

Performance management in Historic Scotland

Prepared for the Auditor General for Scotland

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Auditor General for Scotland

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Performance management in Historic Scotland

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Main findings

1. Historic Scotland (HS) is an executive agency that advises Scottish Ministers on policy on the built heritage and implements that policy on behalf of Ministers. The agency was created within the Scottish Office in 1991 and is now part of the Scottish Executive Education Department (SEED). In 2002-03 HS spent over £53 million of which £19 million was generated in income and £34 million provided as grant from the Scottish Executive. HS expenditure grew by 59% in the ten years to 2002-03 and by 11% over the last three years. Expenditure is planned to grow by a further 19% over the next three years to £63.7 million in 2005-06.
2. Audit Scotland's performance audit has coincided with a review by the Scottish Executive (SE) of HS's structure and functions. The aims of the audit were to examine HS's approach to measuring and managing performance. It complements the study by the SE and the results will be taken into account by the Executive in finalising their review. The Executive has commissioned an independent analysis of the views of stakeholders and a report of this analysis will be published with the SE review.
3. HS's objectives, performance targets and resources are determined by SE Ministers. HS's mission is "to safeguard the nation's built heritage and promote its understanding and enjoyment". Its principal objectives are :
 - to protect and conserve Scotland's built heritage
 - to encourage public appreciation and enjoyment of Scotland's built heritage
 - to play an active role in the development and success of Scottish Ministers social and economic and environmental policies
 - to be effective and efficient in their work.

Each objective has an associated set of activities and these are set out, along with budgeted resources, in Exhibit 1.

Exhibit 1

Historic Scotland's Objectives and Main Activities

Objectives	Main activities	Budget (2003/04)
To protect and conserve Scotland's built heritage	<ul style="list-style-type: none">• Listing buildings and scheduling monuments• Conserving and maintaining properties in care• Grants• Research and development	£38m
To encourage public appreciation and enjoyment of Scotland's built heritage	<ul style="list-style-type: none">• Opening properties to visitors• Promoting knowledge and appreciation	£14.5m
To play an active role in the development and success of Scottish Ministers' social and economic and environmental policies	<ul style="list-style-type: none">• Promote social justice• Attract visitors• Provide jobs• Contribute to sustainability	None specifically allocated
To be effective and efficient in their work	<ul style="list-style-type: none">• Value and develop staff• Continuous improvement in policy and procedures• Generate income• Best use of external funding	£5.2m

Source: Historic Scotland Corporate Plan 2003-2006

Performance results

4. HS has nine key performance targets set by Ministers. These are set out in Exhibit 2. The overall picture is of HS achieving targets and delivering services that achieve their objectives in broad terms. In 2002/03 seven targets were met or exceeded and two were narrowly missed. The same nine targets are in place for the current year; two have been revised downwards and two have been raised.

Exhibit 2 Key performance targets

	Target/Performance 2002-03	Target 2003-04
Monuments scheduled	275/275	217
Listed building re-survey units (weighted no)	125/126.2	125
Time to resolve 80% scheduled monument cases in 9 weeks	9/9	9
% listed building consent cases resolved in 28 days	97/98	97
No of condition surveys for properties in care	65/61	65
Average retail spend per visitor (£).	2.10/2.26	2.35
Performance rating from the Mystery Visit programme (using 3 year rolling average) (%)	86/87	86
Target market share compared to other paid visitor attractions in Scotland (%)	56/55	55
Efficiency gain on all non grant expenditure	1%/1%	1%

5. The targets cover key aspects of HS performance in conserving and promoting interest in the built heritage. They do not cover all the key area of work e.g. grants, which amount to £11m (over 20% of the budget), absolute visitor numbers or HS's role in promoting wider social and economic policies. Over the years some targets have been discontinued and some new ones introduced. For example, in 1996/97, HS discontinued setting and reporting a target for visitor numbers. This target has been replaced by a target for HS "market share" compared with other visitor attractions. Similarly a performance target that measured the percentage of satisfied visitors has been replaced with a target based on experiences of 'mystery visitors' to HS properties. Targets relating to the grants scheme were discontinued in 2000-01 and have not been replaced.

6. In the Executive's Spending Review 2002 Ministers set three targets for HS to achieve by 2005/06. These provided targets for the grants programme and for absolute visitor numbers – two indicators not covered in the annual key performance targets; and another to complete the programme of condition surveys of properties in care. HS is actively pursuing improvement towards the targets set.
7. Over the last seven years there have been 69 targets set. Of these, 62 (90%) have been met or exceeded; seven have not. Of the 7 targets that were not met, 2 have since been withdrawn, two were revised downwards, and in two cases performance has improved against a lower target. One of the discontinued targets was replaced by an amended version of the original target. The other discontinued target related to the number and value of projects assisted by grants. The targets are discussed in detail in Part 3.
8. The key targets provide information about the efficiency and effectiveness of services. Targets are monitored by the responsible organisational units that maintain a check on likely outturns against targets. The annual report for 2002-03 discusses the performance targets in the context of other work which the organisation undertakes but which is not readily reflected in the performance targets. For example, the objective of contributing to Ministers' wider policy objectives has been articulated recently. HS is endeavouring to develop this role and there is a need to clarify further what this entails and consider introducing relevant performance indicators in relation to this objective. HS also plays a key role in advising and supporting Ministers on policy. This function is not presented as a prominent activity of the agency and is not well understood by stakeholders. It would be useful to provide some information about performance of this function in the annual report.
9. The targets provide some information about the experiences of people who use HS services. The market share figures suggest that HS properties and the services provided there remain attractive to visitors. The Mystery Visitor programme provides a measure of the quality of services provided. But the targets do not provide information about the experiences of people who apply for consents or grants. The preliminary findings from the analysis of stakeholders' views commissioned by the SE suggest that HS's work in protecting the built environment and promoting appreciation is widely valued. The detailed findings of this analysis were not available during this audit. When published they will provide information about stakeholders' views which HS should draw upon in managing its future performance.

10. Performance management needs to recognise the importance of less measurable aspects of performance and ensure that allocation of resources gives adequate weight to both measurable objectives and those that are more difficult to quantify.

Managing performance

11. Resources are allocated against three of the main objectives but not broken down further to relate to specific activities. There is scope to develop further allocation of resources by function so priorities for resource allocation can be more readily detected. Resource allocations also do not reflect apportionment of income. There is a risk that unexpected events affecting income could lead to difficulties in managing reductions in income but HS prefer to manage these pressures corporately.
12. HS objectives are diverse and there is much public debate about priorities e.g. between conservation and commercial activities. The fact that one third of expenditure is supported by generated income imposes pressures on priorities. Many of the issues on which HS has to decide are complex and inspire strong public feelings. The complexity of decisions requires that HS continues to work hard to present its work in a manner which is sensitive to stakeholder interests, as transparent as possible and clear where accountability lies.
13. In setting objectives the views of stakeholders are taken into account by HS and the head of SEED. Formally there has been limited open discussion about objectives and targets but a new advisory council has been set up, the Historic Environment Advisory Council for Scotland (HEACS), to provide advice on long term strategy and this will provide a useful additional means of transmitting stakeholders' views to Ministers. The new advisory council arrangements should improve communication between key stakeholders, HS and Ministers. The Council's annual report to the Scottish Parliament will provide a good opportunity to enhance public consideration of the policy issues.
14. Performance of HS is monitored through regular meetings between the Chief Executive and the Head of SEED and occasional meetings with Ministers. The HS Management Board reviews target outturns quarterly. Progress in achieving corporate objectives should be systematically reviewed by the Board.
15. The Audit Committee's role is being strengthened. It now contains two non-executive members, one of whom chairs the committee. However both are SE employees and are therefore not in the position to take an entirely independent viewpoint. An independent non-executive contribution could also improve the management board's corporate governance and capacity for strategic thinking and performance review.

Reporting performance

16. The corporate plan and the annual report and accounts provide information for Ministers and the public on the agency's performance. It notes performance against targets and, in the latest report, discusses two targets that were not achieved. It considers key developments in relation to the main objectives of the agency but does not systematically provide a clear assessment of the achievement of all of the principal objectives as set out in the corporate plan.

Part 1: Introduction

1.1 Historic Scotland (HS) is an executive agency within the Scottish Executive(SE). It advises Ministers on all aspects of built heritage policy and is responsible to Ministers for implementation of that policy. The agency was created within the Scottish Office in 1991 and is now part of the SEED. It is headed by a Director and Chief Executive who is accountable to the Minister for Tourism, Culture and Sport.

1.2 Audit Scotland's performance management audit has been conducted at the same time as a review by the SE of HS's structure and functions. The aims of the Audit Scotland audit were to examine Historic Scotland's approach to measuring and managing performance and to make recommendations as appropriate for the SE and for HS. The audit examined the following questions:

- what is Historic Scotland expected to achieve?
- what does the available evidence indicate about how the agency is achieving its objectives?
- how does Historic Scotland manage its performance and support continuous improvement?
- how does Historic Scotland report its performance?

1.3 During the audit we

- reviewed key documents;
- analysed performance targets and other performance information;
- carried out semi-structured interviews with staff in Historic Scotland and members of the management board;
- consulted the Secretary of SEED; and
- consulted external and internal auditors.

- 1.4 The audit did not directly examine the quality of Historic Scotland's services, nor did it include interviews with stakeholders. Evidence of the views of stakeholders is contained in the independent analysis of stakeholders' responses to the SE consultation on the functions and structure of HS, which was commissioned by the SE.
- 1.5 The SE review of HS structure and functions has a wider reach than Audit Scotland's study. The purpose of the SE review was to:
- consider the range of functions currently discharged by Historic Scotland;
 - consider whether the most appropriate vehicle for the delivery of those functions is an executive agency or some other body; and
 - make recommendations to Ministers.
- 1.6 This review was carried out within the Scottish Executive and was guided by a steering group chaired by the SE and containing representatives of key stakeholder interests. The Audit Scotland performance audit report complements that review in providing detailed information about how HS's performance is managed. The Audit Scotland report does not cover policy issues whereas the SE review will consider options for SE Ministers who are responsible for determining the policy within which HS functions. An important part of the SE review has been a detailed consultation with stakeholders. Responses have been analysed by an independent company and the Executive will publish a copy of their report at the same time as the SE review is published. This will set out the views of stakeholders on HS's role, its organisation and its performance. The reports from the SE and from Audit Scotland will together provide a comprehensive analysis of HS's role and current performance. Ministers will make an announcement of their conclusions about HS's future direction early in 2004 and in doing so will take account of this report as well as the report from the SE.

An executive agency

- 1.7 As an executive agency HS provides services direct to the public on behalf of Ministers. It operates at arm's length from the parent department in the Scottish Executive and has autonomy and freedom of action on operational matters. Ministers do not get involved in the day-to-day operation of executive agencies but they set specific financial and operational targets within which the agency must operate.

1.8 The role and responsibilities of the agency, together with the terms of its relationship with Ministers and the parent department, are set out in a Framework Document. The framework document sets out :

- the function, aims and objectives of the agency and the areas of activity against which key performance targets will be set;
- the requirement to produce a corporate plan covering three or five years ahead, setting out objectives, tasks and priorities and putting forward the agency's planned strategy for achieving key performance measures and its output and resource requirements; and
- the requirement to produce an annual report and accounts which are presented to Ministers and laid before the Scottish Parliament. The annual report and accounts should include a review of the agency's performance over the previous year against its performance measures and targets.

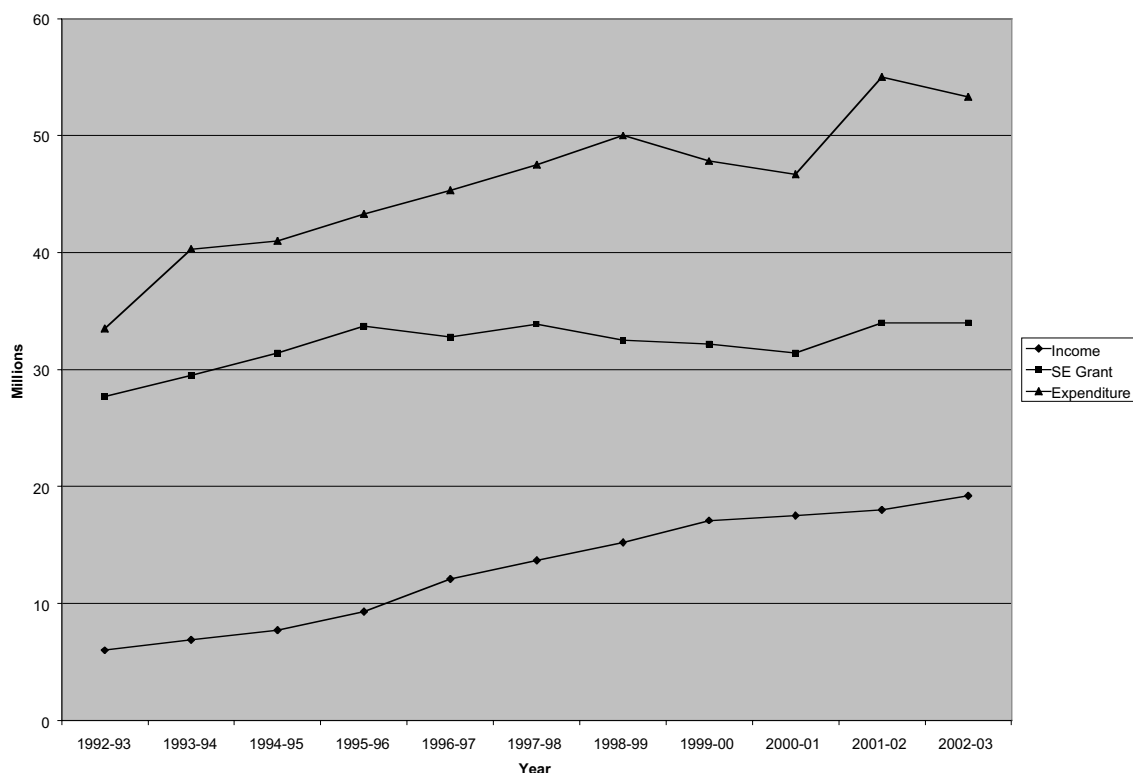
1.9 Accountability for setting policy, allocating resources and appointing the Chief Executive lies ultimately with Ministers. Accountability for HS' s management, performance and future development lies with the Chief Executive of HS as Agency Accountable Officer. The Head of SEED is responsible for advising Ministers in the exercise of their responsibilities, and for his duties and responsibilities as Departmental Accountable Officer for the Department budget.

Part 2: Performance results

Spending

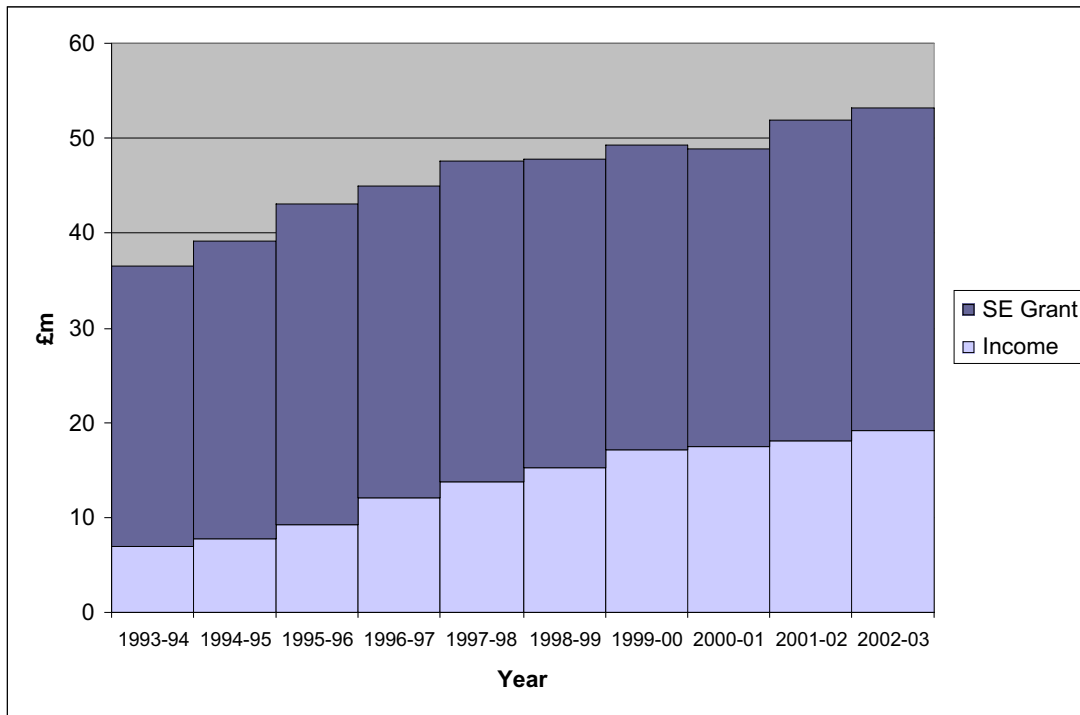
2.1 Historic Scotland spent £53.3 million in 2002-03. This represents a decline of 3% on the previous year; but an increase of 12% over five years and 59% compared with ten years before. Expenditure is planned to grow by a further 19% over the next three years. HS is funded from two main sources – grant approved by SE Ministers, and income generated by HS, mainly from admission charges, retail sales and events. Exhibit 3 shows the expenditure, income and grant trends over the last ten years. Spending reductions in 1999-2000 have been succeeded by significant increases which are planned to continue over the next two years.

Exhibit 3 HS expenditure, grant and income 1992-3 to 2002-03



2.2 Over the last ten years generated income has grown by 220% from £6m to £19.2m and government grant by 23% from £27.7m to £34.4m. This has occurred in a period when expenditure has grown by 59%. In 2002-03 £19.2m (36%) of HS budget derived from income, mostly from admission charges, retail sales and events. This contrasts with a figure of 18% in 1992-93. This illustrates a marked change in the balance between income and government grant and demonstrates how increased income has played a disproportionately large part in supporting the spending increases that HS has achieved over the last ten years (see Exhibit 4). The SE provide the remainder of HS income through government grant. This amounted to £34m in 2002-03. In the three years to 2005-06 the Executive's contribution will be £33.8m, £36.2m and £38.4m (net of capital charges), amounting to an overall increase in grant of 13% over three years. These contributions are planned to support spending of £56.6m, £60.4m and £63.7m respectively. The assumption is that income will rise by 32% over that period to reach £25.3m in 2005-06.

Exhibit 4 HS generated income and SE grant



Performance results

- 2.3 The objectives of HS are set out in Exhibit 1. The objectives are set by Scottish Ministers. They are comprehensive and diverse. The first two principal objectives cover the main functions of HS – conservation and promotion of the built heritage. A third objective, that was first articulated in the corporate plan for 2002-03, relates to wider SE aims to contribute to the SE's social, economic and environmental policies. The fourth objective relates to governance and management and embraces the new expectations on public bodies to secure Best Value in discharging their functions. In addressing each of these objectives HS undertakes a range of activities which are described in exhibit 1.
- 2.4 The annual performance targets that Ministers have determined for HS are set out in the corporate plan. There are currently nine of these key performance targets. In 2002/03 seven were met or exceeded and two were narrowly missed. The same nine targets are in place for the current year, 2003-04; two have been revised downwards and two have been raised.
- 2.5 Over the last seven years there have been 69 targets set. Of these, 62 (90%) have been met or exceeded; seven have not. Of the seven targets that were not met, two have since been withdrawn, two were revised downwards, and in two cases performance has improved against a lower target. One of the discontinued targets was replaced by an improved amended version of the original target. The other discontinued target related to the number and value of projects assisted by grants. This indicator was discontinued because it did not reflect performance by HS alone. The targets are listed in exhibit 2 and discussed in detail in the remainder of this chapter.

Performance targets - protecting the built heritage

- 2.6 The four targets concerned with protecting the built heritage measure the numbers of listings and schedulings completed and the time taken to handle the associated consent work. The targets are :
- number of monuments scheduled
 - number of listed buildings re-surveyed
 - the time taken to resolve 80% of scheduled monument consent cases
 - percentage of listed building consent cases resolved within 28 days.

2.7 These are useful output measures. The results against the targets are generally good and are set out in Exhibit 5. But the data do not provide information about the costs of these services and only some aspects of the quality, namely the time to process applications. They therefore provide a partial, albeit useful, picture of performance in achieving this objective.

Exhibit 5 Protecting and preserving – key performance targets

Key Performance Targets	Target / Outturn							
	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04
Monuments scheduled.	370 373	380 381	385 385	385 386	325 325	200 200	275 275	217
Listed building re-survey units (weighted no.)	176 176	178 179	180 180.2	182 183.33	183 139	150 65	125 126.2	125
Resolve 80% of scheduled monument consent cases in x weeks.	- -	12 8	10 7	9 9	9 9	9 9	9 9	9
x% of scheduled monument consent cases resolved within 12 weeks.	81 81	Discontinued ¹	- -	- -	- -	- -	- -	- -
x% of listed building consent cases resolved within 28 days.	97 96	97 99	97 97	97 98	97 97	97 98	97 98	97

2.8 The targets for the number of monuments scheduled and of resurveys of listed buildings units have varied over recent years. Performance has generally matched the targets but there were difficulties in achieving the target for listed building re-surveys in 2000-01 and 2001-02. Performance fell short in the first of these years by 24% (139 against a target of 183) and in the second year by 57% (65 against a target of 150). In 2002/03 an amended target of 125, significantly less than previous targets, was achieved. There was no explanation in the annual reports why the target was not met in these two years.

¹ Replaced by target immediately above

- 2.9 The two targets for the time to process cases have consistently been achieved and the figures suggest steady levels of performance since 1999/2000. The target time for resolving 80% of scheduled monument consents was reduced from 12 weeks in 1997-98 to nine weeks. Consistent achievement of this target suggest that HS should review whether improved performance could be achieved. Very high performance is achieved in dealing with listed building consents and it is not likely that higher performance targets for this indicator could be set. There is no information about the costs of providing these services and HS need to set performance against costs in order to ensure that best value is being obtained. The number of listed building consent applications is rising.
- 2.10 It should be noted that the long term trend on these targets is upwards and HS is carrying out many more listings and schedulings than in the years before it was established as an agency. In 1989-90 there were only 75 monuments scheduled compared with an average of 332 per annum over the last seven years; the number of listed building consent cases processed has risen from 1932 in 1989-90 to 2523 in 2002-03.
- 2.11 The vast majority of cases are processed speedily but there are some complex cases that may require to be extended (as provided for by the statute) for more detailed consideration. Statistics are not kept on this small number of cases. Some of this activity will be beyond the control of HS e.g. cases passed to SE Enquiry Reporters. The number of such cases should be recorded and some note made of them in the reporting of information about performance in the annual report. There have been some complaints about the quality of communication with applicants and other stakeholders over individual cases and there are occasions when stakeholders say that they have difficulty in understanding the reasons for HS's decisions. There is little review of the quality of performance evident beyond normal management functions and HS should consider ways of monitoring more systematically the experiences of those who use specific HS services. HS have an established complaints procedure but most of the comments and complaints that are made through this procedure derive from visits to HS attractions. Random surveys of cases would offer deeper insight into the experiences of applicants for consents and other specific services, such as grants.
- 2.12 The number of public enquiries being held has increased over the years and this puts an additional burden on the agency in preparing for these while still maintaining performance in other areas of work. There have been ten such enquiries in the last four years and this has led to reductions in the listed building and scheduled monument consent targets during this period.

Key performance targets – conserving the built heritage

2.13 There is one target relating to conservation – the number of condition surveys for properties in care (Exhibit 6). This target has existed for two complete years. It was exceeded in the first year but missed slightly in 2002/03 when 61 surveys were achieved against the target of 65. The Annual Report for 2002/03 explains that this shortfall occurred because of staff shortages and the need for additional and time-consuming specialist surveys. The target of 65 is unchanged for 2003/04 and HS remains on course to achieve the target set by Ministers in the Spending Review 2002 to complete condition surveys for all properties in care by 2005/06.

Exhibit 6 Conserving – key performance targets

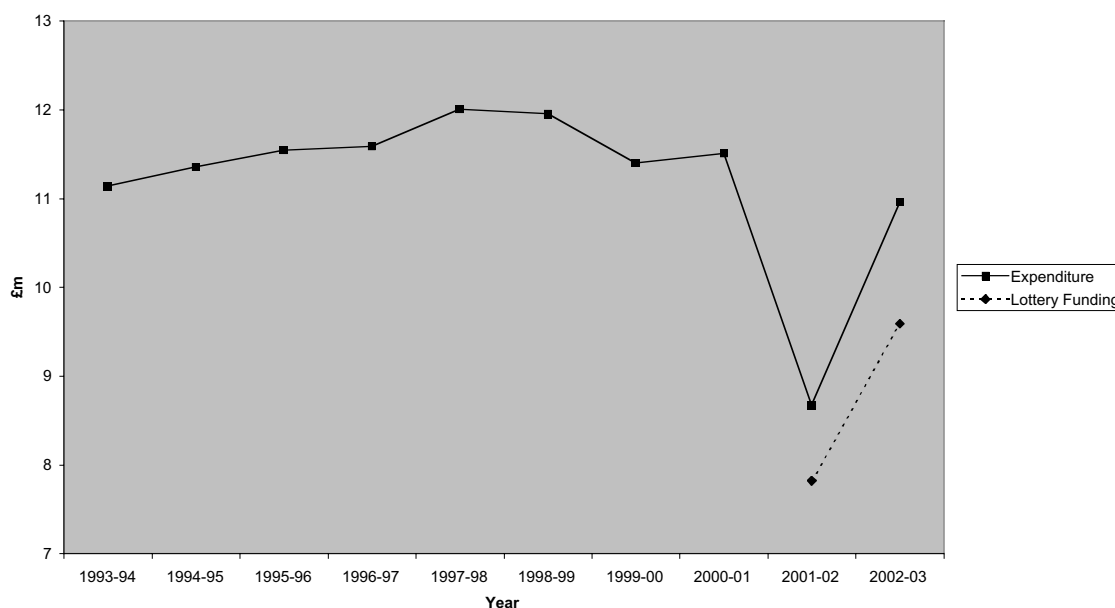
Key Performance Targets	Target / Outturn							
	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04
Number of condition surveys for properties in care.	-	-	-	-	-	65	65	65
	-	-	-	-	-	67	61	
Historic building repair projects newly assisted by grant.	145	145	130	90	105	Discont inued	-	-
	145	149	101	110	114	-	-	-
Total value of grant-assisted repairs in progress (£m).	33.5	34.0	31.0 ²	25	40	Discont inued	-	-
	40.3	53.7 ¹	36.3	60.9	38.5	-	-	-

2.14 The Historic Buildings Repair grant scheme plays a major part in conservation of buildings. In 2002/03 100 grants amounting to £11.0m were awarded. This is over 20% of HS's total expenditure. As exhibit 7 shows, spending on grants held steady for a number of years, declined somewhat in 2001-02 but recovered in line with previous years' spending in 2002-03. The number of grants awarded by HS shows a sharp decline from a peak of 152 in 1997-98 to 98 awards in 2001-02. To some extent this reflects a trend towards major projects taking a bigger share of the available funding. Account also needs to be taken of the contribution made by the Heritage Lottery Fund to the conservation of the historic fabric. In the two years for which the Agency holds figures, Lottery funding in support of grant-aided projects amounted to £7.8m in 2001-02 and £9.6m in 2002-03.

¹ High outturn due to one exceptional case

² Target reduced because fewer resources available for grant aiding projects.

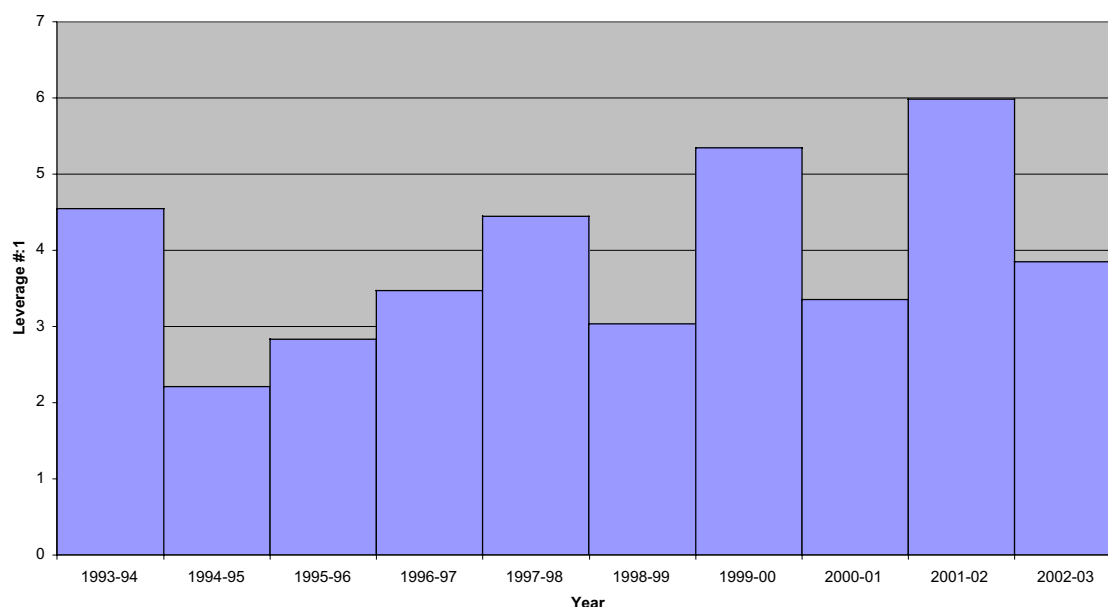
Exhibit 7 HS grant expenditure 1993-2003



2.15 Until 2001 there were performance targets for the number and value of grants. These were discontinued because the measures in use reflected contributions from other grant sources and therefore did not provide reliable data about HS performance alone.

2.16 The leverage obtained from grants in 2002-03 was 3.85:1, meaning that HS grants funded repairs costing nearly four times as much as the amount of grant provided. The figures set out in Exhibit 8 show that the level of leverage has fluctuated considerably over the last ten years. The Spending Review 2002 led to a target for HS to increase the leverage of the grants programme from 3.96:1 to 4.4:1 by 2005/06. The introduction of this target goes some way to fill the gap left by the discontinuation of a key performance target for grants.

Exhibit 8 Leverage of HS grants 1993-2003



2.17 There is a risk that has to be managed of over or under committing expenditure on grants. Historic Scotland has no control over the rate of grant expenditure after a grant offer has been made. Grant monies are only paid out as the work is carried out and claims are submitted. Expenditure on some cases will be delayed (e.g. by weather) and some grants will never actually be taken up. This means that there has to be a level of over-allocation if the full expenditure is to be incurred in any given year. This is a difficult process to manage given the number of variables outside the agency's control.

2.18 HS mounted a consultation on the grants scheme in 2001 and an analysis of the results was completed in 2002. Initiatives are being taken on a number of fronts as part of a rolling programme of improvements in targeting grants and generally improving the administrative process, for example, the introduction in 2002 of a scheme of repair grants for places of worship developed in conjunction with the Heritage Lottery Fund. Scottish Ministers also announced in February 2003 plans to set up and develop four City Heritage Trusts on the model of Trusts already operating in Edinburgh and Glasgow. These new Trusts are now being established.

- 2.19 The agency's internal auditors undertook a review of the grant scheme in 2001/02. The main findings were that there was little monitoring of the progress of the various stages of operation of the scheme. Some replies to applicants were missed and there was inconsistency in turn around times. It was noted that no formal performance indicators or targets for the administration of the scheme were in place and the budget had remained static for some time. An action plan was agreed and all elements have been implemented. The agency's external auditors plan to review the grants process in the coming year and will consider the progress made in addressing these issues.
- 2.20 Performance information about administration costs and the speed of grant procedures would be useful to assess whether there is scope for improving the value for money spent on the grant scheme. Given that this is a large area of expenditure for the agency there should be an annual measure of performance for the grants scheme and this could be supported by information about numbers of applicants, numbers of grants made and the sums involved.
- 2.21 Future planning needs to include some measure of the likely demand for grants as buildings from the 19th century reach the stage in their life cycle where major repairs are necessary. HS are currently surveying the conditions of properties in care but there is little information available about maintenance needs – the number of properties and the costs of maintaining them – of properties not in the care of HS. HS should review with other stakeholders the need for an audit of the built heritage as a means of assessing current and future needs and demands.

Recommendations

HS should

- make available to the public the conclusions reached following consultation on the Historic Buildings Repair Grants Scheme, describe the action taken to date and what further action is proposed. This should include the adoption of measures that describe performance
- identify measures that describe the performance of the repair grants scheme
- estimate and set out future requirements for repair grants and for the maintenance of Properties in Care
- review whether further performance measures could be introduced relating to the costs and quality of protection and conservation services.

Performance targets - research and development

2.22 There is no performance target set in relation to research and development. But there are 'other' targets set by HS that are not defined as key performance targets but are specified in the annual report. These are:

- to publish 11 technical volumes
- to train 6 conservation interns and 4 two-year building fellows
- to answer 1,200 enquiries at the Conservation Bureau enquiry point.

2.23 The annual report discusses some past achievements but it does not contain a systematic assessment of performance against these 'other targets' or the costs and impact of these activities. HS research and development work is well regarded. HS technical expertise is recognised by stakeholders in Scotland and throughout the world and staff are in steady demand to contribute to international events and developments.

Recommendation

HS should

- set out in the annual report an assessment of the impact of research and development activities.

Performance targets - encouraging visitors to properties

2.24 Historic Scotland aims to encourage visitors to the 300 properties in Historic Scotland's care and ensure that they enjoy benefits from the visits. The latest annual report notes an increase in visitors to HS attractions from 2.3 million to 2.7 million over the last ten years and that income at visitor attractions rose by 5% in the last year. Independent surveys have continued to confirm that visitors express very high levels of satisfaction with their visits to HS properties.

2.25 HS monitors the number of visitors to properties in care and seeks their views on the quality of services provided. But this information is not routinely reported. HS uses this information to target investment and advertising. They review responses and seek means of enhancing visitor numbers and satisfaction, e.g. investment in new visitor centres, events such as jousting and concerts, and the annual free weekend. The increase in generated income in recent years reflects some success in these efforts.

Exhibit 9 Visitors to properties – key performance targets

Key Performance Targets	Target / Outturn							
	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04
Average retail spend per visitor (£).	1.02 1.09	1.12 1.36	1.30 1.65	1.65 1.79	1.90 2.02	2.05 2.10	2.10 2.26	2.35
Visitors to monuments in care (£m).	2.4 2.9	Discontinued	- -	- -	- -	- -	- -	- -
Performance rating from the Mystery Visit programme (using 3 year rolling average) (%)	- -	- -	- -	- -	- -	- -	86 87	87
Satisfied visitors (based on surveys) (%)	95 97	95 97	96 97	96 97	96 99	96 98	Discontinued	- -
HS to achieve target market share compared to other paid visitor attractions in Scotland ³ (%)	47 50	47 51	50 52.5	51 53.2	52 54	54.5 56	56 55	55

2.26 The existing and discontinued performance targets in relation to visitors to HS properties are set out in Exhibit 9. The three existing targets are :

- average retail spend per visitor of £2.35
- mystery visit ratings of 87% satisfaction
- achieve market share of 55% compared to other top visitor attractions.

2.27 The first target on average retail spend has been in place for eight years. It shows year on year improvement in performance with average spend more than doubling over the last seven years.

³ HS top ten properties are measured against the National Trust top ten and the top ten privately owned historic attractions.

2.28 Performance against the third target – the proportion of visitors to HS top ten properties as compared with the National Trust’s top ten properties and the ten most popular privately owned attractions – has improved every year since the target was introduced except for 2002-03 when there was a slight dip. The target to achieve increased market share compared to other paid visitor attractions contains a risk of taking visitors away from other attractions. This target was introduced in 1996-97 as a replacement for absolute numbers of visitors because those figures were so sensitive to external factors beyond HS’s control e.g. downturn in tourism. When the new target was introduced the aim was not to increase market share but to hold market share. At that time Historic Scotland’s share of the market was 47% and the target is now 55%. The market share figure is designed to measure HS performance against competitors and is a good example of a benchmark in operation as a key target. But the market share indicator may be affected by external factors such as the performance of other attractions, in a similar way to the absolute number indicator. In the Spending Review 2002, Ministers set HS the target of restoring by 2005/06 visitor numbers to the level achieved before the outbreak of Foot and Mouth disease. This provides a useful focus on visitor numbers. HS and the SE should consider whether a performance target for absolute visitor numbers should be reintroduced.

2.29 In 2002-03 the ‘mystery visitor’ programme replaced the ‘percentage of satisfied visitors’ targets as a measure of customer satisfaction and the quality of the service. The satisfaction levels found in the surveys which measured performance against the previous target were consistently around 97 or 98%. It was appropriate therefore to seek a more sophisticated measure and a rating was introduced based on independent assessors making unannounced visits to HS properties. The mystery visitor ratings show high results of 87% satisfaction in the first year but offering scope for improving existing good performance.

2.30 HS undertake activities to develop knowledge, appreciation and access to the built heritage across a wide audience. These include publications, conferences, Doors Open Days and educational activities. There are no performance targets in relation to these activities but there are two ‘other targets’ – hosting school visits to conservation centres and work experience for school pupils. A range of activities which are under way are noted but performance is not reported systematically in the Annual Report.

Conclusion

2.31 Performance against the targets is generally good and the overall picture is of HS achieving targets and delivering services that achieve their objectives in broad terms.

2.32 Targets are useful in providing a summary of key performance areas. The key targets provide information about HS's efficiency and its services. But they do not cover all the key areas of work nor do they provide a great deal of information about the costs and quality of services. There is always a risk that quantitative targets can distort priorities. HS are aware of this and in the foreword to the annual report for 2002-03 the Chief Executive discusses the overall impact that HS has on the community and places the performance targets in the context of other work which the organisation undertakes but which is not readily reflected in these targets.

2.33 Occasionally HS decisions attract public and political controversy and complaints about the fairness and consistency of these decisions. But most cases are dealt with without attracting comment or complaint. In the last ten years HS have handled an estimated 25000 listed building consent applications, some 2000 scheduled monument consent applications and around 2000 grant applications. None have led to a successful application for judicial review or an unfavourable report by the ombudsman machinery.

Recommendation

HS and the SE should

- consider reintroducing a performance target for absolute visitor numbers

Performance targets - contributing to the social, economic and environmental policies of the Scottish Executive

2.34 The objective of contributing to the social, economic and environmental policies of the Scottish Executive was presented for the first time in the 2002-03 corporate plan. The corporate plan does not identify a specific allocation of resources for this objective nor does it identify any performance targets. For the three year period ahead the plan identifies the following activities:

- to promote social justice
- to operate a range of high quality tourist attractions to attract visitors from home and abroad
- to provide jobs
- to contribute to sustainability.

- 2.35 Historic Scotland is working to play an effective role and this is reflected in the range of relevant activities which they identify although these relate to other objectives e.g. repair grants which assist urban regeneration, free admission on certain days to promote visitors from all socio-economic groups, improving access for disabled people. HS is also playing a key role in the implementation of the Scottish Executive's Cultural Strategy. The Chief Executive sat on the original group that drew up the strategy and the Agency features in the follow-up action plan.
- 2.36 One "other target" has been set - to provide grants to assist setting up of conservation workshops and support specialist training and conference attendance. HS has won recognition for the environmental quality of its stewardship of properties in care by winning 63 awards under the Visit Scotland Green Tourism Business scheme.
- 2.37 English Heritage produced a publication *The Heritage Dividend: Measuring the results of English Heritage Regeneration* which outlines the economic and regeneration impact of English Heritage funding in English towns and cities. The report is based on 31 projects, about 10% of the total funded through the Conservation Area Partnership programme. HS should consider an approach such as this in order to describe how it is contributing to achieving wider Government objectives.
- 2.38 HS still needs to determine how performance can be reported to stakeholders in relation to this objective. This objective did not feature in the most recent framework document set by Ministers in 2001. Accordingly Ministers should clarify for HS what this objective should mean for HS and what specific performance targets should be set. This should occur in the context of the Executive's policies as reflected in such statements as *A Smart Successful Scotland, A Partnership for a Better Scotland*, the Executive's Social Justice Milestones and *Scotland's National Cultural Strategy*.

Recommendations

HS and SE should

- consider further how HS objectives can be linked to wider policy objectives expressed in such statements as *A Smart Successful Scotland, A Partnership for a Better Scotland* and the Executive's Social Justice Milestones.
- in consultation with stakeholders, clarify the activities the agency should undertake to contribute to the SE's social, environmental and economic policies; and define performance information in relation to this;

Part 3: Managing performance

3.1 HS's fourth principal objective is to be effective and efficient in performing its functions.

Four activities are noted for this objective :

- to value and develop staff
- continuous improvement in operational policy, processes and procedures
- generating income to support core activities
- making best use of external funding sources.

3.2 One performance target exists in relation to this objective – the percentage efficiency gains/savings in non-grant expenditure. As Exhibit 10 indicates this target has consistently been achieved and has reduced to its current level of 1% as efficiency improvements have taken place over time e.g. in areas such as procurement. In the last ten years nearly £5m worth of efficiency savings on non staff expenditure have been achieved.

Generating income and external funding

3.3 Income generation has become a growing part of HS business and, as indicated in Exhibit 3, HS have been successful in increasing significantly the level of generated income. The current forecast income for 2003-04 is £22.8m. This will further increase the contribution that income makes to HS's budget. This high dependence on generated income leaves the agency vulnerable to the effects of any downturn in tourism but HS has been successful in sustaining increasing levels of income year on year since 1992. The projected breakdown of income is shown in Exhibit 11.

3.4 In recent years HS has successfully expanded its involvement in joint funding of projects e.g. the Heritage Lottery Fund has invested £7.8m and £9.6m during the last two years.

Managing financial resources

3.5 Resources are allocated to broad objectives as in Exhibit 12 but not broken down to different activities. It is not possible therefore to see readily how the agency's resources are distributed or spent between its different activities and there is scope to improve the allocation of resources to functions in this way.

Exhibit 10 Efficiency savings against targets 1995-2003

£000's	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	TOTALS
Staff savings	217	468	0	0	0	10	2	0	697
Purchasing savings	270	202	610	548	627	563	499	445	3,764
Total	487	670	610	548	627	573	501	445	4,461
% saving achieved	1.52%	1.90%	1.70%	1.60%	1.70%	1.60%	1.28%	1.00%	
Target	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.25%	1.00%	

Exhibit 11

Historic Scotland Total Earned Income 2002-2003 £19.2million

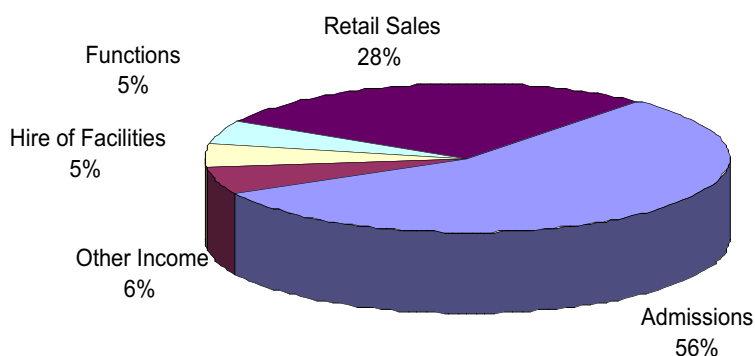


Exhibit 12: Resources allocated to objectives 2003-04

Objective	£ million
Protecting and conserving	38.0
Encouraging visitors and appreciation	14.5
Contributing to SE social, economic and environmental policies	None specifically allocated
Efficient and effective use of resources	5.2

- 3.6 Resources are allocated against three of the main objectives. None are allocated specifically to the newer objective of contributing to the wider policies of the Executive as this cuts across most of the core actions of the agency. Resources are not broken down further so priorities between, say, listing buildings and scheduling monuments, are not transparent.
- 3.7 Funding is not clearly split between the Scottish Executive funding and the income expected to be generated over the plan period. The allocation of budgets to individual pieces of work and determining the breakdown between SE and other funding sources might more quickly identify the activities that may have to be delayed in the event of unexpected events such as a downturn in the tourist industry. HS prefer to manage these pressures corporately and consider that the management flexibility which this allows leads to better value for money.

Consultation and partnership

- 3.8 The formal process for setting operational targets is for the Chief Executive of the agency to propose key performance targets to Scottish Ministers after discussion with the Secretary of SEED. The Chief Executive consults his management team and seeks to reflect the views of stakeholders during this process but there is no established formal means for stakeholder views to contribute to the process. The new Historic Environment Advisory Council for Scotland (HEACS) was established on 1 June 2003 following the abolition of the Ancient Monuments Board for Scotland and the Historic Buildings Council for Scotland. HEACS will produce an annual report for Parliament and will provide strategic advice for Ministers and in doing so should provide a useful means of transmitting stakeholders' views to Ministers on strategic issues.
- 3.9 The analysis of stakeholders' views commissioned by the SE suggest much appreciation of HS performance and recognition that many activities are done to a very high standard. HS obtains stakeholder views through continuing working links with other bodies with shared interests. It has formal concordats with key partner organisations and HS staff network extensively across conservation, tourism, professional, voluntary sector, education and other stakeholder groups which provide less formal means of obtaining stakeholder views. The agency has also undertaken specific initiatives to ensure that stakeholders' views are known e.g. commissioned research in 2003; annual analysis of the views of visitors to properties; various research publications which include research into the views of stakeholders (e.g. 'The Future of the Scottish Burgh Survey').

Performance monitoring

- 3.10 The planning and review process involves several elements. There are regular meetings between the Chief Executive and the Head of SEED and occasional meetings with Ministers. These have been more frequent with the heightened public and political interest in HS business.
- 3.11 The HS management board contains the directors of HS organisational units and two Chief Inspectors of professional services. Key performance targets are reviewed quarterly but there is little evidence that the Board as a unit systematically reviews progress against the specific activities set out in the corporate plan. The Management Board considers business risks at each meeting and also receives regular reports on key corporate issues including income and expenditure, information services, training, Health and Safety, performance in meeting Ministerial deadlines on Parliamentary Questions and correspondence and staffing matters. Effective monitoring of performance would be enhanced by the introduction of a non-executive member to the Management Board as it could provide an element of challenge, fresh ideas and external perspective to the work of the agency.
- 3.12 The Audit Committee has changed significantly over the last year in membership and activity. There are two non-executive members on the Audit Committee, one of whom chairs the committee. Both are employees of the Scottish Executive. Both were selected because they had relevant experience and they offer a valuable contribution. However because neither is external to the SE they cannot be considered fully independent. The committee would benefit from an independent voice in the same way as is happening in Audit Committees in other agencies and Government Departments. Audit reports from internal and external audits are monitored by this committee and the committee is now more effectively challenging the performance of HS groups and units against individual operational plans.
- 3.13 A services review unit leads option appraisal and undertakes some review of HS services e.g. consultation on grants, staff satisfaction survey. The services review unit has also reviewed the monument conservation unit's performance and staffing structure and conducted a review of the press office. More recently it has assisted line management in reviewing the structures of the Historic Buildings Inspectorate and the Properties in Care regional structure. These reviews have challenged the way in which services are working and led to changes. They could go further in comparing and benchmarking performance against other similar organisations.

Benchmarking

3.14 The agency find it difficult to benchmark their work, particularly visitor sites and other attractions because of the lack of basic similarities. There has been some reviewing of policies in line with equivalent agencies such as that in the Republic of Ireland. Some benchmarking is undertaken with comparable bodies through organisations such as the Association of Scottish Visitor Attractions, the Association of Leading Visitor Attractions (a UK organisation) and Quality Scotland. There is scope to develop benchmarking e.g. with English Heritage, and with other visitor attractions in Scotland.

Developing staff

3.15 HS employs a wide range of different staff. A great number deal directly with the public e.g. handling applications for scheduled monument consent or for grants, receiving visitors to HS properties. The quality of HS performance will be reflected in the nature of the contact between staff and the public. So staff training and development are important objectives in securing improved services.

3.16 A staff survey was conducted by an independent company in 2001 and found four key areas for improvement. Through consultation with staff 83 action points were identified and a detailed action plan implemented. The survey was followed up in 2003 and found a significant increase in the overall level of satisfaction of staff. One point raised in the staff survey was about internal communications with staff and this led to proposals for an improved corporate communications strategy

3.17 There is an annual staff review process which is currently under review. This links individual objectives with the agency's key performance targets and objectives. There are a number of initiatives underway to promote staff development, e.g. establishment of a Training Board and provision of a training suite, focus groups, staff away days, staff newsletter, video conference opportunities and employee assistance programmes.

Recommendations

HS should

- identify the resources to be assigned to each of the key objectives in the corporate plan over the three-year planning cycle; and link this to performance reporting
- consider appointing an independent non-executive member to the Management Board
- appoint at least one member to the Audit Committee who is independent of both HS and the SE; and ensure that the terms of such appointment are clearly defined
- put in place effective procedures for monitoring progress against the wider objectives outlined in the Corporate Plan, and not just the performance targets
- consider the scope for widening benchmarking activities.

Part 4: Reporting performance

- 4.1 The corporate plan and the annual report and accounts are the two key sources of information about performance. These provide feedback to Ministers and the public on the agency's performance. The format and contents of executive agencies' annual reports are prescribed by guidance from HM Treasury. The report provides an overview of performance and summarises the major projects undertaken in the year. It notes performance against targets and, in the latest report, discusses two targets that were not achieved. It considers key developments in relation to the main objectives of the agency but does not systematically provide a clear assessment of the achievement of all of the objectives as set out in the corporate plan.
- 4.2 The annual report is an attractive publication and is sent to more than 100 organisations. The report, including the accounts and the corporate plan, are all published on HS's website and can be read online and downloaded free of charge. The section of the website on Properties in Care is well developed but more work could be undertaken to improve other sections of the site. Parts of the website are not up to date e.g. the grants section includes a consultation paper with a closing date for responses of 30 November 2001. HS monitors use of the site and there is a facility for users of the site and stakeholders to feed back comments to HS. An independent survey found that 20% of visitors to HS properties had previously visited the website.
- 4.3 There has been some criticism in the media that the process of setting objectives and taking decisions is not sufficiently transparent and that it is not always clear who is accountable for HS' performance. The Framework Document, the Corporate Plan and Audit Scotland's report on governance *How government works in Scotland* set out responsibilities and explain where accountabilities lie. The range of objectives and the complexity of decision making are not widely understood by the wider public and some Parliamentarians. It is important to promote wider understanding of HS objectives and functions because there will continue to be a need for HS to take decisions which are not universally popular and because critical policy decisions are ahead about priorities for spending the budget available to HS e.g. the balance between conservation and development. Communicating policy options and improving understanding of the issues will help to implement policy effectively.
- 4.4 HS objectives are set by Ministers but implementation of these policies often leaves considerable area of discretion in relation to individual decisions. Finely balanced

judgements often have to be made about the desirability of conserving buildings, the value of providing repair grants and the advantages of new developments. Systems are in place to ensure that decisions are taken appropriately but strong feelings are often present, there are differences of interpretation and taste and sometimes considerable financial interests are involved.

- 4.5 HS plays a key role in advising and supporting Ministers on policy for the built environment. It carries out the full range of functions normally undertaken within a SE department e.g. advising Ministers on policy decisions, drafting speeches and correspondence, drafting answers to Parliamentary questions, arranging Ministerial visits etc. This activity is not spelt out as an objective for HS and little public performance information exists about what is involved in this task and what resources are devoted to it.

Recommendations

The Scottish Executive and Historic Scotland should :

- review how HS's responsibilities and the accountability for them are communicated to stakeholders
- make explicit in its objectives and activities the role of HS on advice and support to Ministers; and provide information about performance of this function in the Annual Report.

HS should :

- provide information in the Annual Report on the extent to which corporate objectives and targets have been met and any problems faced in doing this
- set out in the Annual Report what the Key Performance Targets indicate about the work of HS; and explain what other performance information is relevant to consideration of the agency's effectiveness, efficiency and economy.

Recommendations

General

The Scottish Executive and Historic Scotland should :

- review how HS's responsibilities and the accountability for them are communicated to stakeholders.

Objectives and targets

The Scottish Executive and Historic Scotland should :

- consider reintroducing a performance target for absolute visitor numbers
- in consultation with stakeholders, clarify the activities the agency should undertake to contribute to the SE's social, environmental and economic policies; and define performance information in relation to this
- consider further how HS objectives can be linked to wider policy objectives expressed in statements such as *A Smart Successful Scotland*, *A Partnership for a Better Scotland* and the Executive's Social Justice Milestones
- make explicit in its objectives and activities the role of HS on advice and support to Ministers; and provide information about performance of this function in the Annual Report.

Historic Scotland should :

- review whether further performance measures could be introduced relating to the costs and quality of protection and conservation services
- set out in the annual report an assessment of the impact of research and development activities
- provide information in the Annual Report on the extent to which corporate objectives and targets have been met and any problems faced in doing this
- set out in the Annual Report what the Key Performance Targets indicate about the work of HS; and explain what other performance information is relevant to consideration of the Agency's effectiveness, efficiency and economy.

Grants

Historic Scotland should :

- make available to the public the conclusions reached following consultation on the Historic Buildings Repair Grants Scheme, describe the action taken to date and what further action is proposed. This should include the adoption of measures that describe performance
- identify measures which describe the performance of the repair grants scheme
- estimate and set out future requirements for repair grants and for the maintenance of Properties in Care.

Performance management

Historic Scotland should :

- identify the resources to be assigned to each of the key objectives in the corporate plan over the three-year planning cycle; and link this to performance reporting
- consider appointing an independent non-executive member to the Management Board
- appoint at least one member to the Audit Committee of the Agency who is independent of both HS and the SE; and ensure that the terms of such appointment are clearly defined
- put in place effective procedures for monitoring progress against the wider objectives outlined in the Corporate Plan and not just the performance targets
- consider the scope for widening benchmarking activities.

Performance management in Historic Scotland



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