HISTORIC ENVIRONMENT SCOTLAND | ÀRAINNEACHD EACHDRAIDHEIL ALBA

DRAFT MINUTES OF HES BOARD MEETING

HELD ON 19 MARCH 2026

LONGMORE HOUSE, EDINBURGH

Present:

Sir Mark Jones, Chair
Ian Baxter
Joe Doogan
Andrew Davis
Susan Deighan
Simon Hodge
Gary Jebb
Ann Leslie
Ray Macfarlane
Nkosana Mafico
David Richardson
Stephen Uphill
Katerina Brown – via Teams

Apologies:

Gemma Butterfield
Emma Herd

In attendance:

Scottish Government
Chief Executive Office
Director of External Relations & Partnerships (ER&P)
Interim Finance Director
ER&P Head of Grants

1. Welcome, Apologies and Declarations of Interest

The Chair welcomed all attendees and noted apologies from Gemma Butterfield and Emma Herd.
No new declarations of interest were recorded.

2. Draft Minutes of Previous Meeting and Action Tracker

The Board reviewed the previous minutes and noted required updates.
The Action Tracker was highlighted as outdated, with entries dating back to 2021.

The Board discussed Archive House lessons learned and requested a paper on future archive strategy.

3. Matters Arising

No additional matters arising.

4. Chair's Update

The Chair provided a verbal update covering archive challenges, strategic pressures, and ongoing governance expectations.

5. Executive Update

CEO outlined financial constraints, sector credibility, and upcoming risk areas.
COO outlined shared-service discussions and risks within current capital funding limitations.

Board emphasised risk around project management capacity and insufficient resourcing.

6. Committee Updates

ARAC: Raised concerns around contract management, fraud controls, and Archive House governance.
People Committee: Progress on People Strategy and updated policy frameworks.

Finance Committee: Reviewed budget, CHT evidence gaps, and future grants structure.

HAC: Discussed Trove delays, collection policies, and estate risks.

HESe Board: Highlighted income volatility and NCAP system issues.

7. Grants Budget Allocation – Decision

Alison Turnbull and Susan O'Connor presented the updated Grants Budget Allocation paper, noting its prior review by the Finance Committee and the requirement for Board approval under the Scheme of Internal Delegation. The ELT unanimously supported the proposed changes and confirmed resourcing was in place.

The Board welcomed the clearer, more accessible grants framework. Discussion focused on the revised benefits methodology, with the Finance Committee recommending that benefits and implications be captured in background reporting. It was acknowledged that ongoing monitoring will ensure grant allocation equity.

The Board highlighted the importance of capturing volunteer involvement and agreed that future reporting should include annualised grant expenditure and benefits.

Overall, the Board expressed strong support for the updated grants framework and approved the proposals unanimously.

Decision: APPROVED

8. City Heritage Trusts – Decision

Alison Turnbull provided an update on the City Heritage Trusts following Board-approved changes last year. The updated model reflects a complex but value-for-money, regionally flexible approach, with quarterly reporting and a substantial three-year review built into a five-year funding framework.

The Board noted the challenges caused by sector redundancy notices being issued, driven by the lack of guaranteed funding beyond March and wider reductions in sector funding. Variation in support from local authorities was highlighted, with strong backing in Edinburgh and Glasgow but none in Dundee. HES site visits and monitoring processes help verify impact and manage dependency risks.

Members emphasised the need for earlier decision-making, as delayed timelines create instability across the sector. The City Heritage Trust 3+2 funding structure is expected to improve predictability, but better alignment between committees and the Board was recommended to ensure smoother governance.

There was discussion around sector dependency on HES funding, the risks this creates, and the need for clearer communication and realistic expectations.

The Board agreed the proposed approach and communication plan. City Heritage Trust representatives will be contacted directly, with wider communication to follow through HES channels.

Decision: APPROVED

9. Operating Plan & Budget 2026–27 – Decision

The Board reviewed Year 2 of the three-year Operating Plan, including updated performance measures and a narrative reflecting the ongoing Cultural & Organisational Review. Discussion focused on the Edinburgh Castle strategic plan, with the Board agreeing it remained essential and should progress, led by the COO with HESe support.

Members noted that this work represents the beginning of a major project and emphasised the need to strengthen income-generation plans. The Board also discussed opportunities within the non-PIC estate, noting the current lack of clarity around responsibilities across directorates; this will be addressed through the David Martin Review.

Questions were raised about whether sufficient budget exists to deliver the plan, particularly in relation to resourcing for Martyn's Law, fire safety, and assets in care. The Board acknowledged wider financial strain, ongoing underinvestment in the PIC estate, and the need for future reprioritisation. Further steps will follow once the external review concludes.

The Operating Plan for 2026–27 was approved by the Board.
Significant risk identified around resource alignment and non-PIC estate clarity.

Budget: The Board discussed the significant cost-reduction challenges highlighted by the Finance Committee, including whether HES could operate with an 8% reduction in headcount. Craig Marshall outlined the budget assumptions: 3% year-on-year growth, a 5% commercial income growth target, increased grant-in-aid, and ongoing pressure from staffing costs, which make up 55% of total expenditure. Operating costs remain largely flat, with a £10m IP budget and grants increasing next year.

Key risks noted included lower-than-forecast commercial income (1–2% growth historically), global instability, inflation, overseas market volatility, and rising staffing and energy costs. Potential income relief could come from NCAP and further ticketing options next year.

The Board discussed the need to shift commercial focus toward profitability, challenge headcount growth, and improve efficiency. Broader financial risks, such as a downturn in tourism, were highlighted, along with the need for contingency planning and improved modelling of expenditure and outcomes.

The Board agreed that clearer visibility on efficiencies and future risks is required, with Finance to produce further assurance reporting. Early warning indicators, including visitor numbers, were considered important.

The Budget was approved by the Board.

Decision: APPROVED

10. Financial Statement to 31 January 2026

Craig Marshall presented the financial position to 31 January 2026, highlighting key risks including the £1m NCAP contract with the UAE, which is now expected in 2026–27, and a £1m shortfall in commercial income, partially offset by higher-than-expected grants. Despite these challenges, the Finance Committee confirmed that HES is on track to break even, with a potential small surplus expected to transfer to the HES Foundation.

The Board discussed the handling of surpluses under the new operating model, seeking clarity on why funds are transferred to the Foundation rather than retained directly by HES. It was confirmed that surpluses can only be held within the Foundation, which supports HES projects, although designated and restricted funds can still be retained for specific purposes. Questions were raised about the risks of "circular funding," and further assurance and legal clarity were requested.

The Board noted that the Foundation predates the current business model and now operates with no cap on the surpluses it can hold.

11. Corporate Performance Report Q3 2025–26

Update given by Craig Marshall, most KPIs on track; three unlikely to be achieved.

12. Corporate Risk Report Q4 2025–26

The Board reviewed the updated Corporate Risk Report, noting that key risks had already been discussed at ARAC. Members highlighted several areas requiring further attention, including the addition of risks related to international instability and inflation. Scottish Government-identified risks will also be incorporated.

Clarification was sought on differences between long-term archive accommodation needs and shorter-term archive solutions. The Board also discussed distinctions within the People/Equalities risk category, noting that Equality, Diversity & Inclusion presents specific risks, while People and Culture represent broader organisational behaviour and workforce issues.

Additional points included the evolving risks identified through internal audit, the need to review EPC policy timelines, and the challenge of ensuring that while policy changes can be implemented quickly, their effectiveness may take longer to evidence.

13. Future Dates

The Board noted the upcoming programme of meetings. Arrangements for the Strategy Day remain to be confirmed, with David Richardson having contacted Scottish Borders Council and Andrew Davis suggesting a half-day session combined with a site visit. The following Board meeting dates were confirmed:

28 May 2026 (full-day meeting)

27 August 2026

8 October 2026

3 December 2026

14. Any Other Business

No additional business raised.

15. Closed Session

Meeting closed: 14:46
