

Report of the Strategic Review of the National Trust for Scotland

# **FIT FOR PURPOSE**



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## Strategic Review

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# Foreword

## For the Benefit of the Nation

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The National Trust for Scotland is one of our country's great treasures.

For almost 80 years it has conserved our natural and cultural heritage. It has interpreted it and made it accessible to all. It has afforded enjoyment and enlightenment to millions of people.

The Trust makes a significant contribution to both our national wellbeing and economy. It is the only organisation able to take a holistic approach, both natural and cultural, to conservation. It tells Scotland's story from Neolithic to contemporary times and on into the future. In so doing, it helps shape our sense of place and identity.

In recent years, however, there have been warnings within the Trust that it faces serious issues of financial sustainability.

There was a substantial sense of shock in 2009 when the organisation made staff redundant, mothballed a number of properties, and sold its splendid headquarters in Charlotte Square, Edinburgh.

The NTS Council then invited me to lead a "robust" examination of the charity's health. The terms of reference were:

- **To conduct a strategic review of NTS resources and governance in order to assess the organisation's capability to address current and future challenges.**
- **To do so independently and transparently, taking into account the views of all stakeholders.**
- **To make recommendations and provide an outline plan and timetable for implementation.**

Council agreed that the Review would be based on the capability model widely used in health checks of organisations. This asks, basically, whether they are fit for purpose. Whether they have the resources to do what they say they are going to do. And how they can become SMARTer – setting objectives which are Specific, Measurable, Attainable, Relevant and Time-bound.

Over eight months the Review has been an iterative process, involving over 9000 members who replied to a questionnaire and almost 2000 more through 32 meetings, interviews and correspondence. Participants were asked to state the issues as they see them, to rank them, and then move on to options and conclusions.

These inputs have guided the discussion of the Steering Group, who have substantial experience of corporate governance, change management and a strong commitment to conservation.

The Group agrees with the overwhelming evidence submitted to the Review that NTS is gridlocked by its governance structures.

There are 87 Trustees and, additionally, there are over 100 non-executives engaged in the work of its panels and committees. The Review has been unable to find any other charity with such "byzantine" – to quote the 2009 Minister for Culture – supervisory structures.

We are clear that unless Trust governance changes, nothing else will. We are clear that NTS needs strategic direction if it is to become sustainable.

The Trust is *not* sustainable as presently organised. It balances its books by using legacies as ready income, by selling assets, and by delaying project work. It has no complete record, in a single data base or document, of what it owns. There is no strategic plan. The current budget was prepared on a needs-must basis only.

We make a number of recommendations on how a smaller group of Trustees should address these issues. And how management should concentrate on outcomes, not outputs.

## Foreword continued

We believe that NTS must reaffirm its core purpose as a conservation charity. A new mission statement should be prepared and agreed with members at the 2011 AGM, focusing on the Trust's unique identity and common cause.

We have considered submissions to the effect that the Trust is simultaneously too big and too small. That it has acquired a wonderfully diverse portfolio over the past 80 years, though only 12 of its properties are fully endowed. That, in a small country the size of Scotland, NTS is not able to enjoy the economies of scale open to the National Trust south of the border.

At some point, therefore, it may well be that NTS will have to concentrate on a smaller core portfolio. Deciding what that is will take time and consultation.

Currently, NTS has no single inventory of what it owns. Work has begun on compiling one during our reporting period, but that is only the start of a longer process. There has to be a systematic portfolio review which identifies core properties to be fully managed by the Trust, and other properties suitable for alternative management.

We recommend that a report on such a portfolio review is presented to the AGM in 2011, with a statement from the Trustees on how they intend to proceed.

In the course of our work, we have spent time considering the issue of Inalienability.

We are clear that this principle defines the unique work of the National Trust for Scotland. There requires, however, to be careful consideration of the way in which it is applied.

The sequenced changes outlined in this report open up new ways of working. There are real possibilities of both efficiency savings and revenue raising initiatives. There are opportunities for new partnerships at both national and local levels. A number of properties might well remain in NTS ownership but be maintained through cooperative agreements, restoring tenancies, long leases and by putting conservation at the heart of community regeneration.

During our work we have become increasingly aware of the need for more policy debate and development right across Scotland's heritage sector. We recommend various ways in which the many experts who have given so much of their time and experience to NTS can help shape the policies of the future.

This report has been written on a far tighter timescale, and with

far fewer resources, than is normal in a capability review. Nonetheless it has been issued in time for consideration at the meeting of Council on 6 August 2010 and thereafter at the AGM on 25 September.

Personally, I wish to express my thanks to the four members of the Review team who have worked with me for the last few months of the process – Vikki Bruce, Ann Johnstone, Vicky Junik and Nikki Sinclair. Their dedication and commitment have been exceptional.

My thanks also to the Steering Group for their wise counsel – to Richard Buccleuch in particular for his constant encouragement, to Douglas Connell for his assistance with the Governance pages, and to Ian Percy for his advice on Finance. Thanks also to the individual Issue Groups, Trustees, staff, all NTS members and outside experts who have contributed so much.

Reports like this inevitably concentrate on what's wrong, and ways to put it right, rather than emphasising the extraordinary engagement of everyone in the Trust family in preserving and promoting the treasures handed down to us – and our duty to pass them on safely to subsequent generations.

In so doing, the Trust fulfils its basic purpose as laid down in the 1935 NTS Order Confirmation Act: to promote "the permanent preservation for the benefit of the nation of lands and buildings in Scotland of historic or national interest or natural beauty".

That duty will never end. We need a revitalised NTS able to unfold new chapters in Scotland's story. We need NTS to find its voice and be a strong advocate for our natural and cultural heritage. We need NTS to be recognised again, as it once was, as a leader in the conservation field at home and abroad.

NTS defines Conservation as the careful and considered management of change.

It is now time for the National Trust for Scotland, after 80 years, to apply that principle to its own internal affairs – and to engage its members, stakeholders and supporters in the process.

The charity is certainly not going to disappear. But, if it is to have a secure and sustainable future, it has to change.

This report sets down a route map which ensures that the Trust can continue to make Scotland's heritage accessible, intelligible and enjoyable – for the benefit of the nation.

GEORGE REID

*The National Trust for Scotland shall be established for the purposes of promoting the permanent preservation for the benefit of the nation of lands and buildings in Scotland of historic or national interest or natural beauty...*

The NTS Order  
Confirmation Act  
1935

# Overview

## A Triple Transition



*The Steering Group and Review Team have met regularly in plenary session, and in working groups, over a period of eight months*

### The Issues

The National Trust for Scotland presently has no single inventory of what it owns. It does not know the cost of maintaining its estate. It has no strategic plan.

Its current budget was prepared on a needs-must basis. Its reserves are covered by using legacies as ready income, by selling assets and by delaying projects.

Emergency economies in 2009 have stabilised a fragile financial situation and bought time.

It is clear, however, that NTS is not sustainable if it continues to operate as at present.

### The Fulcrum of Change

The Review concludes that NTS has not addressed these issues because its decision-making is largely gridlocked.

It operates a dual system of governance, with 87 Trustees on its Board and Council. It has over 100 advisers in its Committees and Panels. We have been unable to find any other charity with such inflated governance structures. We believe they prevent the Trust tackling issues and setting strategic direction.

In the Fulcrum of Change section of this report (pp 8 to 15) we recommend a radically reformed NTS governance structure, with Trustees reduced to 15.

We make specific proposals on how to do this between the August 2010 Council, the September AGM and a new elected Board of Trustees being in place by April 2011.

This stage initiates the process of Trust renewal.

### A Fit for Purpose NTS

The Trust presently suffers from a lack of common purpose, from trying to do too much with too little, and from insufficient strategic planning.

We recommend the immediate establishment of a Mission Working Group to report to the new Trustees on core values, round which the whole charity can unite.

We endorse work now started on establishing a single inventory of all Trust assets. We recommend that these assets are thoroughly audited, providing NTS for the first time with well researched estimates of the cost of maintaining its estate.

We recommend the establishment of a Working Group to carry out a proper Portfolio Review. This will identify core properties to continue under full Trust management and other properties suitable for alternative management.

Reports from both the Mission and Property Groups should be presented to the new Trustees. The intention is then to provide members at the 2011 AGM with sufficient information to take a considered view on the future activities of the charity.

We also recommend the development by the new Trustees of a five-year strategic plan, which will inform corporate planning. This will enable NTS to work to clearly defined goals and measurable objectives. It will allow members to judge outcomes, not outputs.

The Report concentrates on a limited number of actions. It is conscious that the new Trustees will wish to make their own judgements on the options which they face. To assist this process, the Review makes a distinction between its recommendations (in red) and a number of proposals (in blue) which we believe will help them chart the way ahead.

We see this process of reform taking between four and five years in total.

### For the Benefit of the Nation

We do not believe that there is any immediate need for new NTS legislation. The reforms recommended in this report can be implemented within the existing Act.

In several years time, however, a new Act of the Scottish Parliament will be necessary to codify the reform process and to address any other issues which NTS then feels appropriate. In the meantime, we make proposals to expand Heritage policy development and debate across the sector in Scotland.



# Executive Summary

The Review makes 23 recommendations to start the process of reform

The Review makes 22 proposals to guide the process of reform

## The Recommendations

The Review makes 23 Recommendations in this report, which are printed below.

The intention is to start the process of internal NTS reform, to commit the Trust to strategic planning, and to provide the AGM in 2011 with reports on its Mission and Property Portfolio.

The Review also makes 22 Proposals, which are printed in blue throughout the report. These are intended to assist Trustees in setting a route map for NTS.



*Richard Buccleuch: "Governance reform unlocks the gridlock."*

**R1: Council should become the Board of Trustees and should be the sole body for the general control and administration of the National Trust for Scotland. (p10)**

**R2: The Board should have a maximum of 15 Trustees. (p10)**

**R3: There should be no representative members on the Board of Trustees. (p10)**

**R4: Executive Directors should not be Trustees. (p10)**

**R5: The Secretary to the Trustees should be independent from other members of NTS senior management. (p10)**

**R6: Council and Board should jointly appoint a Transition Committee to manage NTS internal arrangements between the 2010 AGM and the election of new Trustees. (p10)**

**R7: The Transition Committee should ensure the election of new Trustees by end March 2011. (p10)**

**R8-R11: Each NTS member should have ten votes in the ballot, marking choices with an X; there should be a sift and interview process for Trustee candidates; election of Trustees should be exclusively by postal and electronic ballot. (p11)**

**R12: Trustees should hold office for four years, with the possibility of a further four year term on re-election. (p11)**

**R13: The terms of office for the Chair and Deputy Chair should be four years. (p11)**

**R14: Trustees elected in 2011 should serve phased terms. (p11)**

**R15: The Board should be able to co-opt up to four Trustees. (p11)**

**R16: The President should remain a Trustee until such time as the office is considered in new legislation. (p12)**

**R17: Vice Presidents should be elected in an honorary capacity only. (p12)**

**R18: Trustees should publish a code of NTS Good Governance. (p12)**

**R19: Trustees should be assisted in their work by three standing Committees: Audit, Investment and Nominations. (p12)**

**R20: Panels should continue in an advisory capacity, pending consideration of their role by the new Board of Trustees. (p12)**

**R21: The Transition Committee should establish a working group on the NTS Mission Statement, with Trustees reporting to the 2011 AGM. (p17)**

**R22: The Transition Committee should establish a working group to review the Trust's portfolio of properties and assets, with Trustees reporting to the 2011 AGM. (p25)**

**R23: Trustees should publish a five-year strategic plan and thereafter ensure that the Trust adopts an integrated system of corporate planning. (p32)**

# The Timeline



Tom Farmer: "In times of change, everyone must know what happens when."

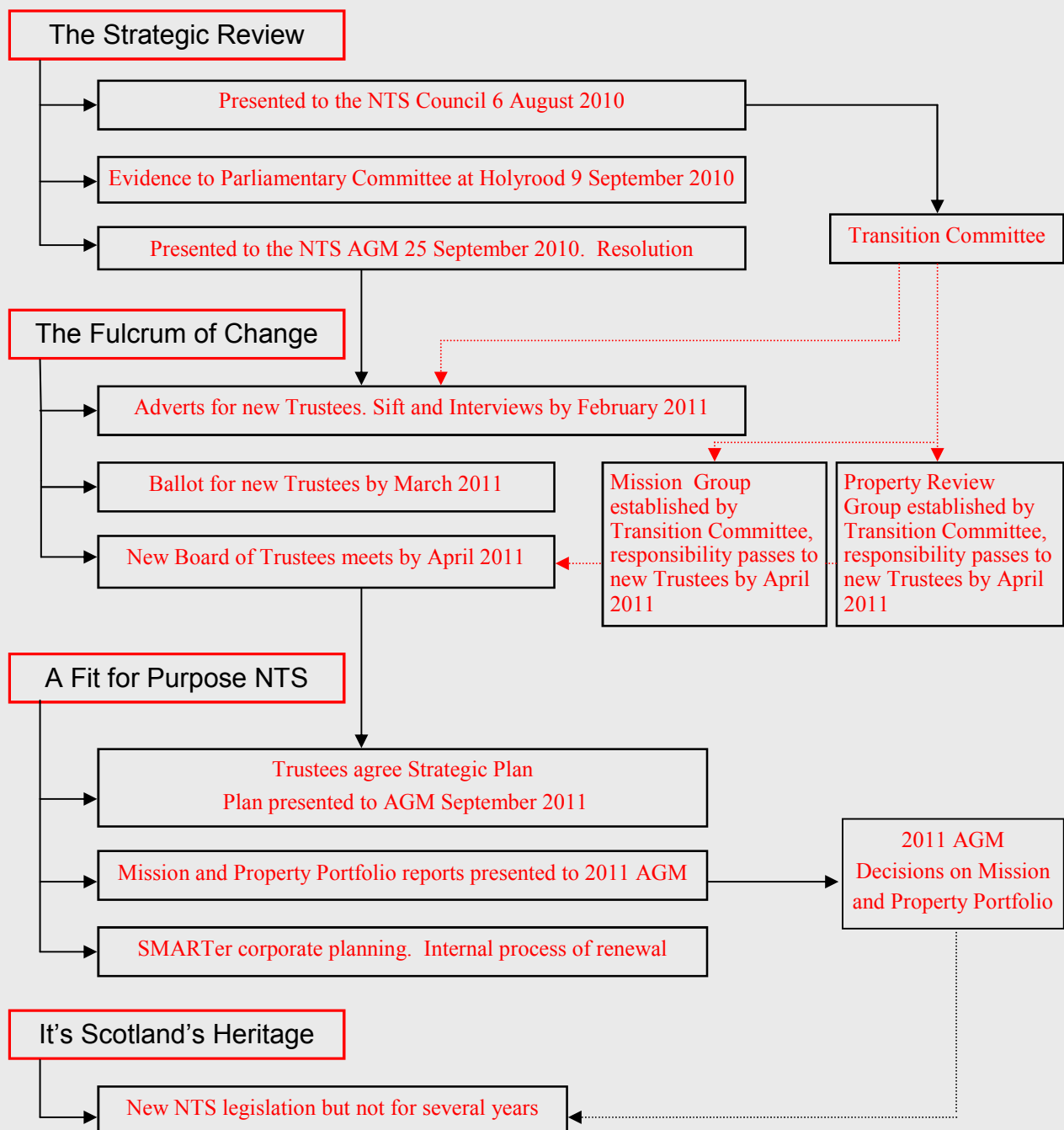
When the NTS Council initiated the Review, it made clear that it expected a timetable for a programme of reform.

The Review proposes a phased process of change.

Its report will be considered by the Trust's Council on 6 August 2010 when it is proposed to establish a Transition Committee, whose responsibilities are listed on pages 10 and 12.

The 23 Recommendations listed opposite on page 6 will inform a resolution at the Trust's AGM on 25 September.

If approved by members at the AGM, that will start the process of reform and revitalisation of the National Trust for Scotland as set out in this report.





# The Fulcrum of Change

The National Trust  
for Scotland is  
over-governed

Slimmer  
governance will end  
gridlock and set  
strategic direction  
for the charity

## Introduction

### 1930s Governance unfit for 21st century

Virtually every submission to the Review argues that the governance structures of the National Trust for Scotland have to be simplified and streamlined.

A former longstanding member of the Board writes: “The culture of constant consultation is killing us”.

There is general recognition that systems set up in the 1930s, largely lifted from NTS’s big sister south of the border, are not necessarily appropriate for a Scottish charity in the 21st century.

Eighty years ago, the Trust took the lead in bringing conservation bodies together by giving them a voice in charting the organisation’s future. And because business proceeded at a leisurely pace, largely by letter, it gathered large numbers of people in a big meeting every so often to provide a steer on future direction.

In today’s internet age, decision-making has become much faster. Vast amounts of information are circulated electronically instead of being delivered by post.

Structures inherited from another age mean that NTS has around 200 non-executives – 87 Trustees and a further 100 advisers on various committees and panels – engaged in its business. The Review has been unable to find any other charity with such inflated forms of governance.

The net result is that paid staff spend far too much time – and close to £500,000 in expenditure – serving internal structures rather than doing the job for which they are paid.

The clear view of the Steering Group is that NTS is over-governed.

There are differences among members, however, on how reform should be carried out.

The Board says that NTS is ‘gridlocked’ by its governance and that, in consequence, it simply cannot get on with decision-making. Submissions from some Council members argue, however, that they have a statutory duty to act as ‘guarantor’ of the organisation’s ‘integrity’ and point out that, in terms of legislation, they are the final authority on the delivery of the Trust’s core purpose.

So there are uncertainties of where power of ultimate decision actually lies.

Lord Mackay of Clashfern attempted to create a clear division between an executive role for the Board and a policy role for the Council in his review of 2003.

That is not quite how it has worked out. The sale of Wemyss House, without adequate consultation, enraged a number of Council members. They wanted a say in the matter, and so did many members.

As for the Council concentrating on policy development, the Review has seen little evidence of this. The body is too large and diverse to concentrate on detail. Senior management staff have a wide range of operational duties and are hard pressed to provide a steady flow of papers to inform debate.

Given the policy void, some Council members have re-focused on control of a charity which they feel is losing its way.

As one member, quoting Enoch Powell, puts it: “what is devolved, is retained”. In other words, Board decisions should be subject to review and recall by what she terms ‘The Upper House’.

That House – the Council – is itself a broad confederation of interests. The majority of Council members clearly act only for the general good of the Trust but some interventions are made from a sectional or personal standpoint.

Interviews with Council members indicate a general view that they are there to “guard the guardians” – to keep an eye on the Board. Inevitably this leads to difficulties.

The Review team has been given examples of staff challenging decisions taken by their Leadership Team, and providing information which allows issues to be raised again, after they have been decided, through the Council or Committees.

This, in turn, has led to what one former Board member calls “a culture of secrecy” – “nods and winks, nothing written down, and conversations in corners”.



## Revived Governance sets Strategic Direction

Sometimes organisations have to experience crisis and criticism before they are ready for radical reform.

Throughout the public forums conducted by the Review, there was general agreement that the current dual system of governance has to end. There was less certainty on how.

The current Board numbers 14, composed of ten non-executives and four staff directors. Following the Mackay review, the Board was “specifically entrusted with the active operational management of the Trust in all its aspects”.

That still left the Council with a valid interest in strategic direction and whether it was being followed day by day.

The Council consists of 50 people elected by the membership and a further 35 who represent external organisations with broadly comparable heritage and environmental interests. In addition, more than 100 people are engaged in standing committees and panels.

There is no great certainty about who, in practice, are trustees for purposes of the Charities and Trustee Investment (Scotland) Act 2005. This defines the role of a charity trustee as having responsibility for “the general control and management of the administration of the charity”.

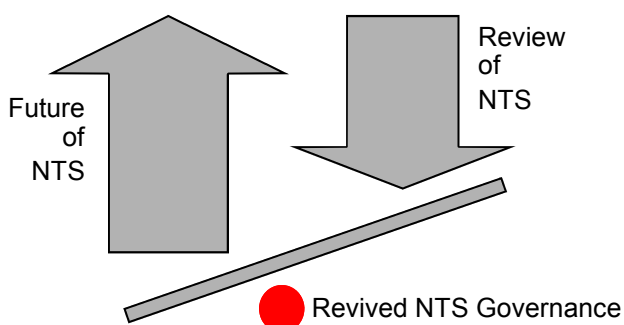
There are other anomalies. The Audit and Risk Management Committee reports, for example, to the Council – which, in theory, has no operational responsibilities – and not to the Board. This clearly empowers the former to address all sorts of issues, and the latter to take the view that risks have already been assessed elsewhere.

This overlap of responsibilities has led Council members to complain to the Review that Board papers have been withheld from them or have been delayed beyond the point when they could make their views known. And inevitably staff, particularly those who are Trustees, are drawn into internal political processes whether they want to or not.

The Review has consulted widely with charity regulators and auditors on the best way ahead.

It has reached a clear and unanimous view that the dual governance structures of the Trust having both a Board and a Council have to end. They engender duplication and delay, uncertainty and friction. They are inappropriate for 21<sup>st</sup> century Scotland.

In the following pages the Review outlines its recommendations for a new governance structure, with a maximum of 15 Trustees. This, we believe, is the Fulcrum of Change needed to revitalise NTS and give it a sense of strategic direction.



### What You Said:

- “I don’t know what the difference is between the Board and Council.” (An NTS manager)
- “The governance is dysfunctional. There is a pervasive mindset among staff and those on the Board and Council that personal and sectional interests are more important than the interests of NTS as a whole.” (A Council member)
- “Council should be abolished and the Trust run by a Board of ten or twelve.” (A Members’ Centre Chairman)
- “Too much of our time goes on serving governance structures and not enough on doing our job.” (A staff member)
- “Why should I put money into NTS if they are all chasing each others’ tails? I want to, but I can’t until they are clear where they are going, and why.” (A major funder)
- “You cannot have a Cabinet without a Parliament. Yes, there should be a small executive but there have to be people around to keep an eye on it.” (A representative member)
- “The sad thing is that staff have to develop political skills as they negotiate their way between the Board and the Council.” (A former Board member)

### What Others Do

- The average number of trustees on the Boards of Scottish charities is thirteen.
- A recent study for the Office of the Scottish Charity Regulator found the optimum number of Trustees to be between eight and sixteen.
- “Between ten and fifteen Trustees is the size at which the right mix of skills can be balanced with the number required for efficient decision-making.” (Baker Tilly, the number one UK charity auditor)
- “The Trustee body should be large enough to include the skills and experience needed to run the charity effectively, but small enough to allow effective discussion and decision-making.” (The Charity Commission)
- “Charities have to pass the ‘Ronseal’ test – to demonstrate they they do exactly what it says on the tin.” (Charles Neil, Chair of the Charities Finance Directors Committee)

# The Fulcrum of Change

## Recommendations on Governance 1



At its meetings throughout Scotland, the Review has repeatedly asked a series of Good Governance questions.

- Strategic Direction: how can NTS focus on key goals?
- Delivery: how can NTS staff achieve real outcomes year in, year out?
- Engagement: how can all stakeholders feel ownership of what NTS is doing?
- Expertise: how can NTS benefit from the knowledge and experience of others?

The Review is clear that current governance structures are a barrier to achieving these objectives. We believe that:

- **the number of Trustees should be radically reduced to ensure strategic focus.**
- **management should assist the Board in developing strategy and then concentrate on annual objectives.**
- **strategy and the delivery of results should be openly debated at the AGM annually.**
- **there are ways to involve external expertise other than through the current governance structures.**

The following recommendations should be read in conjunction with the notes on page 15, which explain how reforms can be implemented within current legislation.

The recommendations in this report will be submitted, by resolution, for approval at the September 2010 AGM of the Trust.

**R1: The Review recommends that Council should become the Board of Trustees and should be the sole body responsible for the general control and administration of the National Trust for Scotland.**

The Board of Trustees will be without question the Charity Trustees for the purposes of the Charities and Trustee Investment (Scotland) Act 2005. This will clarify a number of current anomalies.

**R2: The Review recommends that the Board should have a maximum of 15 Trustees.**

- Ten Trustees to be elected by NTS members
- Up to four members co-opted by the Board to ensure an appropriate range of experience and skills among Trustees.

– The NTS President, ex officio.

Proposed arrangements for the election of Trustees are outlined on page 11.

The President would remain on the Board of Trustees to meet the requirements of the National Trust for Scotland Acts and to enable him or her to play an active role in transition of the Trust following the Review.

We comment further on the President's role under Recommendation 16 on page 12.

**R3: The Review recommends that there should be no representative members on the Board of Trustees.**

Providing external organisations with a voice in the direction of NTS was appropriate in the 1930s when the Trust was building heritage capacity across Scotland. The Review makes alternative proposals for ensuring coordination, expert advice and policy development at a national level appropriate to the current century.

**R4: The Review recommends that Executive Directors should not be Trustees.**

This recommendation makes clear the separation of governance and management in the National Trust for Scotland.

There should be a clear division of responsibilities between the Board and the Leadership Team, and between the Chair and the Chief Executive. Directors who are presently Trustees should no longer be required to scrutinise their own performance.

This is in accordance with best charity practice. The Board should be responsible for NTS strategic direction, working in close cooperation with the Chief Executive. The Leadership Team should be responsible for the annual delivery of objectives – advised, monitored, warned and encouraged by Trustees.

The Chief Executive should normally be invited to attend Board meetings accompanied by colleagues, as appropriate, to speak to issues within their particular remit.

**R5: The Secretary to the Trustees should be independent from other members of senior management.**

This person should carry out the duties of a Company Secretary. The appointee should have the internal audit function of the Trust reporting to them, and should act as Secretary of the Standing Committees.

This is again in accordance with charity best practice.

**R6: The Review recommends that the current Council and Board should jointly appoint a Transition Committee to manage internal arrangements between the 2010 AGM and the election of new Trustees.**

Until new Trustees are elected, the existing Council and Board should jointly appoint a Transition Committee composed of the President, the Chairman, two Council members, two Board members, two Steering Group members and the Chief Executive. The remit of the Committee will be to manage the transition from existing to future governance arrangements, including Trustee recruitment and the working groups on the Property Portfolio and Mission.

The Trust's management functions will remain with the current Board and Council until the new Trustees are elected.

**R7: The Review recommends that the Transition Committee ensures the election of new Trustees by end March 2011.**

## Recommendations on Governance 2

We have prepared a draft matrix matching the skills sought from candidates against the duties they will fulfil. Trustees should demonstrate a commitment to conservation and a broad experience of governance and finance issues.

The matrix covers cultural heritage, countryside and land management; nature conservation; learning, outreach and access; buildings, gardens and collections; volunteering; financial management; investment expertise; change management; the law; human resources; procurement; information systems and business process review; policy development; marketing, PR, fundraising and communications. Efforts should be made to secure a good geographical spread of candidates and diversity of gender, age and background.

The selection process must be open, fair and transparent. Details of criteria and the assessment process should be made freely available.

Following the September AGM, adverts should be placed in the national press in October inviting applications.

The Transition Committee should conduct an initial sift against the matrix. Those who go forward should then be invited to interview.

A final list of candidates should be presented in a ballot paper posted, along with supporting statements, to members by February. Each candidate should have a proposer and seconder, whose name should appear on the ballot paper.

The Review encourages the Transition Committee to put forward more candidates than there are Trustee places.

**R8: The Review recommends that each member has ten votes for the ten Trustee places in the 2011 election, each marked with an X.**

**R9: The Review recommends that candidates who have passed through the sift process should be identified by star on the ballot paper.**

**R10: The Review recommends that all candidates appearing on the ballot paper must pass through the sift process, but that those who are unsuccessful in the sift may still be included if they so decide.**

During Review consultations, we found general approval of a more rigorous sift process. At the final focus group in the Scottish Parliament on 28 June the view was strongly expressed, however, that in a membership organisation any individual should be able to stand for office – as a “basic matter of democracy”.

We have considered the desirability of having both ‘approved’ and ‘non approved’ candidates. We have concluded that equality of opportunity should apply and that who is elected as Trustee is a matter entirely for NTS members.

**R11: The Review recommends that the election be exclusively conducted by postal and electronic ballot.**

All members will receive a ballot paper and statements from the candidates. They will have adequate time to return their votes. The verification of the votes should be conducted by an independent scrutineer.

In these circumstances, we see no need for a further ballot of those attending the AGM.

**R12: The Review recommends that elected Trustees should hold office for a term of 4 years, with the possibility of a further 4-year term on re-election.**

Currently, the term for Council members is five years and for Board members three years. Under our proposals there will be only a single Trustee body.

We have concluded that Trustees should serve for four years – with the probability of standing for a further 4-year term.

This is consistent with practice in other charities, and allows for a good turnover of Trustees.

**R13: The Review recommends that the terms in office of the Chair and Deputy Chair should be four years.**

In line with other Trustees, both Chair and Deputy Chair should be eligible to stand for a second 4-year term. Both will continue to be appointed by the Trustees.

**R14: The Review recommends phased terms for Trustees elected in 2011.**

This recommendation is necessary to ensure a yearly rotation of Trustees in the years which follow and parity in terms of service on the Board thereafter. For the 2011 elections, we propose that:

- Four Trustees should be elected for 4.5 years
- Three Trustees should be elected for 3.5 years
- Three Trustees should be elected for 2.5 years

The initial terms of office of Trustees should be determined at their first meeting after election, by vote if necessary.

The Review is of the strong view that no individual should be involved in Trust governance for more than eight years.

**R15: The Review recommends that the Board should be able to co-opt up to four Trustees.**

This power already exists in Clause 20 of the current legislation. It should be maintained to ensure a due balance between specific skills and experience of corporate governance among Trustees.

Co-options are stated in the legislation to be for one year. Renewals of co-options for a further year or years are not specifically ruled out and therefore affords a route which the Trust may wish to follow.



## Recommendations on Governance 3



**R16: The Review recommends that the President remains a Trustee until such time as the office is reconsidered in new legislation.**

The NTS founding legislation requires the President to be a Trustee and can be changed only by Parliament. On revision of the Acts, the Trust may wish to revise this requirement so that he or she is no longer party to Board decisions and can, in consequence, have an impartial role in the charity's affairs.

In the meantime, the President will act as ambassador and guardian of NTS corporate memory, and will continue to be elected at, and chair, the Trust's AGM.

**R 17: The Review recommends that the Vice-Presidents are appointed in an honorary capacity.**

Pending revision of the NTS legislation, this recommendation makes clear that Vice-Presidents hold an honorary position and are not members of the Board of Trustees. They will continue to be elected at the AGM, ideally from a wide geographical background, and will carry out ambassadorial functions.

**R18: The Review recommends that new Trustees should publish a code of NTS Good Governance.**

Details are given opposite on page 13.

It will be for the new Board to determine its own working practices, but it appears to the Steering Group that around eight meetings per year will be appropriate. The key issue is that Trustees should concentrate on strategic objectives and not stray into operational matters or attempt to micro-manage the charity. The job of the Leadership Team is to run the organisation's day-to-day operations. The role of the Board is to encourage, warn and advise the Chief Executive in the delivery of objectives.

Trustees should expect to commit around 20 days per year to their role. After election, they should go through a planned induction process which should be extended to cover conservation as well as governance and finance. There should also be periodic review meetings during which Trustees discuss with the Chairman their contribution to the Trust.

**R19: The Review recommends that the Trustees should be assisted in their work by three Standing Committees: Audit, Investment and Nominations.**

The **Audit Committee** should monitor and analyse the robustness of the Trust's financial recording and reporting

systems and review its internal controls, risk management measures and internal audit function. The Committee should consist of at least three Trustees (one of them its Chair) and two external members.

The **Investment Committee** should provide advice and direction on all financial investments made by or on behalf of the Trust. The Committee should consist of up to a dozen members, the majority of them external experts with a strong background in investment. The Committee should be chaired by a Trustee.

The **Nominations Committee** should continue to be charged with ensuring that the Trust adopts open and transparent processes in filling vacancies within the Trust's governance. After the establishment of the new Board, the Committee should identify and recommend candidates to the membership for the future election of Trustees. Details of criteria and the assessment process should be made freely available.

There should be five members of the Nominations Committee : three Trustees and two external appointments. The Committee should be chaired by an independent external appointee, with members serving a single 4-year term. The two external members of the Committee should be appointed by the Board.

The Review does not recommend the establishment of a Finance Committee. The necessary experience of financial management should be secured within the Board of Trustees itself. In the event of external advice being required, this can be obtained by the Chair on an ad hoc basis.

The Review does not see the need for a Remuneration Committee. Given the reduction in governance, it believes the salary and conditions of senior managers can be determined in discussions between the Chair and the Trustees.

The Review stresses that the work of the Standing Committees is advisory and that only the Board is responsible for the general control and administration of the charity.

**R20: The Review recommends that the Conservation and Regional Panels continue in an advisory capacity, pending a reconsideration of their effectiveness by the Trustees.**

During the consultation process, the Review received mixed responses on Panels. Some were seen as excellent and essential, others as having no particularly effective role. There was also wide variation in working practice and regularity of meetings.

In addition, problems were reported on the capacity of staff to service the Panels adequately.

On balance, we believe that the range of specialists available through the Panel system should be maintained – as a source of expertise and advice for Trust staff. It should be made clear that the Panels are not part of Trust governance.

It is essential that Panels are fit-for-purpose and meet specific organisational needs. Their membership, terms of reference and ways of working should be reviewed after the new Board is elected and then every three years.

It may be then that Trustees will wish to view the Panels as a flexible 'pool' of advisers whose expertise the Trust can draw on from time to time as corporate needs require.

## A Code of Good Governance

The new Trustees should publish a code of NTS Good Governance, as recommended under R18 on page 12.

Given the extensive reform of the Trust's governance structures proposed in this report, we believe it important that all stakeholders understand clearly future responsibilities within the charity.

Governance has been helpfully defined as "the systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of an organisation" (*The Governance of Voluntary Organisations*, Cornforth 2003).

Trustees must take ultimate responsibility for the governance of their organisations.

Governance, however, is not a role for trustees alone. Rather it is the way they work with a chief executive and staff, members, volunteers, service users and stakeholders to ensure that the organisation is effectively and properly run and meets the needs for which it was established.

Behind good governance must lie principles. We propose, as a matter of charity best practice, that the Nolan Principles (*Committee on Standards in Public Life 1995*) be written into job descriptions for Trustees. These are: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

We propose that the additional principle of equality be incorporated into the code – thereby ensuring equity, diversity and equality of treatment for all sectors of the NTS community, again in accordance with charity best practice.

We then set down a number of principles, freely adapted from *Good Governance, A Code for the Voluntary and Community Sector* (NCVO 2005, endorsed by the Charity Commission) which, together with guidance from the Office of the Scottish Charity Regulator, will assist Trustees in the formulation of an NTS code:

### Board Leadership

The National Trust for Scotland should be led and controlled by an effective Board of Trustees which collectively ensures delivery of its objectives, sets its strategic direction and upholds its values.

The Board must have, and accept, ultimate responsibility for directing the Trust's affairs. It should focus on strategy and avoid becoming involved in day to day operational decisions.

### The Board in Control

The NTS Trustees should collectively be responsible and accountable for ensuring and monitoring that the charity is performing well, is solvent, and complies with all its obligations.

The Board should maintain and regularly review NTS's systems of internal controls, performance reporting, policies and procedures. It should regularly review risks and take actions to mitigate them.

### The High Performance Board

The Board should have clear responsibilities and functions, and should compose and organise itself to discharge them effectively.



### Board Review and Renewal

The Board should periodically review its own and the Trust's effectiveness, and take any necessary actions to ensure both continue to work well.

The Board should have a strategy for its own renewal. Recruitment of new Trustees should be open, and focused on creating a diverse and effective Board.

### Board Delegation

The Board should set out the functions of committees, working groups, the Chief Executive and other staff in clear delegated authorities and should monitor their performance.

The Board must remain in ultimate control of all delegations. The mechanisms established for internal control and performance reporting should be used to monitor use of delegated authority by the Chief Executive, or other staff and volunteers.

### Board and Trustee Integrity

The Board and individual Trustees should act according to high ethical standards, and ensure that conflicts of interest are properly dealt with.

Trustees should identify and promptly declare any actual or potential conflicts of interest affecting them.

### Board Openness

The Board should be open, responsive and accountable to its members, staff and stakeholders and others with an interest in its work. There should be regular and appropriate communication and consultation with stakeholders to ensure that:

- their views are taken into account in the Trust's decision-making.
- they are informed and consulted on the organisation's plans and proposed developments which may affect them.
- there is a procedure for dealing with feedback and complaints from stakeholders and the public.
- the Trust's performance, impacts and outcomes are reported to stakeholders.

# Engagement and Transparency

## Who Scrutinises Whom, and When?



*NTS jam-packed into the 2009 AGM at Murrayfield, many expressing disappointment and anger about decisions taken that year*

Throughout the consultation process, the Review team has regularly had to address a whole series of questions about who, in the Trust, scrutinises whom.

At meetings there have been complaints about a ‘culture of secrecy’ and the inability of members to receive or access information quickly.

There has been a general welcome for the Review’s proposals to draw a line between governance and management. That makes clear that it is the responsibility of the Trustees to scrutinise the Chief Executive and Directors in working to published plans and delivering results.

However, this has led to two further questions: “How will we know?” and “Who scrutinises the Board?”

In our Recommendation that Trustees adopt a Code of Conduct (p13) we outline charity best practice for “regular and appropriate communication and consultation with stakeholders”.

While some matters will clearly have to remain confidential, summary reports of all Board business should be posted on the Trust’s website within 14 working days. Members who wish this information by post should be able to register for such a service.

Where major initiatives are not contained within previously published plans, we propose that the Board should announce its intentions and invite comments within a time-limited period.

During the consultation period, we have received a regular flow of complaints from members that NTS do not reply to correspondence or, if they do, that they reply very late. This is a matter which the Chief Executive should address.

**P1: The Review proposes that, as from 2011, the Trust’s AGM becomes an annual Assembly.**

We make this proposal for two reasons. First, we believe this should be the occasion when members have a full opportunity to

scrutinise the Trustees’ stewardship of the charity. And, second, we believe that this yearly event is a time to build common cause and vision.

The Assembly should go beyond presentations and question and answer sessions. It should encourage genuine debate, letting members – as they have put it – “have their say”.

The Assembly would have the powers of the AGM – the right to elect the President and honorary office-holders; the right to appoint auditors; the right to adopt or reject, wholly or in any part, the annual report of the Trustees and all accounts tabled at the meeting; and the right to initiate debate on recommendations, as laid down in standing orders. A clear majority vote at the Assembly will be binding.

So what is different?

What is different is a change to a more participative culture in which there is open recognition by Trustees and the Leadership Team that the Assembly is the occasion for members to scrutinise them.

The Trust’s 310,000 members should be encouraged to believe that they have ownership of the meeting as well. The Trustees should indicate, through their published Code of Conduct, that more advance consideration will be given to members’ views and more time provided to hear them.

This is all in accordance with charity best practice.

The Assembly should not be all internal business. There should be workshops, fringe meetings with other heritage organisations, visits to local sites and social events. We therefore feel that the Assembly may in future become a two-day event.

The Trust may also wish to consider an annual NTS Lecture at the Assembly: a world-leading conservationist invited, perhaps by the Patron’s Club, to give focus to the Trust as a leader of the conservation cause internationally as well as in Scotland.

# How it can be Done

## The Governance Group Points the Way

“The affairs of the National Trust for Scotland shall be administered by a council to be called the ‘council of the Trust’”

– NTS Order Confirmation Act 1935



The Steering Group and Review team are indebted to the Governance Issues Group and particularly to its chair, Douglas Connell, for their advice on how a reform process can be implemented without the need for amended legislation.

The Group’s initial and supplementary submissions are listed on page 46 of this report and may be downloaded from the Trust’s website. The following notes are a summary of the commentary provided there. They are set down to answer questions from members about how change can actually be effected.

### The Council becomes the Board of Trustees

In Clause 21 (5) of the existing NTS legislation, the members of the Trust are empowered, at the AGM, to appoint an ‘executive committee’ (the current Board of Trustees) but there is no requirement to do so. It is therefore competent to bring the ‘executive committee’ to an end.



Douglas Connell, heritage and charities lawyer and Chair of the Governance Issues Group:

*“We were charged with clarifying ways in which governance of the National Trust for Scotland could be reformed.”*

In these circumstances the Council becomes the sole body responsible for the general control and administration of the National Trust for Scotland. Its members will then, without question, be the Charity Trustees for the purposes of the Charities and Trustee Investment (Scotland) Act 2005.

### There should be no representative members on the Council

In Clause 18(4) of the existing legislation, the members of the Trust are empowered, at the AGM, to alter the number of representative members of Council as it thinks fit.

That number could be zero.

There is also power to remove the existing rights of appointment from the current representative bodies.

### The numbers of Trustees should be reduced to a maximum of fifteen

In Clause 18(8) of the existing legislation, the members of the Trust are empowered, at the AGM, to increase or reduce the number of elected members of the Council.

The Steering Group discussed at length the Governance Group’s initial proposal that the Council might have as many as 25 Trustees.

It has decided unanimously, after consultation and examination of charity best practice, to recommend a maximum of 15 Trustees. This, it believes, is large enough to balance a wide spread of experience with effective decision-making.

### The Trust should be able to co-opt up to four members of Council, who will become Trustees

This power already exists in Clause 20 of the legislation. It should be maintained in order to ensure a due balance between specific skills and experience of corporate governance among Trustees.

Co-option should be for one year only, after which a co-opted Trustee can seek election or be co-opted for a further year.

### The positions of Patron and President should remain

These provisions are contained in part of the legislation which the Trust cannot by itself amend. During the consultation process, there was unanimous agreement that these positions should be maintained.

### The Vice-Presidents should hold honorary office

It is within the Trust’s powers not to appoint Vice-Presidents, the legislation stating simply that there should no ‘no more than six’, without specifying a minimum number. The Review recommends appointment to a number of honorary positions which would not require holders to serve as Board members.

### Standing Committees and Transitional Arrangements

Under current legislation, the Trust may appoint such Committees as it sees fit. Clause 21 (2) empowers the Trust to make its own regulations in relation to the rotation of members.

Copies of legislation and other publications relating to the Governance of the National Trust for Scotland have been placed in the Strategic Review section of the Trust’s website. These are listed on page 46 of this report, together with details of how to download them.



Sir Brian Ivory, Steering Group member and former Chair of the Trustees of the National Galleries of Scotland:

*“These recommendations provide a clear route to effect governance reforms.”*



## A Fit for Purpose NTS

The Trust must  
emphasise  
its core  
conservation  
Mission

That Mission must  
rally members  
and be embedded  
in the Trust's  
daily work

## The Need for Vision

NTS must state clearly what it stands for



Conservation, Access and Enjoyment – the NTS legislation sets down clearly the core purposes of the National Trust for Scotland.

The Acts of Parliament indicate why the charity exists. The core purposes should guide all its work.

The Trust is fundamentally about promoting and protecting Scotland's heritage and, in so doing, enriching the lives of present and future generations. The challenge to NTS is to unfold Scotland's ongoing story – the land that shaped us, the special places where our history happened, the inheritance from the past which has moulded our identity. To recognise that it is a story which will never end – that new chapters have still to be added to cover our industrial age and wherever Scotland goes in the future.

Management of this heritage is both a risk and an opportunity for the National Trust for Scotland. It is the country's only conservation body with a holistic portfolio. Its work encompasses the built, natural and cultural heritage; archaeological sites, grand estates and gardens, plants, birds, natural habitats, farmland and crofts, paintings, furniture and much else.

NTS is uniquely placed to demonstrate best practice in integrated conservation policy, projects and programmes – taking a balanced view of special places as a whole, rather than focusing on a single issue or element.

The Review has received a substantial number of submissions about the Trust's purposes and Principles. They reflect a widespread concern that, in recent years, it has been driven primarily by financial and commercial considerations – with conservation bolted on afterwards. Some have stated bluntly that they have no interest in 'tourist parks' or 'visitor attraction businesses'.

It is only fair to note a smaller number of contributions which take a starkly different view, and argue that in the past NTS has been too eager to conserve properties without giving proper attention to the financial consequences.

**This is the core dilemma with which Trustees have struggled in recent years – how they should simultaneously balance the books and honour their core conservation commitments.**

Elsewhere in this report we make proposals on how to address this issue through governance reform, a review of the property portfolio and the adoption by NTS of strategic and corporate planning.

These recommendations will not resolve internal tensions between those who believe that the draft vision statement used presently – proposing to put the Trust 'at the heart of the nation' – is largely a PR and marketing document aimed at drumming up business, and others who believe this describes the Trust's mission appropriately.

If NTS is to be 'fit for purpose' it must be able to articulate clearly what its purpose is –



# The Need for Vision

## NTS must embed its core purposes in all its work

what it is actually *for*. There has to be a Mission Statement round which all stakeholders can rally.

**R21: The Review recommends that a working group be established to produce a draft Mission Statement for Trustees in April 2011 emphasising the core purposes and Principles – Conservation, Access, Enjoyment and Education.**

The Group should be set up by the Transition Committee, proposed on page 10 of this report, in order to invite submissions from members, staff, volunteers and external stakeholders at an early stage. Its mandate should be based on the issues which we identify in the following sections:

It will be for the Trustees to decide how to take forward the report of the Group. We believe there are good reasons, in the spirit of engagement advocated in this report, in the Mission Statement thereafter being debated at the September 2011 AGM.

### Not in a Vacuum

The Review has considered how the purposes and Principles can be rooted in the daily work and forward planning of the National Trust for Scotland. It makes the following proposals:

### The Purposes and the Principles

The National Trust for Scotland Order Confirmation Acts of 1935 and 1938 state that the charity's core purposes are Conservation, Access and Enjoyment.

The legislation does not prioritise any of these purposes, leaving the Trust free to interpret and manage them in a generally co-ordinated way. We recognise that the language used 80 years ago in the Acts may require updating, although the terms used cannot be altered until a new Bill is introduced at a later stage in the Scottish Parliament.

The Principles, written between 1999 and 2004, state how NTS purposes should apply in the 21st century.

The Trust should consider merging the Conservation, Access, Enjoyment and Education Principles into a single document.

In the meantime, it is essential that these are understood and 'lived' by Trustees, staff and volunteers.

We make the following proposals:

### Trustee Commitment

**P2: The Review proposes that Trustees should commit to putting Conservation, Access, Enjoyment and Education at the centre of their work.**

We believe that an early statement to this effect by the new Trustees will give direction to the charity and will provide reassurance to the many members who have expressed fears that it has lost its way in recent years.

### Induction and Training

**P3: The Review proposes that all Trustees and directors should have formal training in all of the Trust's Principles.**

**P4: The Review proposes that all of the Trust's Principles should be a mandatory part of all staff induction procedures.**

Internal conflicts can often be traced back to a lack of adequate training. Staff and Trustees should receive training in all of the NTS Principles.

### The Strategic Plan

**P5: The Review proposes that the Principles should underpin both the Strategic and corporate plans, and should be cited in both documents.**

### A Triple Bottom Line

**P6: The Review proposes that Conservation should form part of a triple bottom line in all NTS decision-making, alongside Finance and People.**

No decisions should be reached at any level of the Trust without participants being required to certify that they have considered their impact upon conservation, the budget and people.

This proposal is consistent with other recommendations made in this report about the need for balanced decision-making.



*A Future for Our Past: some of the 100,000 schoolchildren who enjoy NTS properties every year – learning what has been handed down to their generation and what they will pass on one day.*

### Education

NTS arranges over 100,000 individual visits by schoolchildren to Trust properties each year. In addition, it organises a series of events and activities to engage people of all ages in its conservation work.

These are excellent means of delivering NTS core purposes – particularly access and enjoyment – to the next generation and of building up future support.

### Advocacy

NTS has a wider role than simply owning and preserving properties. It was established 'for Scotland' and, in this capacity, should be working through advocacy, influence and persuasion to ensure effective conservation throughout the country.

Financial difficulties have limited what the Trust has been able to do in this area in recent years. The new Board should, however, aim to help the charity again find its voice as an independent advocate for natural and cultural conservation. With expert staff and advisers, it is well placed to advance debate and policy development.

In the section of this report headed 'For the Benefit of the Nation' (pp36 to 37) we explore ways in which NTS can engage more fully in such work in partnership with other heritage organisations and elected representatives.

# Fit for Purpose Finance

## An Overview

The National Trust for Scotland has struggled with its finances, and managed them with considerable skill and ingenuity, for a large part of its existence. It has always faced two challenges:

- How to ensure enough endowment income to maintain its properties to a reasonable standard.
- How to raise enough income to cover its running costs and build up general reserves.

Over the past 80 years, NTS has accumulated a huge, wonderfully diverse and highly expensive portfolio of buildings, land and other assets. But the income from endowments and restricted funds which should pay for their maintenance and repairs has proved insufficient.

The Trust has also to cover its annual operating costs. Given the sheer size and geographical spread of its estate, it requires a large number of staff with a wide range of skills. It has to service its 310,000 members. The Trust aims to have £17 million reserves in its General Income Fund (GIF) sufficient to cover six months' expenditure and a year of project spend. In a small country like Scotland, it has none of the economies of scale available to the National Trust south of the border.

In its submission to the Review, the Board writes:

“Over five years ago it became apparent that the Trust’s financial situation was unsustainable. Over a protracted period of time the Trust had endeavoured to conduct a broad range of activities across its range of properties without adequate resources. The drop in legacies, ill-thought-through spending in areas which were not core to the Trust’s activities, the growing number of properties in the Trust’s portfolio and the lack of overall financial and administrative control severely impacted on the organisation’s financial situation.”

The operating position, in the four years from 2006 to 2009 showed a deficit of £959,000.

The economic crisis of 2008 impacted with particular severity on the organisation whose financial health was already fragile. There was an alarming drop in the value of investments. Reserves fell to a dangerously low level of £3.1 million, prompting redundancies and the mothballing of properties.



“NTS must prepare a five year strategic plan as a matter of urgency and a costed corporate plan beneath that.”

Professor Ian Percy is the former Chair of the Accounts Commission and a member of the Review's Steering Group.

While these economies were poorly planned and communicated, the Review understands their necessity in the circumstances.

Over 2009-10, the General Income Fund has increased to a healthier £8.5 million, though this is still only half its target. This creates a valuable breathing space during which the Trust can start the process of reform and strategic planning advocated in this report.

In the meantime, NTS still faces substantial financial challenges.

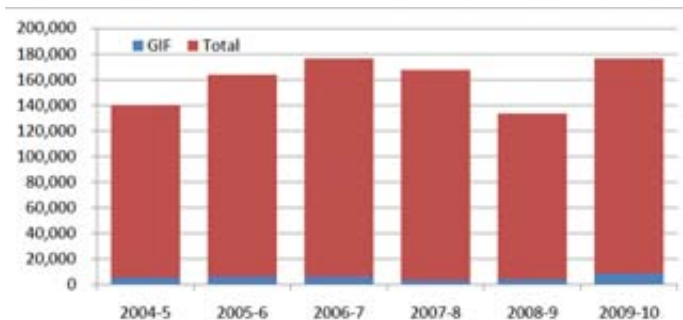
**The total funds of the Trust per its balance sheet in February 2010 amount to £168 million, which looks substantial.**

**But only £8.5 million is available for operations and to meet expenditure on assets which cannot be covered from capital.**

**The reason is that the £159 million which make up the balance of funds is in the form of endowments and restricted funds which are not available for general purposes.**

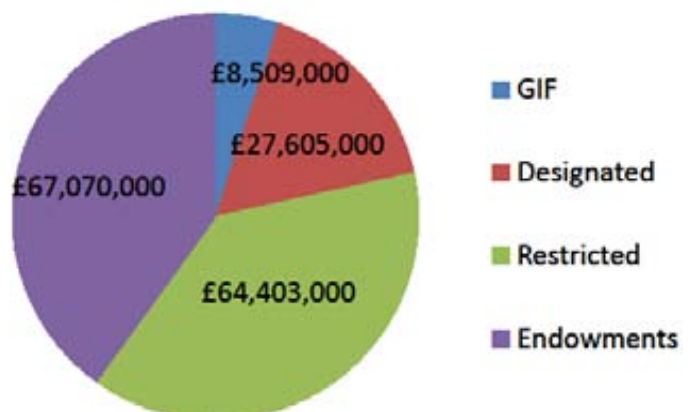
The following table illustrates the relative size of the General Income Fund (in blue) in relation to total funds held by NTS over each of the last six years:

### GIF|Total Funds



### Funds Breakdown

The next table shows the breakdown of NTS funds, as of February 2010, between General Income, Designated, Restricted and Endowment Accounts.



The table on the opposite page presents the summary financial statements for each of the years 2006-10.

# Summary Financial Statements 2006-2010



	Total 2006 £000s	Total 2007 £000s	Total 2008 £000s	Total 2009 £000s	Total 2010 £000s
<b>INCOMING RESOURCES</b>					
<b>Incoming Resources from Generated Funds</b>					
Membership Subscriptions	7,919	8,408	9,469	10,328	10,365
Appeals & Donations	2,176	2,220	3,273	4,513	2,088
Legacies	5,615	4,615	3,376	4,001	5,904
Commercial Activities	8,868	8,918	9,469	9,776	10,287
Investment Income	5,107	4,956	6,071	6,982	6,281
Grants	5,455	6,859	7,095	5,982	9,817
<b>Income from Charitable Activities</b>					
Admissions	2,343	2,291	2,310	2,554	2,725
Rents	1,036	1,352	1,246	1,920	1,500
Other	1,199	1,366	1,305	1,063	1,008
<b>Other</b>	124	34	342	1,303	823
<b>Total Incoming Resources</b>	<b>39,842</b>	<b>41,019</b>	<b>43,956</b>	<b>48,422</b>	<b>50,798</b>
<b>OUTGOING RESOURCES</b>					
<b>Cost of Generating Funds</b>					
Membership and Recruitment	912	977	970	1,051	1,002
Publicity and Fundraising	4,080	3,579	3,158	3,022	2,602
Commercial Activities	8,492	8,005	8,177	8,706	8,298
<b>Charitable Expenditure</b>					
Property Operating Expenditure	16,510	16,972	18,936	17,788	16,431
Conservation, Repairs & Improvements	10,388	7,152	6,092	7,952	7,311
Other Resources Expended	-	-	65	-	51
<b>Governance Costs</b>	615	701	499	430	474
<b>Total Outgoing Resources</b>	<b>40,997</b>	<b>37,386</b>	<b>37,897</b>	<b>38,949</b>	<b>36,169</b>
<b>NET INCOMING RESOURCES</b>					
	<b>(1,155)</b>	<b>3,633</b>	<b>6,059</b>	<b>9,473</b>	<b>14,629</b>
Attributed to Endowment, Restricted and Designated Funds	1,251	(4,859)	(6,867)	(7,398)	(9,568)
Transfers to Designated and Restricted Funds	145	(754)	470	(275)	(605)
<b>ATTRIBUTABLE TO THE GENERAL INCOME FUND</b>					
	<b>241</b>	<b>(1,980)</b>	<b>(338)</b>	<b>1,800</b>	<b>4,456</b>
Gains/ (Losses) on Revaluations of Investment Assets	280	316	(606)	(872)	(3)
Defined Benefit Pension Scheme Adjustment	563	-	-	-	-
<b>NET MOVEMENT ON THE GENERAL INCOME FUND</b>					
	<b>1,084</b>	<b>(1,664)</b>	<b>(944)</b>	<b>928</b>	<b>4,453</b>
Opening Balances	5,345	6,429	4,765	3,128	4,056
Prior Period Adjustment	-	-	(693)	-	-
<b>CLOSING GENERAL INCOME FUND</b>	<b>6,429</b>	<b>4,765</b>	<b>3,128</b>	<b>4,056</b>	<b>8,509</b>

# Fit for Purpose Finance

## Endowment, Income and Expenditure

### Endowment

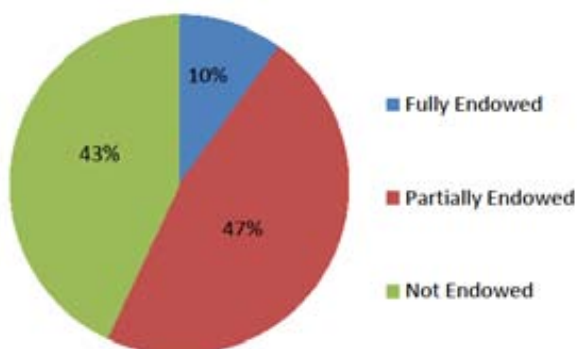
A fundamental issue which has faced NTS for years is that income from endowments is insufficient to fund repairs and maintenance.

The standard method for calculating the required endowment value for a heritage property is the Chorley Formula.

The methodology, developed by the National Trust, is far from perfect but has been cited by NTS in evidence to the House of Commons as “the correct formula to use in both revenue and capital long-term funding”.

The formula calculates the cost of a property’s maintenance and repairs, improvements, uplift and management charges over 50 years. It estimates the likely income from its endowment over the same period, based on an annual yield of 5%.

Only twelve of the NTS properties are fully endowed – and only two of these are large properties (Mar Lodge and Newhailes). As the chart below shows, just under half are partially endowed, with 43% having no endowment.



The chart illustrates a fundamental financial issue facing NTS.

Where a property makes a surplus, this is transferred into a reserve specific to that property from which it can be used to fund capital repairs and other projects specific to its needs, such as a new roof.

Not many properties have a surplus, and, in the case of the vast majority of NTS properties, their endowment income is either non-existent or insufficient to cover the property’s income deficit or build up reserves for major capital repairs.

In order to make ends meet, the Trust has been relying heavily on restricted funds – as the Leadership Team puts it, “effectively emptying our piggy banks” – and on transfers from the General Income Fund.

Over the years, a number of unsuccessful attempts have been made to evaluate the cost of maintaining and enhancing the estate.

**The Review is absolutely clear that until the National Trust for Scotland has authoritative information on the cost of maintaining its estate, it will be unable to plan strategically for its future. On pages 22-23 of this report, we set down our proposals.**

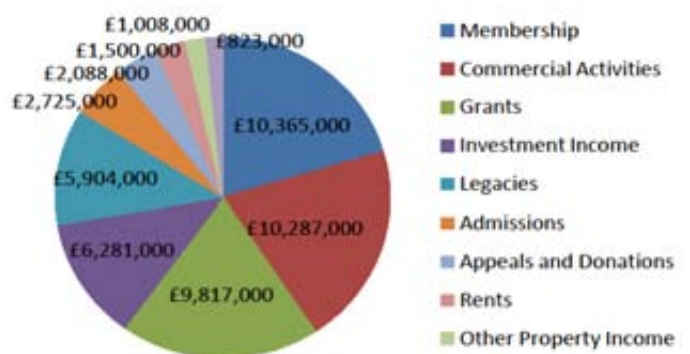
While decisions in this area will have to await the outcome of the proposed conservation audit, it is highly likely that the NTS will require to raise significantly more endowment capital. That

probably means, as has happened with universities, a specific appeal phased over a decade or longer. We also believe different ways of managing the estate and new partnerships will help the Trust. We explore this later in the report.

We are not persuaded by submissions which propose that, in those few cases where a property is in surplus, arrangements should be explored to permit a percentage of capital to be spent from endowment funds. This would reduce the surplus and the Chorley formula suggests that it would ultimately put the property into a deficit position which, in turn, would increase the pressure on general reserves.

### Income

Apart from income generated from endowments and from restricted and designated funds for properties, the principal sources of NTS revenues are illustrated in the following diagram. The figures are for 2009-10.

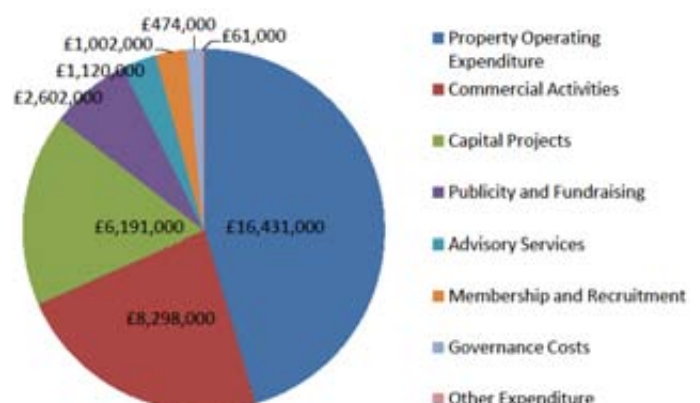


It should be noted that the largest single source of finance is membership subscriptions (2010 : £10.4 m). Commercial activities generate an income (2010 : £10.3m) and a £2 million profit. Grants (2010 : £9.8m) underwrite a wide range of NTS activities.

With predicted government cut-backs, it is difficult to see how this level of funding will be maintained unless NTS targets new and alternative grant programmes as a matter of urgency.

Legacy income in 2009-10 was high at £5.9 million, and it will be challenging to sustain this level in future, particularly in the current economic climate.

### Expenditure



## Future Financial Health

Expenditure on staff salaries and wages is subsumed across the various items of expenditure shown in the chart and amounts, at £16.9 million in 2010, to around 43% of the total outgoing resources of the Trust. Savings of around £3.2 million annually were achieved by the redundancy programme, but current negotiations on staff remuneration may again tip NTS towards an operational deficit.

As can be seen from the chart at the bottom of the column on the opposite page, the day-to-day running costs of the administration of the Trust and its membership and recruitment are small in relation to the balance of its outgoing resources.

### A Breathing Space

The Review is clear that the action taken by the Board in 2009 resulting in emergency economies was necessary. In addition to these savings, significant economies in procurement and other areas have also been achieved in recent years.

Concentrating on only essential repairs and maintenance has also reduced expenditure – spending on conservation dropped 8.1% in 2009-10 compared to the previous year, though this indicates a bigger bill in future when delayed work is tackled.

In 2009-10 the General Income Fund has more than doubled, from £4.1 million the previous year to £8.5 million. Membership is slightly up, as are visitor numbers (though the underlying trend from visits is down, with the increase attributed to the opening of Culloden Visitor Centre and the Trust taking ownership of the Burns National Heritage Park).

The Trust has also eaten into its remaining reserves from various restricted funds. These are not replaceable and the charity's dependence upon GIF will increase as they decline. In these circumstances, NTS is currently dependent to a large extent on 'windfalls' – using legacies, which cannot be predicted with any certainty, as ready income. The problem of sustainability therefore remains.

As the Chief Executive has noted, there continues to be an underlying imbalance "between the cost of running the Trust and conserving its properties" and its "regular, predictable income".

### Financial Health

Ten years ago, the NTS Council – recognising the stresses under which the charity operated – adopted a number of Financial Principles. They caution against GIF being used as "a measure of the NTS's financial strength" and recognise that whilst the level of the fund is critical, the quantum of the Endowment and Restricted funds is also important for long term sustainability. The Principles, in our view, remain valid as a means of informing financial decision-making, but should be seen in balance with the Trust's other Principles.

While NTS secured a surplus in 2009-10, there was a deficit of £959,000 over the previous three years. In submissions to the Review in May 2010, the Board and Leadership Team committed to a 'surplus budget' in all future years.

That may not be possible given negotiations in July 2010 with the staff trade union on remuneration and related matters (which the Review believes need to be addressed) and the costs arising from other Review recommendations.

### Budget Planning

Each year the Finance Director prepares a high level budget for

the Board based on the information she has from the Leadership Team's best estimate of spending on property and likely potential income. The current budget is prepared on a 'needs must' basis and is not informed by a business plan within the framework of an overall financial strategic plan.

The expenditure on the Trust's estate appears to be based on what is deemed absolutely essential for immediate repairs and to keep properties watertight, rather than maintaining the building to a good conservation standard. Consequently, properties without adequate endowment or finance from restricted funds are likely to make larger demands for assistance in future.

As noted elsewhere in this report, the Review has been unable to obtain any reliable information on what the financial commitment the NTS has to its properties will be over the next five years. This, in our view, is a major weakness which must be addressed through the robust audit of its assets.

While the expenditure side of the budget is informed on a 'needs must' basis, the income side appears to be based on what is hoped for, given previous years' expenditure.

On page 32 of this report, we recommend that Trustees should publish a five-year strategic plan and ensure that NTS develops an integrated system of corporate and financial planning.

### Financial Systems

In 2006, the Trust identified that a new financial system was required. The Proactis purchasing system had been poorly implemented, causing considerable frustration and stress. While this situation has improved following work by the Finance team, it is still insufficient for timely reporting and analysis.

The core Sun Microsoft system has been in use since 1995 but no updates have been accepted and it is now out of date.

All reports have to be originated by the central Finance team, leading to delays in their being made available to end users. Currently much of the financial information needed to run the Trust has to be prepared using spreadsheets and manual interventions.

Attempts have been made since 2007 to implement streamlined systems, but progress has been slow. With improved systems, the Trust would have greater access to information and an improved ability to maximise efficiency and monitor performance.

**P7: The Review proposes that a working group, including external professionals, be established to report on the future needs of the Trust in its financial systems.**

As part of its remit, the group should consider carbon accounting as a future component of new financial systems.

**P8: The Review proposes that the Transition Committee should at an early date meet representatives of the Steering Group to consider ways of funding the various reform proposals outlined in this report.**

While there will be cost efficiencies in governance and other areas, the Group is conscious that a number of its proposals will require additional funding. It is particularly clear that the audit of properties should be adequately resourced in order that a report may be presented to the 2011 AGM.

The Group will discuss ways in which this proposal may be secured with the Transition Committee.

# The State of the Estate

## NTS must know the cost of maintaining its properties



When Sir John Stirling Maxwell in the 1930s described the charity as “a sort of cabinet into which could be put valuable things”, he could not have imagined how jam-packed it would be in the 21st century.

Today the Trust owns 130 accessible properties, hundreds of buildings – including byres, bungalows and sheds – over 30 gardens, a number of islands, around 200,000 acres of some of the grandest landscapes in Scotland, colonies of bats and birds, valuable paintings, exquisite furniture and a whole range of artefacts.

The vast majority were acquired without adequate endowment and, probably, in a number of cases, without proper consideration of how – or whether – they fitted the Trust’s overall portfolio and profile. In his submission to the Review, one former Board member writes: “Sentimentality rather than sense seems to have been the order of the day when opportunities for property acquisitions arose.”

**Extraordinary as it may seem for an organisation founded as long ago as 1 May 1931, NTS has no single inventory of what it owns.**

**Nor does it know how much it will cost to maintain its portfolio in reasonable order over the medium to long term.**

The Trust does have lists covering nearly all its possessions, of course. But they are held in separate data bases, filing systems and indexes by different departments working to different standards. The Trust does know what it *is* spending on its estate. But it does not know what it *should* be spending on its estate. Only in a few cases is the information robust enough to establish, with any certainty, a forward budget for a property.

In the course of the Review the Chief Executive committed to establishing a single inventory of assets by September 2010. We warmly endorse that decision as the start of a longer and more complete review of the state of the estate.

The Review also received submissions that any future NTS inventory should be GIS (Geographic Information Systems) based, integrating cartographic and data base technologies.

We have taken the view that establishing such a system would take years and is currently far beyond its current resources. It may, however, be an option in future years – particularly if proposals to establish a GIS-based single register of all Scotland’s heritage assets are taken forward at national level.

**An inventory is not an audit, however. And an audit is only one stage of a fuller planning process.**

For the last few years the Trust has been funding only essential works, and not been in a financial position to maintain the estate much beyond that. This is not ideal, and has also created a tremendous backlog of maintenance and repairs, which has built up over time.

The Trust must get to know and understand its estate better, both in terms of the condition of its heritage assets and the cost of ensuring assets are kept in a reasonable condition. A thorough audit is therefore essential to determine the magnitude of financial demands which the charity is likely to need to meet in the future.

Whilst work is currently being carried out by senior management, we believe that this analysis is so critical to the long term strategic direction of the Trust that it requires external advice and validation.

The Review strongly supports proposals that NTS conducts a full audit of its properties and major collections in order to assess their condition and associated costs.



The Board should appoint an expert panel as soon as possible after the 2010 AGM. It should agree a mandate with them to develop with staff, at national and local levels, a common matrix for an audit of all assets – including short, medium

and long term priorities – practical and pragmatic levels of maintenance and conservation, staffing and other resource requirements. These must be fully costed out.

While it is recognised that this work may take several years to complete fully, the Trustees should ensure annual updates to members at the AGM from 2011 onwards.

The Review has received indications of assistance, some on a pro-bono basis, from professional companies working in surveying and maintenance. It is possible, however, that a specific appeal may have to be considered to resource the audit work thoroughly.

## A Proper Property Planning Process

### “The cost is unknown of maintaining the estate”

— the NTS Leadership Team

#### Proper Property Planning

Audits are regularly conducted by heritage organisations as a stand-alone exercise. As the diagram at the foot of the page indicates, however, knowledge about condition and costs is only one stage in a well established holistic process of conservation management.

This is an important issue for the Trust, since its mandate covers both the built and the natural environment. It has to consider not just the physical state of a building and its history, but how it sits in its landscape and relates to the community in which it is located.

Property Planning is the conservation and management of all aspects of Trust properties within its agreed suite of Principles.

It is about making decisions – for conservation work, access, income generation, staffing – based on a clear understanding of the significance and needs of each property. It allows for the efficient use of resources, including staff and volunteer time.

It demonstrates that conservation does not necessarily prevent developments aimed at providing enhanced enjoyment for visitors or generating additional revenue.

The cornerstone of the Property Planning process is to understand the place. By identifying all components of a property and evaluating their significance, the Trust can set out a long-term vision and use this understanding to underpin all management decisions.

This part of the process is best carried out internally by NTS staff and is expressed through its Property Statements, although no current activity is being undertaken.



The next stage is to identify the condition of the property, the work required to conserve it, and how much that will cost and other issues to be considered when planning its future management.

This part of the process will be addressed through the proposed audit.

It is then necessary to develop a plan to conserve and manage the property. Strategic objectives and detailed actions to achieve these have to be set down in an agreed work programme. Their implementation has to be regularly monitored and reviewed, with updates being made available annually.

The recently introduced Property Action Plans cover most of this work.

Finally, a business plan has to identify opportunities for generating revenue to support the work listed in the above stages. Revenue generation might be through commercial activities, joint ventures, property specific fundraising, or individual grant applications.

**P9: The Review proposes that NTS, as part of its strategic development, should commit to a single process of Property Planning and no longer treat stages separately.**

#### INVENTORY : Common Data Base of Existing Information — 2010

Information assembled from separate data bases, filing and index systems

#### PLANNING PROCESS : Bringing it all Together – 2011 onwards

Stage	Element	Needs
1	PROPERTY STATEMENT Statement of Significance of the Property	Resourcing to ensure full suite of Property Statements
2	CONDITION AUDIT Basic maintenance, uplift if required, enhancement	Thorough knowledge of all costs
3	ACTION PLAN Objectives and actions for the property	Detailed plans to be reviewed annually
4	BUSINESS PLAN Funding the Action Plan (revenue generation, grants, fundraising)	Separate business plan for each property

# Planning a Proper Property Portfolio

## The Significance of Significance



The Trust already has extremely thorough guidelines on the significance of a property – what it is that is so very important to the wellbeing of heritage assets. These are laid out in the Trust’s Principles (for acquisition and disposal), and in the Property Planning guidelines (for management).

Identifying, understanding and evaluating the key features of a property lead to informed decisions about it. Hence the importance of a Statement of Significance as stage one of any property planning process.

Identifying the key features of a property forms the basis of understanding it. Archaeology, collections, wildlife, landscape



and visitor profile are examples of the wide spread of features found at NTS properties.

The values or attributes associated with each feature – such as design, material, setting, rarity or naturalness – help us understand why it is significant. It is always important to consider to whom the place is significant. Academics, for example, may not ascribe a high degree of significance to a place but it may have a lot of intangible significance to other groups of people.

This is particularly relevant when considering the importance of a property to local people. By going through this process logically, it is possible to arrive at an assessment of how significant a property is in a national, regional or local context. Designations such as listed buildings, Scheduled Ancient Monuments or Sites of Special Scientific Interest are usually good indicators of how significant a site is.

The sheer scale and diversity of the Trust’s portfolio gives it a unique opportunity in Scotland to understand how different aspects of heritage interact and relate to each other. Because of this, the National Trust for Scotland can conserve in a holistic manner unlike any other organisation in Scotland.

**P10: The Review proposes that the new Board of Trustees promotes the unique role of NTS in taking a holistic approach to properties in its care.**

We have talked in this report about the Trust understanding its properties better in terms of their condition and the costs of maintaining them.

We believe that it is equally important to understand *why* each place and property is significant.

We recognise that, following the 2009 round of redundancies, NTS has currently little capacity in this area. But 75% of properties already have a Statement of Significance. The Review believes that work on the remaining 25%, and the updating of current records, should be resourced in-house as quickly as possible.

A heritage organisation has to build up its understanding of its own assets.

This is not an area of work that should be carried out externally and will therefore need to be considered in terms of internal resources.

We are concerned that the Trust’s stated intention, in its corporate plan 2010-13, is to only evaluate ‘what the inherent cultural significance and value’ of each of its properties is. The Trust’s own Principles take a much more holistic approach to significance, encompassing not just cultural heritage but also:

- natural heritage
- landscape
- access
- enjoyment
- education
- public and community interest
- sense of place
- aesthetics including visual distinctiveness
- local distinctiveness
- sense of identity

Last year the Trust itself identified this area of work in its Conservation Priorities 2009-11, which suggested the key objectives as:

- To update or produce key features tables for all properties
- To draft Statements of Significance (SoS) for all properties or parts of properties on a prioritised basis
- To fill knowledge gaps to augment existing understanding of significance where it is essential, for example when change is imminent

We endorse these steps, and are keen to see the Trust reassert its commitment to this work – which we see as particularly relevant to our following recommendations on a portfolio property review and alternative management options.

We believe that the Trust will have difficulty in identifying suitable properties for alternative management, or those core properties which must be fully managed by the Trust, without a full understanding of their significance.

**P11: The Review proposes that the Trust increases its in-house resource to assess property significance.**



## Reviewing and Maintaining the Estate



### The Need for a Property Portfolio Review

A new Chair and Board of Trustees will wish to have some idea of the magnitude of the issues they may have to face, which is why as well as recommending the audit, the Review has also identified the urgent need to review the portfolio of properties. There are many good reasons for the Trust undertaking this exercise:

- to identify suitable properties for the alternative management models discussed later in this report
- to identify core properties that must be fully managed by the Trust
- to identify which properties ought to be designated 'inalienable'

The Review appreciates that there has been ongoing debate within NTS over the last decade, and earlier, about what might constitute an appropriate portfolio, and that it has in the past made commitments to undertake a property portfolio review of this kind.

We encourage the Trust to deliver now on that commitment and to consider such a review in a wider pan-Scotland context. We believe a property portfolio review is essential to allow the Trust to plan strategically for the future.

**R22: The Review recommends that a Portfolio Review group be established to undertake the significant preparation work in order to report to the new Board of Trustees in the first half of 2011. The new Board of Trustees should then make the Portfolio Review findings available to the September 2011 AGM.**

What is clear to us is that decisions about properties require more than just a financial judgement. Yes, they should be viewed as assets to be developed and not as liabilities. But other judgements are required as well – what is in the best interests of the nation, the local community, and the property itself? Subject to these safeguards, we recognise that there may be a case for some properties to be considered for guardianship or partnership agreements.

We suggest that the Acquisition and Disposal Principles 2002, the Evaluating Heritage Significance Policy 2003 and the Alternative Management Guidelines 2006 should form the basis of the Portfolio Review's criteria.

### Cut Backs put Pressure on Buildings Team

Following staff cuts in 2009, the NTS Buildings Team has had to concentrate primarily on delivering the most urgent maintenance work.

Around one-third of the surveyors' time is spent on ensuring compliance with legislation, the principal area that building funding has targeted in recent years, in order to meet health and safety and other requirements.

While funding from Historic Scotland has allowed continued planned maintenance at a number of selected properties, the statutory focus has in itself created a backlog of work. And where repairs are delayed, the ultimate bill may well be higher.

Routine survey and inspection underpins good stewardship of assets. Currently only four to five quinquennial surveys are

undertaken each year, though 26 should be completed annually within each five-year cycle.

While the most cost effective way of conducting surveys is in-house, insufficient NTS resources mean that this work has to be outsourced at significant extra cost.

Such information gathering is key to good long-term management of the built fabric of properties and helps the Trust judge the risks if maintenance work is not done.



NTS currently has two direct labour staff, both stonemasons. They ensure that a skills base in traditional building methods is maintained within the Trust. But they represent a tiny resource compared to what is available to Historic Scotland and the National Trust south of the border, which have several hundred direct labour personnel between them.

We believe that cut-backs in the Trust's direct labour personnel may not, in practice, have led to efficiency gains. In 2009, for example, its small squad of painters in the West of Scotland were made redundant. But the charity is now paying far more, at far higher rates, to undertake the same work.

The Review has also noted the staff time and resources expended by NTS on ruinous structures such as Strome Castle and Balmerino Abbey. We believe that negotiations should start with Historic Scotland to see whether this work could be undertaken by them, under guardianship arrangements. This should be seen as one of a number of ways of working more cooperatively with other heritage organisations in the maintenance of NTS properties.

**P12: The Review proposes that NTS should conduct an internal study of how its built heritage portfolio might be best managed, including in-house capacity to carry out surveys, use of direct labour and analytical tools to determine the likely cost of not addressing property defects.**

# To Sell or not to Sell?

## The Issue of Inalienability



*Plewlands House, an NTS inalienable property in South Queensferry, sold by the Trust in 2009*

At every one of the Review’s consultative meetings around Scotland someone – and sometimes a considerable number of participants – raised the issue of Inalienability. They did so usually with passion and commitment.

The arguments were clear: that NTS had made a ‘pact with the nation’ to preserve heritage entrusted to its care ‘for all time’. Breaking that ‘covenant’ would, said the Association for the Protection of Rural Scotland, “undermine the whole reason for the charity’s existence”.

A smaller number of participants took a contrary view – that the Trust, over the years, had accumulated properties too readily and without adequate consideration of how they were to be maintained. Financial realities, they argued, required a ‘considered rethink’.

The Review’s Steering Group has carefully examined the NTS founding legislation.

This states that certain properties owned or later described by Council “are proper to be held for the benefit of the nation and such lands and buildings thereupon shall be so held by the National Trust for Scotland and shall be inalienable”.

The Second Schedule further qualifies – and confuses – the issue by stating that the functions of the Council include the declaration of “property as being inalienable and agreeing to the disposal of inalienable properties”.

Sections of the 1947 Order appear to contemplate the disposing, with Council consent, of ancillary parts of NTS properties

**“The process of recovery will be professional and systematic, rather than instant. It will be about vision and creativity, not surrender”**

— submission to the Review, opposing any sales of NTS properties

including those which are inalienable, though this is not stated explicitly and there are restrictions such as requiring the Lord Advocate’s consent if more than 20 acres are involved.

The Review has consulted lawyers on these issues, and has received divergent opinions.

Our general view therefore is that the concept of inalienability and powers of disposal will remain uncertain until tested either by application to the Courts or by amending legislation through the Scottish Parliament.

The issue came into focus in 2009 when the Board proposed that Plewlands House, a listed Merchant’s House in South Queensferry – which had been converted into flats and was not open to the public – should be sold in its entirety.

By a majority of those attending their subsequent meeting, Council endorsed this recommendation.

We have been left in no doubt about the strength of feeling which this decision has raised. We have received a considerable number of claims that it sets a ‘precedent’ for the disposal of other inalienable properties.

In this report, we recommend that NTS should reaffirm its core conservation purpose. We believe that further inalienable properties should not be sold without proper analysis and full discussion by the charity.

We also believe that it is important to make clear that inalienability is about ownership not management.

Provided the appropriate safeguards for ensuring proper conservation management are in place, there is no reason why NTS owned properties should not be managed by others through tenancy, guardianship or partnership arrangements. Indeed, a considerable number of its properties are already so managed without compromising the concept of inalienability.

The key issue for us is determining which properties in the charity’s portfolio should be retained absolutely under Trust management. In the course of our researches, we have discovered some properties which might reasonably be deemed to be part of its core properties, but which currently are not designated as inalienable.

We therefore believe that further work remains to be done.

A Review of this type cannot reasonably be expected to address issues in areas where insufficient information is currently available to come to a clear view. All it can do is set the Trust on a path of reform and revitalisation and indicate a likely route map thereafter.

First, therefore, the Trust must complete a single inventory of all that it owns. Then it must review its portfolio along the lines we recommend, considering the case for inalienability on a property by property basis. And, after that, it must debate the issues in transparency.

**P13: The Review proposes that no decision should be taken on the sale of any part of the NTS estate, other than properties of no heritage significance, until the Property Portfolio Group reports**

**P14: The Review proposes that Trustees should, at the 2011 AGM, bring forward for debate their preliminary proposals for the future treatment of Inalienability both within NTS and the wider legislative context.**

## Alternative Management as an Alternative



*St Abb's Head – previously managed by the Scottish Wildlife Trust and the National Trust for Scotland*

The properties of the National Trust for Scotland fall into a number of groups. They can be:

- Owned and managed by the Trust – the majority of which are run on a standard business model as heritage visitor attractions
- Owned by NTS but managed by others – the National Museum of Rural Life at Killochside, run by National Museums Scotland; five properties managed by local authorities; and nine managed by Historic Scotland, including Castle Campbell, Dirleton Castle, Threave Castle and Castle Urquhart.
- Owned by others but managed by NTS – the David Livingstone Centre, Pollok House, and the Macquarie Mausoleum
- Non-visited properties – staff housing, commercial leases, residential and agricultural lets.

All these options are open to the National Trust for Scotland as it reviews its property portfolio.

This is a dynamic process which has been unfolding for years, mostly in the direction of more Trust management.

Culross Palace was formerly managed by Historic Scotland, St Kilda by Scottish Natural Heritage (SNH), St Abb's Head by the Scottish Wildlife Trust and the NTS jointly, but now by the Trust alone.

Within the NTS|SNH Concordat, the latter organisation is involved in the management of the seven National Nature reserves owned or partly owned by the Trust – Ben Lawers, Corrieshalloch Gorge, Mar Lodge Estate, St Abb's Head, St Kilda, Staffa, and Torridon.

The Review recognises that alternative management of Trust assets should be driven by the best interests of the property and the best resources available to it.

**P15: The Review proposes that the Portfolio Review should make recommendations about NTS properties best suited to alternative management.**

Such arrangements might include management by or in partnership with: a Government Department such as the Forestry Commission; an Executive Agency such as Historic Scotland; a non departmental public body such as the two National Park Authorities, or SNH; local authorities; national non-governmental organisations, and local voluntary bodies set up to manage a property.

In reviewing all of these options, we have examined skills and resources currently available within the Trust, and those potentially available elsewhere.

Historic Scotland has acknowledged expertise in the area of ruinous structures. Transfers might involve such NTS properties as Strome Castle and Balmerino Abbey.



*Balmerino Abbey – should ruinous structures be managed by the National Trust for Scotland?*

The Review also recognises that there may be opportunities for the Trust to engage in joint management with private individuals and companies. Some case studies can be found on page 29.

Finally, there are opportunities for NTS to deliver community benefits and reduce its deficit by itself. Examples include re-use of estate buildings and new build to provide affordable houses, crofts, community and visitor facilities, craft workshops, offices and cafes through new partnerships with Lochalsh and Skye Housing Association Ltd, Highland Council, SNH and the Scottish Government at the Balmacara estate.

There are also NTS properties where part is leased as private accommodation, generating income for the rest of the property, including Geilston House, Inveresk Lodge and Malleny House.

# Going Local

## Community Partnerships

So much time in NTS over the past few years has been devoted to problems that there is a danger of seeing a number of properties as liabilities, not opportunities.

The proposed property portfolio review must look at alternative management models when it comes to identifying core properties which will be fully managed by the Trust.

There is potential for more partnerships with communities, local authorities and businesses – the charity putting conservation safeguards in place and monitoring their implementation thereafter, but encouraging those to whom the property is entrusted to get on with it.

There is also potential for developing a more entrepreneurial spirit among staff in their management and conservation of Trust sites.

This will take training, time and a change of culture. The centre and the periphery have to see each other as partners, not rivals.

Going local means that central staff, subject to a range of safeguards, have to be willing to let go.

Property staff have to understand that they will always work within a framework of mandatory NTS policies, and that training in conservation and financial management will be needed before there is a significant degree of devolution.

Going Local, however, chimes with Government policy in the aftermath of the economic crisis. Ministers have expressed a readiness to empower third sector organisations. While there will be significant cuts in national spending, there will still be streams of funding for civic groups willing to put conservation at the heart of community regeneration.

### The National Trust

South of the Border, the National Trust is committed to giving local managers the freedom to be creative – to innovate and be distinctive so that “the spirit of their properties can shine through”. After a good deal of consultation, rules are in place to make clear who’s accountable for what, for what is mandatory and what is optional.



*Seaton Delavel Hall – loved by the local community*

One of the finest examples of the English Baroque is Seaton Delavel Hall, only a mile or so from central Newcastle. It is located in an area which has experienced considerable economic hardship.

The Hall was acquired by the Trust after a consultation involving 100,000 local people – and a challenge to them to raise £1 million of the £3 million needed to purchase it. This they achieved in six months, primarily because they were encouraged to see the property as a community asset in which they were stakeholders.

There are no genteel teas, though there are fish and chips from a local cafe. The local primary school uses the cellars and stables for acting, singing, dancing and storytelling. The grounds are available for camping, adventure activities and vegetable growing.

Throughout England similar properties are hosting farmers’ markets, obtaining rents by meeting a vast increase in the demand for allotments, hosting corporate conferences and weddings, turning stables into workshops for craftsmen, and securing partnership agreements with local companies.



*Farmers Markets — bringing in the community as well as rents*

### NTS and Localism

The National Trust for Scotland has been working with local communities for years through its Friends’ Groups and Members’ Centres – though not in a particularly systematic way.

Board proposals to mothball properties in 2009 produced a raft of proposals from staff and community activists, many of them with real potential. Most had to be turned down because they required a cash injection. The Trust at that time could not make such investments unless there were good prospects of a quick return on its money.

NTS should now consider proposals like Seaton Delavel Hall, promoting conservation as a driver of community regeneration – an area in which there are opportunities to draw down funding from health, third sector and job-training schemes.

**P16: The Review proposes that Trustees should develop a strategy in which property managers and their local and regional advisers are given the training and authority to make most of the day-by-day decisions about their property, so long as these are in accordance with the charity’s Principles.**

Devolution of management in such cases should take place within a matrix of responsibilities agreed between central and local levels. This should ensure that conservation safeguards and a proper business plan are in place and that they should be subject to regular monitoring thereafter.

## NTS Partnerships

### Arduaine Garden

Following the threat of closure in 2009, there are local community, commercial and fundraising plans for the property.

The Arduaine Support Group is undertaking activities to drive awareness of the garden and increase numbers of visitors. The NTS commercial team is developing several initiatives with the Loch Melfort Hotel to improve income by offering visitors a holistic 'Arduaine experience'. The NTS fundraising team is working closely with the local community and others to maximise endowment funding. Already a quarter of the endowment target has been reached.

### Braemar Castle



*Braemar — Scotland's only community castle*

Though never an NTS property, Braemar is an interesting example of local engagement.

A development trust was established in 2004 and runs the castle on a 50-year peppercorn rent as a tourist facility and centre of village activity, while ensuring the building's repairs and maintenance.

### Brodick Castle

NTS is currently in discussion with a consortium of local food and drink producers about a partnership or joint working agreement, including a significant financial investment.

The aim is to halt and reverse the decline of visitors and revenue at the Castle.

### Canna



NTS took over ownership of Canna in 1981. Six years ago residents formed a Community Association to promote the sustainable development of the island. Current projects include a renewable energy scheme, a new community centre, initiatives to encourage new families to move to Canna, and proposals to Government to help improve the infrastructure.

NTS has said that it will strongly support the islanders to achieve a greater degree of independence from the Trust.

### Cromarty

The cottage of Hugh Millar has been in NTS ownership for a number of years, but has been in competition for visitors with Cromarty Courthouse Museum and the East Church. Discussions are now underway towards the creation of a single destination management organisation for all three properties, which will lead to economies of scale and stronger marketing.

### Kellie Castle

Partnership with a local estate allows joint working and shared resources. The Trust head gardener assists the estate in plans to redesign its garden and landscape.

In return the estate makes a contribution to the NTS seasonal gardener position, provides labour for heavy work at Kellie, and helps with woodland management.

Following a recruitment drive, with the support of the East Fife Members' Centre, most tours of the castle are now operated by volunteers.

### Leith Hall

Opportunities for joint-working are being explored with a local distillery.

### Smail's Printing Works



The letterpress print shop in Innerleithen is now producing material on a commercial basis for local businesses.

This brings in revenue, while ensuring that traditional skills are preserved in the 21st century.



Professor Susan Deacon, Steering Group member and former MSP and Scottish Minister:

*"The Trust has big opportunities to put Conservation at the heart of community life and regeneration."*

# National Partnerships

## Working Together for the Benefit of Scotland



In 1931, when the NTS was founded, the charity aimed to be Scotland's leading organisation in preserving and promoting our national heritage.

Today there are many other organisations and agencies working in the same field – Historic Scotland, Scottish Natural Heritage, the Royal Commission on the Ancient and Historical Monuments of Scotland, the Historic Houses Association, and many others spread across the charity and community sectors.

The Economy, Enterprise and Tourism Committee of the Scottish Parliament, in a report of 2008, has criticised what it calls their 'silo mentality' and called for them to adopt a 'Team Scotland' approach.

Since then, a number of MSPs at Holyrood have proposed – in the aftermath of the economic crisis – economies of scale through joint-working and the more concerted marketing of both heritage and environmental tourism.

Some of these concerns were also expressed during the Review's lengthy consultation process. A small number of participants called then and in the press, for NTS to merge with the National Trust or Historic Scotland.

We accept that a marriage to the larger sister organisation south of the border could bring significant economies of scale. But we ruled out such ideas right from the start. Apart from doubts about whether the NT would be a willing suitor, we regard such a proposal as being totally inappropriate to a devolved Scotland. If NTS has problems, it is for NTS to find Scottish solutions.

We have also rejected proposals to merge with Historic Scotland. In our view, it would be quite inappropriate for a charity with a voluntary ethos to be subsumed in a Government executive agency.

The Review has therefore concentrated on a programme of internal reform of the Trust, aimed at giving it a greater sense of strategic direction which, in turn, will allow the organisation to address the issues of financial sustainability.

### Administrative Partnerships

Part of that reform process will be seeking greater cooperation with other heritage organisations and the sharing of costs in areas which do not jeopardise the independence of the Trust.

We acknowledge that there are differences between the legislative regulations – in VAT, for example – within which charities and public bodies work.

**We believe that there are real advantages, both in efficiency savings and in conservation benefits, in NTS seeking more partnership agreements in such areas as joint ticketing, education, procurement, warehousing, management of collections and buildings, and joint marketing.**

A good deal of work is already being carried out on a bilateral basis and through forums such as the Historic Properties Group, Built Environment Forum Scotland and the Heritage Education Forum. We list examples in the table on page 31.

**P17: The Review proposes that the Chief Executive should report in 2011 to the Trustees on opportunities for more partnership working with other organisations.**

Among areas which it may be helpful to explore are:

- Procurement – bulk purchasing of common base stock, to be branded separately.
- Marketing – the development of common campaigns to attract visitors both at national and local level.
- Ticketing – an extension of the Homecoming Pass for overseas visitors to the domestic market, giving access to NTS, Historic Scotland and other properties and sites.
- Publications and Leaflets – joint production where these can be targeted at common audiences both locally and nationally.
- Electronic Point of Sale – the development of common systems and their maintenance across the sector.
- Visitor Information Centres – their location in NTS properties, bringing in income through servicing a range of other heritage and tourism agencies and local enterprises as well.

**“Through Historic Scotland, I want the Government to work with the National Trust and the private sector — not in competition, but in collaboration.”**

Michael Russell MSP, Minister of Culture, 11 November 2009



## A Joined-up, Team Scotland

### Estate Partnerships

The recommendations on the NTS estate, which we cover in pages 22-27 of this report, will give Trustees for the first time a clear idea of the extent of their estate, the likely costs of repairs and maintenance, and alternative management options available on a property by property basis.

On page 26 we recommend that only properties of no heritage value can be sold until the property portfolio review is completed. But we recognise, on page 27, that there may be benefits in transferring management – subject to conservation safeguards – of a number of properties to local and community trusts.

We believe that there may be benefits also in closer management of the NTS portfolio through partnerships with other heritage organisations at national level.

These might cover statutory building maintenance and direct labour resourcing. They could include joint working in a number of gardens.

Our discussions with the national collections indicate significant potential for more collaboration in this conservation area.

And they could involve the transfer of management of some properties to other heritage organisations – particularly in areas remote from where NTS staff are located or where significantly greater resources are currently available elsewhere.

In particular, the Review takes the view that ruinous structures currently under NTS care might be more appropriately looked after, under guardianship, by Historic Scotland.

The Review has discussed such issues with MSPs prior to giving evidence at Holyrood in September 2010. Several elected representatives commented that competition, duplication and crossover in the Scottish heritage sector are damaging all round. In their view, there is a pressing need for all involved to set aside sectoral interests, to be more transparent, to collaborate where common interest is clear, to improve organisational stability, and to maximise value for Scotland as a whole.

The Review suggests that the portfolio review group should report in 2011 to the Trustees on properties whose management might be better transferred to other national heritage organisations.



Competition, duplication and crossover in the Scottish heritage sector are damaging....

There is a pressing need to set aside sectoral interests, to be more transparent, to collaborate where common interest is clear... and to maximise value for Scotland as a whole...

Heritage and conservation organisations in Scotland have tried hard to collaborate wherever possible. They have agreed a range of partnership agreements on an ad hoc basis.

The stated intention is to share expertise and make economies wherever possible. Examples include:

- Procurement for property management and maintenance, and for marketing and retail, with Historic Scotland and VisitScotland.
- The Homecoming Pass 2009 – a time-limited pass for visitors from abroad to allow access to the properties of the National Trust for Scotland, Historic Scotland and the Historic Houses Association.
- Collaboration between Historic Scotland and the Trust in educational activities for schools, at Stirling Castle and Bannockburn and at Fort George and Culloden.
- The Specialist User Recording Environment (SURE) – a shared system for archaeological data management between the Royal Commission on the Ancient and Historical Monuments of Scotland (RCAHMS) and NTS.
- Joint working on issues relating to St Kilda between NTS, Historic Scotland, Scottish Natural Heritage, Comhairle nan Eilean Siar, QinetiQ (contractors to the Ministry of Defence) RCAHMS and the Ministry of Defence.
- The Castle Trail – joint promotion with other organisations of castles in North East Scotland, targeted mainly at the domestic market.
- Regular sharing of best practice between NTS and Historic Scotland in the transfer of knowledge in technical aspects of buildings conservation.
- NTS sharing expertise on pest monitoring and management with other organisations.
- *Following in the Family Footsteps* – a joint booklet for visitors interested in genealogy produced by NTS, Historic Scotland and the Historic Houses Association.
- Scotland's Rural Past – joint NTS work with RCAHMS and other organisations aimed at re-engaging communities with their archaeology and cultural landscape.
- VisitScotland Expo – participating with other organisations in the Heritage Aisle of Scotland's major business-to-business tourism event.

The Review commends all these initiatives, usually undertaken at middle management levels.

From discussions with MPs and MSPs, we are conscious that the vast economies being imposed in the aftermath of the economic crisis will require a more strategic NTS approach. As one elected representative put it to the Review: "The cuts will be substantial. Heritage organisations will have to agree joint savings, not wait for them to emerge."



# A Stable Transition

## The Start of Change

Change can be unsettling, particularly for staff who have gone through difficult years in the National Trust for Scotland.

A flitting is always stressful and HQ staff will shortly move from Wemyss House to their new offices at Hermiston Quay. If the measures recommended in this report are accepted, they will work within radically reduced governance structures, with a new Chair and a smaller group of Trustees.

Through hard work, and considerable pain, NTS has gained a breathing space in 2009-10. The reserves have risen from £4.1 million to £8.5 million. The controversy over the sale of the national headquarters has died down. But significant challenges still remain. These cannot all be addressed simultaneously.

**P18: The Review proposes a phased approach to internal reform over the next three years.**

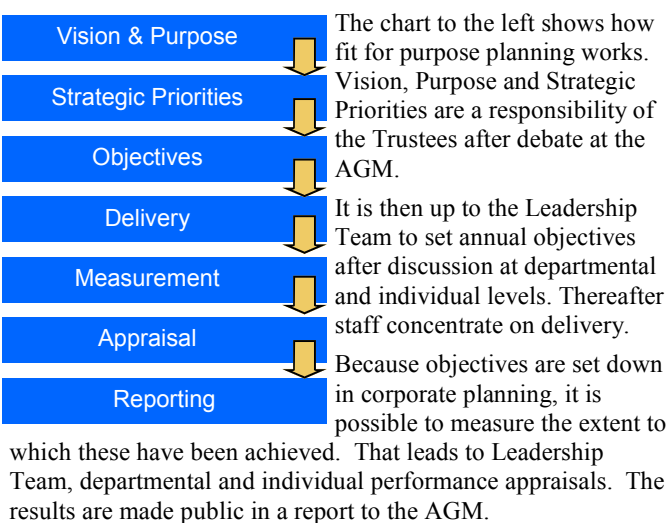
There should be a stable transition during which NTS begins to re-build its culture, reinvigorate its people and re-establish a common sense of purpose.

During the Review's consultation process, many staff complained that in the past things had "been done to them, not with them". Considerable effort should therefore be put into engaging with them, ensuring that all understand their yearly objectives and how they add value to the wider work of the Trust.

### Plan the Way Ahead

At the beginning of the review process, there was no corporate plan. This was provided to us, on its publication, in May 2010 and is included in the documentation attached in annex to this report on page 46.

We welcome the identification of work streams over the next few years, but believe more information should be provided on how they are to be resourced, sequenced and time-lined in accordance with the SMART principles advocated in this report.







**R23: The Review recommends that Trustees should publish a five-year strategic plan and ensure that NTS adopts an integrated system of corporate planning.**

**P19: The Report proposes that the Trust adopts a quarterly and annual system of traffic light reporting to make clear where**



*Chief Executive Kate Mavor: Using the breathing space to best advantage for the National Trust for Scotland*

-  objectives are being reached, or not.
-  The RAG – Red, Amber, Green – reporting system is widely adopted in the public, private and third sectors.
-  Red is 5% off target, Amber 2.5% off target and Green performing as planned.
-  Traffic lights provide an immediate guide to whether an organisation and its departments are delivering the results to which they signed up. They allow senior management to spot risks early and to take remedial action. They inform Trustees and, at the AGM, members can see whether an organisation over the past year has done what it said it would do.

We now highlight other actions which the Review believes should be taken in the short term, as first steps to a more sustainable future.

### Improve staff wellbeing, management, pay and conditions

The corporate plan outlines the need to tackle the longstanding issue of unfair pay, to identify creative ways to improve career progression, to invest in training and to monitor the appraisal system.

The Review has expressed concern about the loss of experienced staff in recent years. Many employees are in the bottom quartile for the sector and their position, relative to other heritage workers, has been progressively deteriorating.

We welcome the commitment of the Trust to improve staff morale and levels of pay as a top priority in the immediate term.

**P20: The Review proposes that the Trust commissions an independent study of the remuneration and conditions of its employees.**

### Fully resourced Historic Scotland / Scottish Natural Heritage spend

A lack of staff capacity means that the Trust cannot spend all monies allocated to it through Historic Scotland's Annual Repair Grant (worth £330,000 annually) or Scottish Natural Heritage's (SNH) Concordat (worth £900,000 annually).

At a time of Government cut backs, it is essential that the Trust has sufficient capacity to manage the grants which it receives.



## Moving Out, Moving On



£500,000 from the President's Ball at Newhailes

### Develop fundraising strategy

The recent President's Ball at Newhailes, organised by volunteers, raised almost £500,000 in an evening. The Trust should continue to develop its fund and grant raising activities.

The Steering Group has members with substantial experience in this area and notes that NTS fundraising capacity has been cut, despite an excellent record in recent years.

### Increase resources for the Scottish Rural Development Programme (SRDP)

Around £1.5 billion is available over the period 2007-2013, but the Trust has not benefitted to the extent it should have from this guaranteed European funding pot for economic, social and environmental measures.

This would meet around 75% of current funding from the SNH Concordat and, unlike other grant funding, covers operational costs as well as capital projects. However, there is a long lead-time for processing applications.

**P21: The Review proposes that the Trust commits additional resources immediately to developing SRDP grant applications**

Although NTS may have missed revenue for 2011-12, the following and subsequent years could see substantial benefits.

### Dispose of assets without heritage value

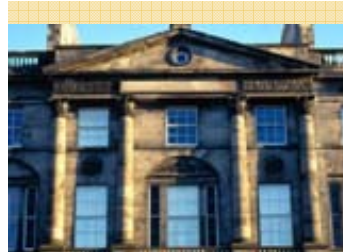
The Trust has on its books a number of alienable assets – bungalows, steadings, garages and other properties – with little or no heritage value. They are not part of the charity's core purpose, but they take up staff time. They should be itemised and their sale value identified.

### Invest in a better, more rigorous process for the management and cost control of Projects

We believe that the Trust's system for managing capital expenditure through Projects is in need of improvement to ensure a more efficient process.

### Undertake an inventory of assets, scope a full audit of assets.

In the section of this report dealing with the State of the Estate (pages 23 to 29), we stress the central importance of creating a single unified record of assets and of scoping a full audit of the maintenance costs of the Trust's portfolio.



In October 2010 NTS staff will move from their historic headquarters in Charlotte Square, Edinburgh, to a modern office building at Hermiston Quay on the outskirts of the city.

The Trust purchased its current offices in Wemyss House in 1996 for £5 million and then spent a further £7 million of grants in refurbishing it.

This did not translate into market value and the building was sold for £8.7 million in 2010. After reimbursement of grants, NTS made a net gain of £1.1 million, which covers the costs of relocation.

The Review is critical of the lack of consultation on the sale, but accepts that there should be savings in running costs in the new premises.

It believes the more open-plan environment should help establish a culture of joined-up working across departments. It encourages the Trust to consider establishing a smaller members' and information office in one of its remaining premises in central Edinburgh.

### Prestigious Projects



In recent years, NTS has taken forward work on three 'flagship' projects – the Culloden Battlefield Visitor Centre and Exhibition, the Burns Birthplace Museum, and the future renovation of the Bannockburn Heritage Centre.

The justification has been the Trust has a duty to engage and enthuse the widest possible range of visitors in exciting new ways. All three centres are likely to achieve this objective.

The first two projects have put considerable pressure on NTS resources – particularly in the area of fundraising – at a time when the charity has been in a difficult financial situation. Future work at Bannockburn will be in partnership with Historic Scotland.

The Review has received conflicting submissions from those who want the charity to concentrate on core conservation work and those who favour large visitor centres. These divergent positions must be addressed through the Mission and Property reviews proposed in this report, for debate at the 2011 AGM.

# Putting People First

## Staff Morale and Motivation are foundations for the future

The 456 permanent and 755 seasonal staff of the National Trust for Scotland (as of 30 June 2010) possess a remarkable range of skills and experience. After extensive interviews and meetings, the Review is clear that the vast majority love their job and do not want to do anything else.

If they are not enthused and motivated, NTS will flounder.

We agree totally with the Chief Executive and the Leadership Team on the priority need to address staff morale, motivation, pay and conditions.

Ms Mavor took up her post in the week when the 2009 redundancies were announced. Initially, these were poorly implemented and badly communicated. In retrospect, some of the cuts probably went too deep. They impacted adversely on the charity's ability to generate grants and donations.

In some cases, work previously undertaken in house has had to be outsourced to external contractors at significantly more expense.

An independent review conducted by Employ Surveys in November 2009, at the initiative of the new Chief Executive, revealed morale to be at rock bottom.

There was a deep lack of confidence in the then Leadership Team, with under a quarter of staff believing that the Trust had a clear sense of strategic direction.

Over a third of staff commented that they were experiencing health problems because of stress at work. Almost two-thirds said they had not had a performance appraisal during the previous year. And less than a fifth believed they had good career prospects.

On the bonus side, a remarkable 90% of staff said that they loved their job. A big majority felt that communications within their own department and line managers was good.

It is to the credit of the current Leadership Team that they have started to address these issues. They are developing a more participative culture, doing things with staff rather than – as one employee's submission put it – 'doing things to them'.

Considerable problems still remain, however, over staff pay and conditions.

Many staff are in the bottom quartile for the voluntary and public sectors. Their position relative to others doing comparable work has progressively worsened over the past decade. There was no pay award last year.

We recognise that negotiations are currently ongoing with the staff trade union to start to address these issues and that it is

**90% of NTS staff love their job. But only 19% believe they have good career prospects.**

- Independent attitudes survey Nov 2009



*The range of skills and knowledge of NTS staff is enormous, and a valuable national resource. Here an operator sorts type in Robert Smal's Victorian Letterpress print shop in Innerleithen which, thanks to the Trust, is still operational today.*

unlikely these will be concluded before this report is published.

We welcome this development.

We are aware of the stated intention of the Board to have a surplus budget from 2010 onwards and appreciate that an award which starts to address some of the unfairness in the present situation would push the Trust into deficit.

Because staff morale and motivation are so essential to the future wellbeing of NTS, however, we believe this is an investment worth making.

We are clear that an independent report is needed to inform Trustees and members on strategic decisions which require to be taken on staff pay and conditions.

We believe it is important to review these issues across the Heritage sector and recommend accordingly on page 32.

### Next Steps

We acknowledge the work of the Chief Executive to engage with staff and to communicate with them all in a weekly report.

We endorse senior management's commitment to ensuring that all staff have an annual appraisal and to opening full discussions on career progression.

We recognise that a change in corporate culture will take time. But we believe that the capability model of planning which we propose in this report – agreeing a common mission, setting clear strategic direction, concentrating on achievable and measurable annual targets after consultation at personal and departmental levels – is the way to focus staff engagement and improve morale.

We are also conscious of a silo mentality within departments at headquarters which has developed over the years among employees.

The design and layout of Wemyss House – offices up different stairs, with different front doors – has encouraged such attitudes. Open planning of work space at Hermiston Quay should present new opportunities for more joined up working and horizontal collaboration across departments.

## Volunteer Commitment to the Cause of Conservation



*Volunteers emphasise that they need a cause to work for – that they do not sign up just to help NTS fill financial and administrative gaps. They want to add value to the conservation of Scotland's natural and cultural heritage.*

The National Trust for Scotland simply could not function without its 3500 volunteers.

Their commitment to the cause of conservation is displayed through an extraordinary range of activities. They bring properties to life for visitors. They help out in tearooms and kitchens. They weed, plant and dig gardens.

They bring skills learned in their professional lives to areas where NTS is short of resources. They help archive precious collections. They research brochures and books. They drive minibuses for work parties. They sit at computers doing routine administrative tasks, freeing staff to work on projects and programmes.

They enjoy fresh air and exercise as well. Whether they are digging a new pond at Culzean, laying the foundations for a new bridge in Dollar Glen or repairing a mountain path in the Highlands, they have the satisfaction of being outside and putting their mark on Scotland's natural and cultural heritage.

And they learn new skills along the way. Proficiency in dry-stane dyking, ditching and garden design gained from engagement with the Trust has been put to use later in community projects throughout the country.

The Review has talked to a wide cross-section of volunteers. We are impressed by their enthusiasm and the potential to recruit many more.

We were made aware, however, of a common view that the Trust in recent years – as one volunteer put it – “appears to have lost its way somewhat.” He added: “I joined a cause, not a commercial enterprise.”

The proposals put forward in this report for a refocused NTS

### What Members Want

– Responses to the Review's Questionnaire on pages 42 to 44 of the report

Mission Statement, for strategic planning which involves everyone engaged in Trust business and for clearer communications, will help to address this situation. The concerns of the volunteer cited above are widespread at all levels throughout the charity – people want to help, know what is required of them within their own tasks, but need to understand how they fit within the big picture and add value to the overall impact of the charity.

We believe that stronger emphasis on the work of the Trust as a conservation charity will be particularly attractive to commercial companies, government agencies and young people.

#### Corporate Engagement

The current Corporate Challenge programme offers commercial firms the opportunity of residential and day courses aimed at team-building while making a contribution to communities through volunteer activity. Pricewaterhouse Coopers, Ryden and Shell UK are among companies which report beneficial results. BT seconds staff to work on specific Trust projects.

The Review believes that such activities are capable of considerable expansion, building corporate links which will benefit the Trust in its future Development activities.

#### Agency Engagement

Young people already work for NTS gardens and properties through the Future Jobs Employability Scheme run by the Scottish Council of Voluntary Organisations.

We believe there are real benefits in the Trust expanding such secondment and internship opportunities. In a number of cases, participation in employability and training schemes may well attract public funding.

*Robert Shepherd has racked up almost 1300 volunteer hours in the past year, running the Trust's Twitter feed, co-editing the volunteer newsletter, creating promotional material and providing media releases for the local press.*



#### Youth Engagement

There are over 100,000 visits by schoolchildren to Trust properties each year. There have also been programmes such as sculpture workshops at Kellie Castle for blind young people and, in Glasgow, projects for pupils on the impact of slavery.

The Review encourages NTS to expand such outreach work and to promote ongoing engagement of young people in conservation work, through its Thistle and Trailblazer camps.

A commitment to the cause of conservation is, by itself, not enough. It has to be underwritten by education and engagement.

**P22: The Review proposes that NTS should strongly promote its Access, Enjoyment and Education Principles in future campaigns to attract more volunteers.**

The Review welcomes proposals that the Trust should receive *Investors in Volunteering* accreditation.



## It's Scotland's Heritage

There has to be  
more policy  
development and  
debate on  
conservation across  
the sector.

There will need to be  
new legislation  
passed by the  
Scottish Parliament.

## For the Benefit of the Nation

### Scotland Forever, Alba gu Bràth



When the Government in 1882 decided to list places requiring special protection, six of the 22 were in Scotland. Today the Scottish list has grown to include over 8000 scheduled monuments, 47,000 listed buildings – 3,500 of them A-listed – as well as 600 conservation areas, historic gardens and landscapes, sites of special scientific interest and, more recently, a register of battlefields.

A vast amount of the national patrimony is owned by the National Trust for Scotland. Apart from its 130 properties, it includes 46 sites of national importance, 27 sites designated as of European importance for nature conservation, core landholdings at the heart of both our National Parks, seven National Nature Reserves, the United Kingdom's only dual world heritage site in St Kilda, 16 islands, one in six of all Munros, four battlefield sites and 78,000 ha of coastline and countryside. NTS is Scotland's third largest landowner and looks after more birds than RSPB.

The importance of these assets means that the future of the Trust is not just a matter for members.

As Lord Mackay of Clashfern wisely remarked when introducing his governance report in 2003, there may be times when the interests of the nation have to take precedence over the interests of members.

This Review has been asked to give evidence on such issues to the Energy, Enterprise and Tourism Committee of the Scottish Parliament in September 2010.

We shall stress the independent and voluntary nature of the charity and its core conservation purpose. We shall outline the reforms proposed in this report and our belief that, if adopted, they will ensure a more secure and sustainable future for the Trust. And we shall call for much more policy development and debate on the importance of Heritage to our national economy, wellbeing and sense of place and identity.

In a debate at Holyrood on 11 November 2009, Parliament voted for the Government "to work constructively with the National Trust for Scotland and to develop relationships with the non-governmental sector to ensure the sustainability of Scotland's environment and to maintain and improve access to it". Parliament also welcomed the "continuing and vital involvement" of the private individuals and the voluntary sector in carrying out this work.

The Minister for Culture said that a "new contract" was needed. "The old contract," he added, with the state providing the funds and sometimes the ownership, "no longer applies." There had to be much more partnership working and engagement of the public in preserving what had been handed down to it before passing it on to the next generation.

Much creative work is already being done in this area by staff from the National Trust for Scotland, Historic Scotland, the Royal Commission on the Ancient and Historical Monuments of Scotland, VisitScotland, and other organisations. It is backed up by such groups as the Built Environment Forum Scotland, Scottish Environment Link, the Scottish Heritage Education Forum and the Historic Properties Group.

## Carrying our Past into our Future

It is understandable that MSPs and Ministers will look first to the economic benefits of the Heritage industry and, as the adjacent column shows, these are considerable.

But there has to be more open discussion on how Heritage itself ‘fits’ into contemporary Scottish life. Of how the nation can carry its past with it into the future.

The “great fraternity” of the Trust, as its previous President, the Earl of Wemyss and March, once described it – “dedicated, outward-looking, informed and opinionated” – has a major role to play in this process.

It has 80 years of solid achievement behind it. It has the clout of being the largest membership organisation in Scotland.

It is the only body with a holistic mandate, charged with conserving our natural, built and cultural inheritance as a whole. And, unlike Government funded bodies, it has independence of voice.

The Review trusts that NTS will make that voice heard at Holyrood and in Council chambers up and down the land. It trusts that elected representatives will listen and respond.

The Summit for the Built and Historic Environment held in the Bute Hall of Glasgow University on 3 November 2009, bringing together the entire sector, set a useful precedent for the future. In its discussions with Ministers, the Review has expressed its hope that they will now take steps to go further and organise an annual Heritage Forum in the Chamber of the Scottish Parliament along the lines of the current Business Forum and similar events organised for young people and the third sector.

That in turn will inform the preparation of a new Bill in a few years time which will codify the reforms set out in this report in contemporary language and incorporate decisions yet to be taken on the Trust’s mission and property portfolio review.

What is clear, with the Scottish Parliament now responsible for policy in the Heritage area, is that the National Trust for Scotland cannot remain rooted in legislation passed by Westminster in the 1930s.

It is Scotland’s Heritage. For the benefit of the nation. For all time.

It is Scotland forever.



*Tourism Minister Jim Mather MSP welcomes visitors to Scotland*

A series of official surveys in recent years indicate that over 70% of people who holiday in Scotland give ‘the landscape’ as the principal reason for their visit, closely followed by ‘the country’s heritage’. The economic benefits are substantial.

### **Historic Environment**

- The historic environment sector contributes more than £2.3 billion to the economy, mainly through tourism, construction and transport
- The sector directly supports over 40,000 jobs, rising to 60,000 jobs when spin-off benefits in other sectors are included
- The sector is estimated to contribute some £1.4 billion in employees’ income
- It is estimated that the sector’s contribution to the national economy is equivalent to 2.6% of Scottish GVA (Gross Value Added). It accounts for an estimated 2.5% of Scotland’s total employment

The above figures are extracted from the 2009 report of the Historic Environment Advisory Council for Scotland, *Economic Impact of the Historic Environment in Scotland*

### **Natural Environment**

- Over 330 million individual visits were made to Scotland’s outdoors for recreation purposes in 2007, according to a study commissioned by the Heritage Lottery Fund
- Wildlife tourism alone is worth £65 million to the Scottish economy and accounts for more than 2700 jobs, says a 2010 study commissioned from Bournemouth University by the Scottish Government
- One-fifth of Scotland’s industries depend significantly upon the natural environment, according to 2008 report for Scottish Natural Heritage
- Scotland’s population, according to the Cabinet Secretary for Rural Affairs and Environment, Richard Lochhead MSP, is ‘blessed’ in its ease of access to the sea, mountains and unspoilt places. He notes the benefits for national wellbeing and the attraction for foreigners who wish to work and live here
- Tourism Minister Jim Mather MSP comments: “Our stunning landscapes and fascinating historical sites are an incredible asset and have enduring popularity. We have to maximise that benefit in the years ahead.”





# Putting it Together

The Review has followed Fit for Purpose methodologies

The Review has engaged 12,000 NTS supporters and has looked over the horizon in a futures study

## A Capability Review

### How Fit for Purpose?

The methodology followed by the Review was agreed with the NTS Council in advance, and based on the capability review model developed by the UK Civil Service and now used widely in assessments of organisations in the public and third sectors.

The intention is to assist bodies better to deliver services today, to adapt and change, and so prepare for the challenges of tomorrow.

It is an iterative process conducted with all stakeholders, constantly asking them to consider, refine and prioritise their views on issues and options. The basic driver is whether the organisation is 'fit for purpose'.

Inevitably, therefore, it asks what its purpose is — what is it actually *for*?

#### Challenges

A full capability review requires an organisation to have an agreed Mission Statement, a clear knowledge of its assets, a Strategic Plan which sets the route of travel and a Corporate Plan which allows stakeholders to judge performance against stated objectives.

At an early stage of its work it became clear to the Review that there was uncertainty in NTS in all these areas.

We have identified areas in which the Trust needs to do more work. We welcome the assurance of the current Leadership Team that they are committed to an integrated system of corporate planning in future.

#### An Iterative Process

##### ISSUES

What are the NTS challenges and opportunities?



Participants in the consultative meetings arranged by the Review were asked to identify the main issues facing the Trust, then to prioritise them.

They were then asked to identify Options, and again to prioritise these.

##### OPTIONS

What choices does NTS have in priority areas?



The diagram opposite illustrates the outline of the review process. The views expressed helped us address the issues which follow below.

##### RANKING

What are the priorities in addressing NTS options?



#### Mission

The Review found concern about the mission statement incorporated in the Board's 2008 plan, but never formally adopted by Council or debated by the AGM. Participants in meetings said they did not know what its stated ambition to 'put NTS

at the heart of the nation' actually meant. The document was widely seen as a marketing paper which gave too much pre-eminence to the business of attracting visitors.

The Review makes proposals for a new Mission Statement on p17 of this report.

#### Assets

We were surprised that no integrated index of NTS assets, formulated to common standards, actually exists. We welcome steps to address this issue taken by the Leadership Team in the course of the Review.

We are seriously concerned that the Trust does not know the cost of maintaining its estate.

This is an absolutely fundamental issue and, until it is resolved, it is not possible for NTS to plan ahead with any degree of certainty.

On pages 22 and 23, we make proposals for a thorough audit within a wider Property Planning Process.

## A Fitness Regime

### The Fit for Purpose Questions

<b>What's our Vision?</b>	What are we for? How can we excel?	↓
<b>Are we SMART?</b>	Are our plans specific, measurable, achievable, resourced and time-bound?	↓
<b>What's the Big Picture?</b>	What are the strategic plans for the Trust over the next five years?	↓
<b>How do we Deliver?</b>	Are key performance indicators agreed in strategic and corporate planning?	↓
<b>Who does What?</b>	Are departments and individual staff sure of their objectives, and how they fit?	↓
<b>Are we on Target?</b>	Where are we, quarter by quarter, in reaching our objectives?	↓
<b>How well did we Do?</b>	What do our performance appraisals say about what we have achieved?	↓
<b>What were the Outcomes?</b>	How do we report to members on progress towards our goals?	

### Strategic Direction

The Review is clear that NTS has had significant difficulty in setting strategic direction because of the sheer size of its dual governance structure. We make recommendations for addressing this issue in the Governance sections of this report. 'Fit for Purpose' reviews require a clear distinction to be made between governance and management, and between strategic and corporate planning.

The recommendations in this report cover this requirement.

### Corporate Planning

Management plans require to be prioritised, integrated, sequenced and resourced. Staff need adequate consultation time to ensure their understanding and buy in.



The Review Team: Vicky Junik, Ann Johnstone, Nikki Sinclair, George Reid and Vikki Bruce

We welcome a clear commitment to move in this direction by the new Leadership Team. We also make a number of additional proposals for consideration by the new Board.

### Performance Monitoring

It is essential that, each quarter, the Board knows in which key performance area the Trust is on, or off, target.

We propose the adoption of a clear system of traffic light reporting so that danger and risk areas of work can be addressed at an early stage.

At personal level, we welcome the commitment of the Leadership Team to ensuring that every staff member will have a full performance appraisal annually.

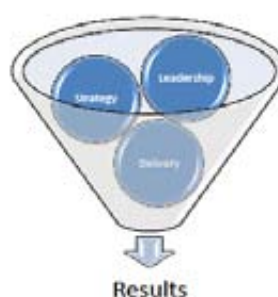
### Performance Reporting

The adoption of a clear system of integrated planning should ensure that members at the AGM will have a clear picture of outcomes. Additionally, we recommend in our proposed Code of Conduct for Trustees that they commit to open communication and regular engagement with all stakeholders.

### And in Future

Full capability reviews focus largely on the senior management of an organisation. We have not attempted this in the Review since four of the members of the Leadership Team are new. In future assessments, however, they may wish to consider measuring their performance along standard Capability lines:

**Leadership:** Setting direction; igniting pace and drive; developing people.



**Strategy:** Focusing on outcomes; basing choices on evidence; collaborating and building common purpose.

**Delivery:** Managing performance and value for money; developing clear roles, responsibilities and delivery models; planning, resourcing and prioritising; innovating and improving delivery.

# Collecting the Voices

## What You Said about NTS



96% – Core NTS purpose is Conservation

89% – Key issue is financial sustainability

82% – Property Portfolio should be reviewed

80% – More Partnerships with other Heritage organisations

77% – Reform Agenda needed [98% with some qualifications]

64% - Governance should be slimmed [97% with some qualifications]

Nine thousand and sixty one members of the National Trust for Scotland responded to the Questionnaire issued by the Review.

In overwhelming numbers they said:

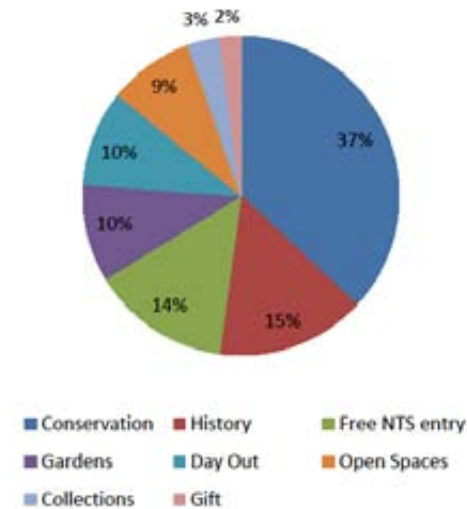
- **The core purpose of the charity is the conservation of Scotland’s natural and built heritage**
- **The principal challenge to NTS is its financial security and stability**
- **There should be a review of the present portfolio of properties**
- **There should be greater cooperation across Scotland’s heritage sector**
- **The governance of the Trust should be simplified**

The survey is the biggest into the attitudes and motivation of members ever carried out by NTS. By charity standards the response rate was high, particularly as those who completed the 5-page questionnaire were asked to pay the postage as a contribution to the work of the Review.

The team processing the data agree that the returns are likely to come from people who take a keen interest in the affairs of the charity, who vote in its elections and who may wish to attend the AGM. The analysis does not claim, therefore, to be representative of every single member of the Trust. That information is simply not known.

What the survey does provide – taken together with responses from the 1800 people who attended consultative meetings or who made submissions in writing and interviews – is an identified pool of around 12,000 NTS supporters with a strong commitment to conservation and the future of the charity.

### Reason for Membership

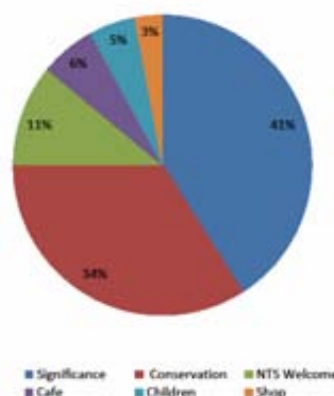


Two out of five respondents said they had joined NTS because of their “commitment to the conservation of Scotland’s natural and cultural heritage”. The second reason was “love of historic properties”.

Around one in ten expressed a specific interest in exploring the country’s open spaces. The same number wanted to visit gardens.

One quarter replied that they were primarily interested in a “pleasant day out” and valued free entry not just to the NTS estate but also, in other parts of the UK, to properties in the ownership of the National Trust.

### Expectation of Visits



Asked what they expected of a visit to an NTS property, two-thirds of respondents focused on “learning the significance of the place” and finding “conservation of the highest standard”. Most expressed high satisfaction on both points.

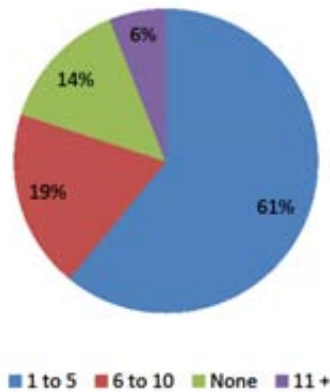
Around one in ten particularly valued the warmth of welcome from Trust staff.

The importance of a cafe, shop and facilities for children scored low — again, perhaps, indicating that most respondents were core conservationists.



## What You Feel about the NTS

### Number of Visits per year



Six out of ten of respondents made between one and five visits to NTS properties per year.

Two out of ten made up to ten visits. And 6% visited eleven or more places.

14% did not make any visits at all. Supplementary answers indicate that most of these replies came from elderly people who strongly support the Trust but who, through age or infirmity, are no longer fully mobile.

A small group indicated that they could not visit because they did not have their own transport.



In a large number of cases, NTS members added extensive notes, and sometimes personal letters, to their questionnaire responses.

The Review was struck by the degree of engagement with the Trust which these showed, and publishes the following extracts:

- “My children give me my NTS membership as a Christmas present every year. Nothing has given me greater pleasure in the past three decades.”

- “The secrecy round the sale of Wemyss House was an absolute disgrace.”

- “I am deeply saddened by the difficulties of the Trust. If I am sure there is a clear way forward, I shall willingly contribute to an appeal.”

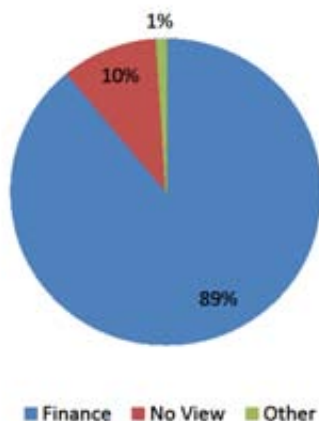
- “Scotland’s story never stops. If NTS is the unique conservator and interpreter of that story, it has to be in a financial position to start acquiring properties, land and artefacts from the 21<sup>st</sup> century.”

- “I regard my membership as a voluntary tax to support something of great value to our country and community in Scotland.”

- “I have in the past donated a four figure sum annually to NTS. I stopped that donation last year and shall not reinstate it until I am satisfied NTS is securely managed.”

- “One of the worst things about NTS is that staff do not reply to letters or, if they do, the replies come months late.”

### The Key Issue? – Financial Security



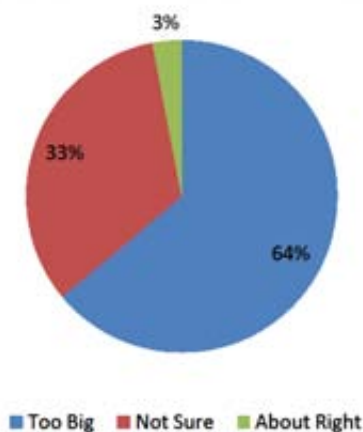
An overwhelming 89% of respondents said that the key issue facing the National Trust for Scotland was the charity’s “financial security and sustainability”.

Members added considerable commentary to this section. Two typical comments read:

“We have to balance our conservation commitments against the resources we have to do the job” and

“I am willing to contribute to an appeal, but first I have to be sure NTS knows where it is going in future.”

### Is NTS Governance too Big?



From notes attached to questions on governance, members clearly had difficulty in coming to a view on structures appropriate to the Trust.

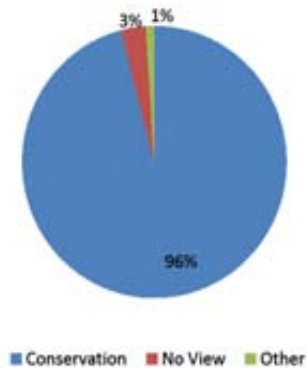
Respondents asked for further guidance on the respective powers of the Board and the Council and how these bodies inter-related. They wanted more information on good practice in other charities.

Two-thirds took the view that there were too many Trustees for a charity the size of NTS. But a third wanted reassurances about how a smaller number would be monitored.

There were a considerable number of comments attached to this section of the questionnaire. Many expressed sadness about the sale of Wemyss House and, while accepting that this would not now be reversed, were clear that decisions of this magnitude should in future be announced to members in advance so that they could make their views known.

## What You Feel about NTS

### Core Purpose? — Conservation



Members were virtually unanimous that the core purpose of NTS is conservation of Scotland's natural and cultural heritage.

Many expressed the view that this purpose was not articulated clearly enough by the charity and that greater effort should be made to identify this key role to the people of Scotland.

Among comments attached to this section: "I joined a cause. I did not join to get free entry to properties". And: "This is a 310,000 membership organisation. We have an absolute right to make our views known on its Vision and Mission."

Members were then asked a series of questions on how they would balance the core conservation purpose with the resources available to the charity.

Would they be prepared to see a reduction in the portfolio of the Trust, with a number of properties being managed under guardianship arrangements by other organisations?

Were they willing to enter into joint partnership agreements with other bodies? Did they have any proposals on amalgamations and mergers? In particular, and as a first step, did they agree that NTS "should review its portfolio of properties to evaluate the

**"This is a 310,000 strong membership organisation. We have an absolute right to make our views known on its future."**

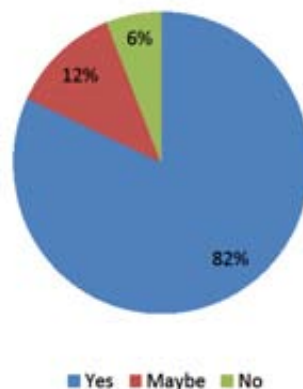
– Response from NTS member



Volunteer members of NTS hard at work inputting data from the 9061 responses received to the Review questionnaire. The review thanks Delma Dewar, Gillian Dimmock, Averil Fifer, Caroline Gibston, Christine and Donald Helm, Magdalena Kanik, Dominique McKie, Samantha Michan, Beate Pannasch, Anne Riddell, Irene Stirton, Millie Tupman, Peter Westerbrook and Sally Whiteford for all their assistance.

best way of managing and funding them, including the exploration of new external opportunities?"

### Property Review? — Yes



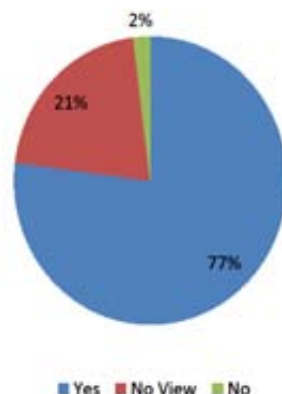
Eight out of ten respondents believed that a thorough review of the Trust's current portfolio was a necessary first step towards charting the future direction of the charity. Some expressed surprised that this had not been done "as a matter of course".

Others – just over 12% – wanted to know what form such a portfolio review would take. Was it a first step towards "getting rid of properties" or "ending inalienability"?

Over eight out of ten respondents agreed, however, with the question: "While retaining its separate identity, should NTS seek the widest possible cooperation with other

organisations to maximise income, marketing, shared services and the conservation and promotion of the whole of Scotland's cultural and natural heritage?" Only a very few suggested "merger" with the National Trust or with Historic Scotland.

### Does NTS need Reform?



Finally, members were asked whether they supported a change agenda at NTS embracing governance reform and more strategic direction.

A solid three-quarters believed that such reform is necessary and must happen.

A fifth more agreed, provided the changes did not cause disruption. Only 2% of respondents disagreed.

One respondent added: "With devolution we now need to find Scottish solutions to Scottish problems."

## A Process of Engagement



*Three of the public consultation meetings were held in the Scottish Parliament at Holyrood*

The NTS Council was insistent, in its mandate, that the Review should engage transparently with all stakeholders.

Within the constraints of time and resources, we did this to the best of our ability – and were delighted by the willingness of members to participate.

George Reid made 32 presentations across the country between October 2009 and June 2010. Staff spoke on another eight occasions at other events.

In addition, the team held over 140 meetings with smaller groups and individuals.

These included more than 20 discussions with the NTS Chief Executive, several meetings with the Minister of Culture, and interviews with senior figures from Historic Scotland, Scottish Natural Heritage, the National Trust in Swindon, the Royal Commission on the Ancient and Historical Monuments of Scotland, the Office of the Scottish Charity Regulator, and VisitScotland.

Throughout, it was an iterative process in which participants were asked standard ‘fit for purpose’ questions about the National Trust for Scotland – its mission, resources, strategic and corporate planning, performance measurement and reporting to members.

In addition, the Review received a substantial number of submissions by post and email, and via the consultative forum on the NTS website.

At each stage, the Review reported at the end of the month on where it had got to, and then started the process of refining the responses further.

In the early stages of the consultative process, a significant number of people wanted to complain about the sale of Wemyss House, mothballed properties and staff redundancies. Others raised issues of transparency. Some had specific complaints about individual properties.

Later in the discussion, the Review returned to them – inviting those who had raised such matters to rank them against those identified by other participants.

“It was a learning process all round,” said Mr Reid. “People who wanted to talk only about a single building could hardly grade that as the number one issue against problems of overall financial stability in the Trust.

“We certainly gained considerable insight into how the Trust functions.

“What is encouraging is the number of people who have said that they have changed their minds in the course of the Review. And how the final outcomes of the focus groups are remarkably similar to those provided through the members’ questionnaire – that the Trust has to slim its governance radically, get firm information on the full costs of its portfolio, and then concentrate on its core purpose as a conservation charity.”

George Reid held several hundred interviews in the course of the Review. In addition, he made presentations to 32 groups, including those listed below.

### **2009**

*21-23 October*

Headquarters staff, Edinburgh

*30 October*

NTS Council

*4 December*

National Trust, Swindon

*17 December*

NTS Board

### **2010**

*8 January*

Futures Group

*12 January*

Highland staff and volunteers, Haddo House

*15 January*

Conservation Heads of Service

*18 January*

Audit & Risk Management and Investment Committees

*18 January*

Staff and volunteers, Edinburgh

*19 January*

West staff and volunteers, Pollok House

*24 January*

Association for the Protection of Rural Scotland

*25 January*

Public Focus Group, Scottish Parliament

*29 January*

NTS Council, Stirling

*26 February*

Public Focus Group, Scottish Parliament

*15 March*

NTS Board

*10 May*

Consultative Support Group

*10 June*

NTS Board

*18 June*

NTS Council

*26 June*

Public Focus Group, Scottish Parliament

# Factoring in the Future

## The Drivers of Change



Futures thinking is not about predicting what is going to happen next. It is about challenging the present. About identifying forthcoming challenges and repositioning to meet them now.

The Review invited Scotland's Futures Forum to do some exploratory work with experts from the heritage, tourist and parliamentary sectors which was then considered by the NTS Futures Issues Group.

Participants were asked to consider the main drivers of change for the Trust and then to prioritise these by importance and certainty. They were asked to explore contexts – how economic cuts and greater devolution are going to impact on the charity, for example – and then to produce a list of possible outcomes.

The various discussion papers and reports produced are listed on page 50 of this report.

Since only a few months were available for this research, it cannot do much more than raise questions about which Trustees and NTS Leadership Team should be thinking seriously.

The table at the foot of this page is therefore no more than a brief summary of some of the challenges – and opportunities – which should help shape the formation of a strategic plan for the charity.

This futures work has assisted the Review Team in identifying challenges and in reaching the recommendations outlined in this report.

### **The biggest driver of change for NTS is whether it adopts a reform agenda or not.**

After long consideration of a vast range of external factors, the futures experts concluded that the most important is internal.

It is about how the Trust is perceived. It is about uncertainties at donor, member, staff and political levels about how the charity is to address internal reform and revitalisation.

While significant goodwill remains at all levels, NTS needs to reassert common values and purpose in a strategic plan led by an experienced and focused team of Trustees. That, in turn, will help to unlock funding possibilities, grant streams and opportunities for partnership working throughout Scotland.

### **The economic crisis is going to impact on everything that NTS does.**

The government agencies working in the heritage and

Economic	Social	Natural	NTS	Political
<b>Drivers of Change</b>				
Cuts in public spending. Less disposable personal income. Drop in legacies.	Ageing population. Shifting activism. Competition for visitors.	Climate change. More people embracing a Green Agenda.	Public perceptions of a charity in difficulty. Members and staff concerns about future strategy.	More powers for the Scottish Parliament. More regulation. More Localism.
<b>Contexts and Uncertainties</b>				
NTS readiness to embrace reform • the extent and duration of national economies • evolution of the tourist and visitor market • changing weather patterns • readiness of heritage agencies in Scotland to engage in more partnership working				
<b>Possible Outcomes</b>				
NTS concentrates on its core portfolio. NTS adopts integrated system of corporate planning. NTS devotes more resources to fundraising and grants.	NTS targets Staycation market and overseas visitors. NTS goes local in management of some properties. NTS actively recruits volunteers.	NTS develops contingency plans re rain, flooding and indoor activities. NTS looks to its own carbon footprint.	Clear and sequenced NTS reform agenda restores donor, member and staff confidence and commitment.	NTS builds closer links with legislators. NTS actively promotes its benefits to the public purse and national wellbeing. NTS engages in policy debate and more partnerships.

## Getting Ready for What is to Come

environmental fields are clearly going to experience significant budget cuts and efficiency savings. That, in turn, will impact on their future relationships with the Trust.

In the short run, NTS must maximise efforts to ensure that shortfalls in meeting targets under existing state programmes are remedied. When future grants are discussed, previous Trust performance will undoubtedly be a factor in reaching decisions.

There is opportunity in crisis as well, however. Under financial pressure, the large agencies are likely to look more favourably on partnerships and joined-up working in such areas as common procurement, warehousing, marketing and ticketing. The Enterprise and Tourism Committee of the Scottish Parliament is committed to continue its pressure to ensure that the whole sector adopts a ‘Team Scotland’ outlook.

Local authorities will also experience severe cuts. That may leave them more open to local heritage attractions being promoted and preserved by arms length partnerships, particularly if these can draw down new social funding and show that heritage can lead community regeneration.

### **The economic crisis is clearly going to impact on personal spending.**

In this area, the research presented to the Review is mixed. Young families and old people alike will experience a drop in their discretionary income. Legacies are likely to come later and in smaller sums.

On the credit side, holidays overseas are likely to reduce. More people will opt for a ‘staycation’ at home. And the fall in value of the pound should increase the number of overseas visitors.

NTS should push VisitScotland for more promotion of the home market and should market more day trips and specialist visits to, for example, its gardens.

### **NTS should plan thoroughly for the impact of climate change on its portfolio and core business.**

Gardens will be much more prone to waterlogging. Georgian



downpipes may not be able to cope with the volume of rain. The threat of storm damage to properties, both internally and externally, has intensified.

And warmer, wetter summers are likely to produce ongoing change in Scotland’s natural habitat.

NTS should thoroughly review its risk register in these areas at both national and local level. It should reassure itself that it has a sufficiency of ‘rainy day’ reserves in its General Funds.

Property managers should also be encouraged to put forward wet weather proposals for visitors.

A question: if a Neolithic site is about to be submerged by the sea, do they record it and let it go as part of the great sweep of time? Or do they build walls and preserve it at all costs?

### **NTS should be ready to engage much more thoroughly in the political process.**

It is clear that a further tranche of powers, including fiscal powers, is coming to the Scottish Parliament. The legislative and regulatory framework within which the Trust works will be decided there.

As a para-statal body, established by legislation to work for the benefit of the nation, the Trust has currently only sporadic and unfocused engagement with Scotland’s lawmakers.

It should be more proactive in making clear the benefits of its work to the public purse and to the nation’s wellbeing. It should make clear its core conservation purpose – the only holistic portfolio of Scotland’s patrimony.

In an age when a sense of Scottishness has increased markedly, the Trust should say clearly that it is our Heritage – our natural and built environment – which give us our sense of place, time and identity.

And, in tough times, the Trust should offer refreshment to the nation.

It may, like the National Trust south of the Border, wish to point to changing personal values on the far side of the economic crisis. As the NT puts it: “Instead of material wealth or status, we take comfort in family and community, places we love, the appreciation of beauty, fresh air and a sense of kinship with each other, with the past and with the natural world.”

The Futures Issues Group noted in its report that there is ‘little capacity’ within NTS to undertake scenario planning at the present time. It recommends strongly that such a group, independent of management, should continue this work. The Review asks Trustees to consider this proposal.

“Instead of material wealth or status, we take comfort in family and community, places we love, the appreciation of beauty, fresh air and a sense of kinship with each other, with the past and with the natural world.”

— the National Trust on the impact of the economic crisis

# Acknowledgements and Documentation

The Review Team expresses its gratitude and thanks to the 12,000 people who contributed to its work through meetings, interviews, correspondence and responses to our questionnaire.

The Review Team has consulted very substantial documentation relevant to its mandate. For space reasons it is simply not possible to list every publication in this report. However, we list a number of papers which readers may wish to consult further. These are either available to download from the website of the National Trust for Scotland ([www.nts.org.uk/TheReview](http://www.nts.org.uk/TheReview)) or references are provided to other sites at which they can be accessed.

## Review Documentation

Submission from the NTS Board, May 2010

Submission from the NTS Leadership Team, May 2010

Submission of the NTS Governance Group, April 2010

Submission of the NTS Futures Group, May 2010

Supplementary Report of the NTS Governance Group, May 2010

Submission of the NTS Finance Group, May 2010

Submission of the NTS Conservation Group, May 2010

Submission of the NTS Estates Group, May 2010

Submission of the Audit and Risk Management Committee, May 2010

Submission and supplementary papers of the NTS Consultative Support Group (William Cairns, Sir Charles Fraser, David MacLehose, Ann Packard, James Simpson and Lord Wemyss), April and May 2010

Monthly Reports of the Strategic Review, November 2009 to May 2010

Discussion paper from Scotland's Futures Forum on Heritage Futures, February 2010

Scottish Parliamentary Information Centre – Publications and Websites on the Heritage Sector, February 2010

NTS Order Confirmation Acts 1935-1973

The National Hub of Expertise in Governance – *Good Governance, A Code for the Voluntary and Community Sector* (ACRVO, Charity Trustee Networks, ICSA, NCVO) 2005

Scottish Government – People and Culture in Scotland 2008

Scottish Parliament – Heritage Debate 2009


Historic Properties Group – *Visiting the Future* 2009

National Trust – *Going Local, Fresh Tracks Down Old Roads* 2009

The Guardian – *How the National Trust is finding its Mojo* (10 February 2010)







This report on the National Trust for Scotland was commissioned by the Charity's Council in October 2009. The mandate was:

- To conduct a strategic review of NTS resources and governance in order to assess the organisation's capability to address current and future challenges.
- To do so independently and transparently, taking into account the views of all stakeholders.
- To make recommendations and to provide an outline plan and timetable for implementation.

The report was completed in July 2010. The publication is available to download free from the website of the National Trust for Scotland:

**[www.nts.org.uk/strategic.review](http://www.nts.org.uk/strategic.review)**

Requests for printed copies should be made to:

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