime, Board Members were invited to consider the

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prioritisation of existing activities and feedback at the next meeting. It was noted that approval of the AOP would be dependent upon the budget.

Denise Mattison left the meeting.

Update on High Level Masonry Programme

21. Director of Operations provided an overview of the latest HLM update paper, highlighting the commendable progress in inspections and enhancements in site accessibility. It was noted that inspections are currently ahead of schedule, however there is an expected overspend attributed to unforeseen expenses and additional inspections.
22. The Board inquired about the operational aspects of the business as usual scenario and requested details regarding the desired regime and its associated costs.

Committee Updates

23. ARAC

- Ian Brennan, Chair of ARAC highlighted the Minute of the meeting of 15 November 2023 that had been circulated in the Board pack and provided a verbal update on the meeting of 21 February 2024. The Committee had considered progress with the HES accounts and the accounts of HESe, the risk register and three internal audit reports. External audit is scheduled to be completed in time for the ARAC meeting which is due to take place in September.

24. Finance Committee

- Simon Hodge briefed the Board on business considered by the Committee at the last meeting. This included update on the proposed business model and Archive House.

25. People Committee

- Emma Herd, Chair of the People Committee updated the Board on subjects discussed in the last meeting on 5 February, including People strategy forward planning, wellbeing and engagement survey. The 35 hour work week is in the implementation phase now.

26. Heritage Assets Committee

- Terry Levinthal, Chair of the Heritage Assets Committee reported that the Committee had not held a meeting since the last board meeting. However, a meeting had been scheduled in advance of the March Board Meeting.

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27. HESe Board

- Ian Robertson, Chair of the HESe Board gave an update on the previous day's meeting, highlighting continued good commercial performance and HESe loan repayment is on track.

Meeting closed.