

ANNUAL REPORT AND
FINANCIAL STATEMENTS
AITHISG BHLIADHNAIL
AGUS AITHRIS IONMHAIS
2018-19



HISTORIC
ENVIRONMENT
SCOTLAND

ÀRAINNEACHD
EACHDRAIDHEIL
ALBA



Arbroath Abbey



Urquhart Castle

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INTRODUCTION

RO-RÀDH

2018-19 has been a significant year for Historic Environment Scotland (HES), marking our third year of operation, as the lead public body for the historic environment and the last covered by our Corporate Plan for 2016-19, *For All Our Futures*. As we begin to mature as an organisation and grow in confidence I believe we can reflect with pride on a strong strategic foundation, our track record for delivery and the important relationships we are developing with our peers and the wider public.

In *For All Our Futures*, we set objectives for our role as lead body which addressed a broad range of long term social, economic, cultural and environmental policy agendas, and we have fully or partially achieved the key measures of success which we aimed for. Since our inception we have played a lead – although by no means the exclusive role – in delivering the national strategy for the sector *Our Place in Time*, increased public knowledge and understanding of the historic environment and delivered a sustained programme of investment with wide-reaching benefits. We have responded to a range of challenges, particularly the challenges of climate change, and the need to widen access to heritage amongst hard to reach groups. And the sites in our care generated more than £1.7 billion for Scotland's

economy over 2016-19 via tourism expenditure that would otherwise not have occurred.

In direct terms, we have invested in the 300+ sites within our care, increased visitor footfall and continued to grow Historic Scotland membership. In 2018-19 alone we invested over £7.8 million in our sites, implementing our long term investment plan, and welcomed a record 5.2 million visitors to paid attractions. Membership of Historic Scotland increased to over 204,000 individuals, reflecting the importance and relevance of heritage to people of all ages, across Scotland and beyond. We maintained our grants programme and in 2018-19 we invested £14.5m through grants for the restoration of buildings, enabling communities across Scotland to keep their heritage alive, and also supporting archaeological projects throughout the country.

In 2018-19 we launched a number of important initiatives, including a strategic policy for the whole historic environment – Historic Environment Policy for Scotland, intended to provide a regulatory framework for the protection of the historic environment which is much more accessible for the public as well as specialists. Our work on climate change was recognised by the World Wildlife Fund through receipt of their Public Body Champion award, while the Gold Award

we received from Healthy Working Lives illustrated our commitment to the wellbeing of our staff and volunteers.

As one Corporate Plan concludes, we are excited to begin the next stage of our journey with a new plan. *Heritage For All* outlines the key outcomes we will work to achieve from 2019, presenting a dynamic vision for the whole historic environment that everyone can share. While developing *Heritage For All* we listened to as many different voices as possible, including those often not heard in conversations about history and heritage. What they said has helped to shape what we aim to do over the next three years and beyond and how we will achieve our vision of making the historic environment cherished, understood, shared and enjoyed with pride, by everyone.

Our achievements this year are once again testament to the hard work and dedication of our staff, volunteers, members as well as to our many partner individuals and organisations all of whom I warmly thank on behalf of the Board.



Jane Ryder OBE

Chair
Historic Environment Scotland



Edinburgh Castle



INVESTED
£14.5 MILLION
 through our grants
 programme



REDUCED OUR
 CARBON EMISSIONS
 BY
13.1%

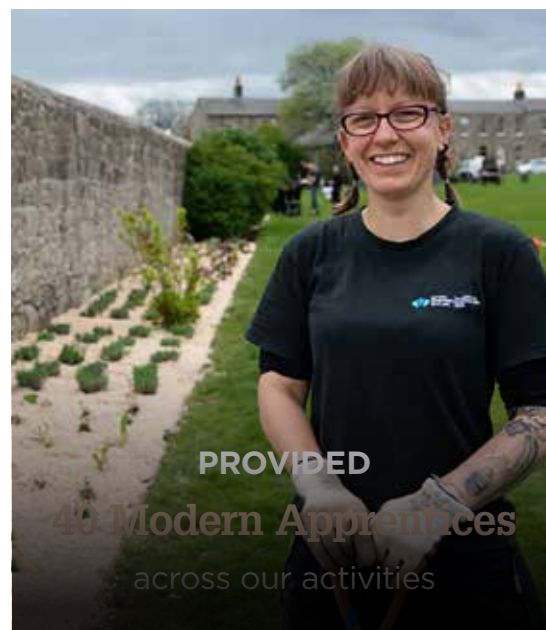
Generated
£620 MILLION
for the Scottish economy
from heritage tourism
(UP 3.5%)



OFFERED
128,900
free education visits
(up 9%)



714 VOLUNTEERS
(UP 77%)



PROVIDED
46 Modern Apprentices
across our activities



PROVIDED
30,100
travel subsidies for schools
(up 6%)

ANNUAL REPORT

Performance Report

AITHISG AIR DÈANADAS

OVERVIEW

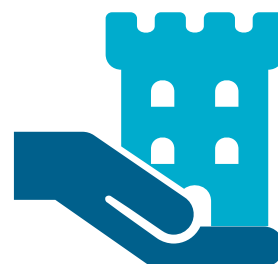
WHO WE ARE

We are a charity and public body leading the way in protecting, understanding and sharing Scotland's historic environment, for today and for the future.

WE:

- lead the delivery of Scotland's historic environment strategy *Our Place in Time* working with our partners to understand, protect and share the immense value the historic environment generates
- care for more than 300 properties of national importance all across the country
- are at the forefront of researching and understanding the historic environment and addressing the impact of climate change on its future
- are the largest operator of paid visitor attractions in Scotland, with 77 sites managed commercially
- look after internationally significant archives and artefacts relating to the historic environment
- protect our places and promote sustainable development through the designation of historic environment assets, consents relating to scheduled monuments, acting as statutory consultee and by developing policy and guidance for decision makers
- provide grants of more than £14.5 million per year, stimulating regeneration, delivering benefits for communities, promoting sustainable economic growth and rural development and reinforcing local identity and a sense of place
- provide advice, guidance and training and promote participation through programmes of education, engagement and skills-sharing





336

PROPERTIES IN
OUR CARE



OUR VISION

The historic environment is cherished, understood, shared and enjoyed with pride, by everyone.

OUR MISSION

- To enhance knowledge and understanding of Scotland's historic environment
- To protect, conserve and manage the historic environment for the enjoyment, enrichment and benefit of everyone – now, and in the future
- To share and celebrate our cultural heritage with the world

OUR VALUES

Collaborative:

we work closely and in an inclusive way with others to achieve our goals.

Professional:

we strive for excellence in everything that we do.


Innovative:

we are forward-looking and creative, encouraging and embracing change.

Open: we are transparent in our business and our relationships.

Respectful:

we acknowledge that what others have to say is of importance and value.



Stones of Stennes Circle and Henge

OUR PLANS

Our first Corporate Plan 2016-19, *For All Our Futures* set out five strategic themes which provided the framework for our strategic outcomes, our objectives, our activities and our performance measures:

- **Lead:**
We will fulfil a leading and enabling role in the historic environment sector through our activities and by supporting, empowering and collaborating with others to secure the brightest possible future for our nation's historic environment.
- **Understand:**
We will increase knowledge and understanding of the historic environment through investigation, research and recording.
- **Protect:**
We will enhance the protection of the historic environment through regulation, conservation, collection and investment.
- **Value:**
We will promote the value of the historic environment through education, learning outreach and skill-sharing activities.
- **Perform:**
We will create a high performing organisation that is well equipped to meet day-to-day and future challenges.

Our priorities for 2018-19 are set out within our Annual Operating Plan and our Corporate Plan 2016-19. Both these documents can be found online at historicenvironment.scot/corporate-publications.

We published our new Corporate Plan, *Heritage For All*, in April 2019 and this is summarised in the “Our Plans for 2019 Onwards” section.

CONTRIBUTION TO NATIONAL PERFORMANCE FRAMEWORK

HES's plans form part of a much broader ambition to build a more successful Scotland. We support the Scottish Government's purpose "to focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth". Our work contributed to the delivery of the *Scottish Government's Programme for Scotland 2018-19: Delivering for today, investing for tomorrow*; and *Scotland's Economic Strategy*.

We work with our partners in the public, private and voluntary sectors to deliver our strategic priorities, contributing to the achievement of the Scottish Government's strategic objectives and national outcomes. Launched in June 2018, the Scottish Government's updated National Performance Framework strives to make Scotland "the best possible place to live, work, grow up and study in". The table below shows our strongest contributions to these national outcomes by strategic theme.

NATIONAL OUTCOMES	LEAD	UNDERSTAND	PROTECT	VALUE	PERFORM
We have a globally competitive, entrepreneurial, inclusive and sustainable economy	★		★	★	
We are open, connected and make a positive contribution internationally	★	★	★	★	★
We tackle poverty by sharing opportunities, wealth and power more equally	★				★
We live in communities that are inclusive, empowered, resilient and safe	★			★	
We grow up loved, safe and respected so that we realise our full potential	★				
We are well educated, skilled and able to contribute positively to society	★	★	★	★	★
We have thriving and innovative businesses, with quality jobs and fair work for everyone		★	★	★	
We are healthy and active	★			★	★
We value, enjoy, protect and enhance our environment	★	★	★	★	★
We are creative and our vibrant and diverse cultures are expressed and enjoyed widely	★	★		★	
We respect, protect and fulfil human rights and live free from discrimination	★			★	★

PERFORMANCE SUMMARY 2018-19

Of the 75 deliverables in the 2018-19 Annual Operating Plan, 72 were achieved, two were partially achieved, and only one was not achieved.

ANNUAL OPERATING PLAN 2018-19 DELIVERABLES



Engine Shed

PERFORMANCE ANALYSIS 2018-19

SGRÙDADH AIR DÈANADAS

PERFORMANCE RESULTS BY THEME

LEAD

During our first three years of operation we worked hard to fulfil a leading and enabling role in our sector by supporting, empowering and collaborating with others to secure the brightest possible future for our nation's historic environment.



WE ACHIEVED

100%

of the 'Lead'
deliverables in our
Annual Operating Plan.

KEY HIGHLIGHTS



Promoting Scotland internationally

Our International Strategy, *Partnering Globally*, sets out our ambition to become a recognised international centre of expertise, promoting the value of Scotland's internationally significant heritage and engaging, equipping and empowering people to understand, protect and celebrate our shared global heritage.



Climate Change

We continued to be recognised for our innovative work to tackle climate change, becoming the World Wildlife Foundation's Earth Hour Public Body Champion in March 2019. Our Climate Change Action Plan sets out how we work to help mitigate impacts through our own actions and help others to adapt through improved understanding.



Strengthening communities

We strengthened communities by ensuring all of our grants this year have community-related outcomes and we published community-focused pages on our website (historicenvironment.scot/communities) to help communities access support.

SPOTLIGHT ON: OUR PLACE IN TIME

As the lead public body for Scotland's historic environment, we are charged with leading and enabling delivery of the sector strategy *Our Place in Time* (OPiT). We have responsibility for coordinating and enabling the OPiT working groups and for reporting on progress to Scotland's Historic Environment Forum, chaired by the Cabinet Secretary for Culture, Tourism and External Affairs.



Skara Brae



Making a difference – Good progress is being made towards the delivery of OPiT with 11 of 13 KPIs on track. In partnership with the sector, we are working to ensure Scotland's historic environment makes a strong contribution to the social, environmental, economic and cultural well-being of Scotland. Highlights for 2018-19 included the co-production of a Skills Investment Plan, a future skills strategy designed to address the skills challenges and opportunities in the sector, which supports an estimated 20,000 direct jobs across Scotland. In addition, the sector is playing an important role in climate change mitigation. Evidence shows that heritage sites and organisations are delivering a range of energy efficiency interventions, reducing CO₂ emissions and contributing to national and international climate change emission reduction targets. At a local level, the sector is working together to produce Impact Guides, detailing climate change impacts to elements of the historic environment, the climate hazards they face, their vulnerability, and potential adaptation measures. Internationally, we are supporting the International Council on Monuments and Sites (ICOMOS) Climate Change and Heritage Working Group to develop a Climate Change Vulnerability Index (CVI) for World Heritage sites. Orkney World Heritage Site has recently been selected to pilot the world's first CVI for cultural heritage.

Looking ahead – Further work is needed to increase joined-up working on strategic investment in Scotland's built heritage, a valuable economic asset for Scotland's future. We are working with public, private and voluntary sector organisations to develop a Scotland-wide Built Heritage Plan (scheduled for publication in late 2019) that will enhance the management of the built environment. The Climate Change Impact Guides that are currently in development will be published in Autumn 2019. The 2019-2024 Volunteering Participation Campaign to grow the number and diversity of volunteers in the sector will be launched with the support of key partners in the heritage sector. In addition, we have commissioned an external evaluation of the sector's progress in delivering OPiT since its launch in October 2014 which will report by Autumn 2019. It is intended that the review should help to inform delivery prioritisation for the second half of OPiT's 10-year lifespan.

LEAD PERFORMANCE RESULTS		
KPI: INCREASED THE CONTRIBUTION OF HERITAGE TOURISM TO THE SCOTTISH ECONOMY		
ANNUAL OPERATING PLAN COMMITMENT 2018-19	DELIVERABLE BY MARCH 2019, WE:	RESULT
Realising the value of Scotland's historic environment	Developed our understanding of the challenges and opportunities of the UK's withdrawal from the EU	Achieved Brexit impact analysis undertaken and Brexit preparedness developed
	Worked with partners to deliver World Heritage Site (WHS) Management Plan actions	Achieved Planned actions delivered and New Lanark WHS Management Plan launched in March 2019
	Published our International Strategy	Achieved Drafted in 2018/19 and published in April 2019
	Collaborated to deliver our Year of Young People 2018 programme	Achieved Wide ranging programme delivered in 2018 promoting Scotland's historic environment and engaging young people
	Maintained our contribution to heritage tourism expenditure of more than £600 million	Achieved £620 million contributed to the Scottish economy from heritage tourism, up 3.5% on 2017/18
	Contributed to the Culture Strategy for Scotland to represent the historic environment	Achieved Responded to consultation on the draft Culture Strategy
KPI: WE CHAMPIONED THE HISTORIC ENVIRONMENT BY TAKING THE LEAD ROLE IN OUR PLACE IN TIME		
Collective stewardship	Published our Annual Report on the delivery of <i>Our Place in Time</i> to demonstrate the impact of the sector's collective activities	Achieved Report published in February 2019
	Provided grants and training to build capacity across the sector	Achieved Grants and training provided across the sector to, for example, Galgael, Ridge Foundation, Scottish Lime Centre, Scottish Traditional Skills Training Centre and others
	Published <i>Scotland's Historic Environment Audit</i> (SHEA)	Achieved SHEA developed in collaboration with the sector and published in November 2018

LEAD PERFORMANCE RESULTS		
KPI: WE CHAMPIONED THE HISTORIC ENVIRONMENT BY TAKING THE LEAD ROLE IN <i>OUR PLACE IN TIME</i> (continued)		
ANNUAL OPERATING PLAN COMMITMENT 2018-19	DELIVERABLE BY MARCH 2019, WE:	RESULT
Strengthening communities	Provided a resource for communities to help them access our support	Achieved Published community focused pages on the HES website
	Delivered positive community outcomes through our grants programmes	Achieved All grants offered this year have community related outcomes attached to grant agreements
KPI: MANAGED THE IMPACT OF CLIMATE CHANGE BY IMPROVING KNOWLEDGE AND UNDERSTANDING		
Addressing the impact of climate change	Published our Climate Change Annual Report, to demonstrate the impact of our activities	Achieved Report published in November 2018
	Published advice and delivered training on adaptation	Achieved Advice and training delivered through a video series, seminars, case studies and presentations at conferences and events

UNDERSTAND

We have increased understanding of the historic environment through investigation, research and recording activities, building Scotland's National Record of the Historic Environment, sharing knowledge and improving access to information and data.



WE ACHIEVED

100%

of the 'Understand'
deliverables in our
Annual Operating Plan.

KEY HIGHLIGHTS



Research

Our Research Strategy sets out our aim to undertake and enable high-quality historic environment research, giving us the evidence we need to make effective decisions and to deliver tangible social, cultural, environmental, and economic benefits for the people of Scotland. This new strategy will outline how HES will prioritise research activity and involvement in research partnerships.



Archaeology

We published *Celebrating Archaeology in Scotland* in November 2018, which reports on the delivery of Scotland's Archaeology Strategy and its vision of a Scotland where archaeology is for everyone - a place where the study of the past offers opportunities for us now and in the future to discover, care for, promote and enjoy our rich and diverse heritage, contributing to our wellbeing and knowledge and helping to tell Scotland's stories in their global context.



DigiFest 2018

The DigiFest conference was hosted at the Engine Shed in October 2018 and saw speakers from around the globe share knowledge and lead workshops on Science, Technology, Engineering and Mathematics (STEM) topics with hundreds of delegates and school pupils.

SPOTLIGHT ON: SHARING KNOWLEDGE AND IMPROVING ACCESS

The health of the historic environment relies on a living knowledge base, developed collaboratively and shared. Programmes of investigation, research, recording and collections management produce information and datasets which we are opening up to produce real value across the sector and beyond.



Making a difference – We are working to ensure that Scotland's historic environment is better known and understood. Through our digitisation programmes more of our archive is available online than ever before. Our archaeology, survey and recording programmes are helping to create new knowledge and to tell Scotland's story in a global context. We are actively providing information on Scotland's places and how they have changed over time through publications, online services and community based projects like Scotland's Urban Past. In addition, we manage an ongoing series of projects and resources to ensure that data about Scotland's historic environment is easily accessible to all. As well as creating and sharing our own data, we bring together historic environment data held by many other bodies through the PastMap website and we are key partners in Scotland's Historic Environment Data Strategy to improve access to Scotland's historic environment information.

Looking ahead – Our Research Strategy, published in March 2019, sets out our aim to undertake and enable high quality, collaborative historic environment research. Partnership working will be central to the success of our research, and to our ability to deliver tangible social, cultural, environmental, and economic benefits for the people of Scotland. The new strategy therefore outlines the principles, priorities, and spirit in which we will approach research and knowledge exchange activities. Through research on areas such as climate change adaptation, the health and wellbeing benefits of involvement with heritage, or how Artificial Intelligence (AI) and machine learning can be applied to work across the heritage sector, we will drive innovation and best practice in understanding, caring for, and sharing Scotland's historic environment.

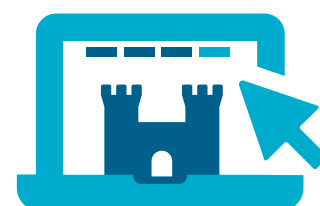


UNDERSTAND PERFORMANCE RESULTS		
KPI: INCREASED KNOWLEDGE AND UNDERSTANDING OF THE HISTORIC ENVIRONMENT		
ANNUAL OPERATING PLAN COMMITMENT 2018-19	DELIVERABLE BY MARCH 2019, WE:	RESULT
Researching and investigating the historic environment	Added new information to Scotland's National Record of the Historic Environment through programmes of field survey investigation, survey and recording	Achieved New information added, including over 3,500 aerial photos taken during 2018, documenting 1,875 sites
	Undertook, sponsored and supported research including up to 20 PhDs	Achieved Research undertaken, sponsored and supported, including 22 PhDs
	Published our Research Strategy	Achieved Research Strategy published in March 2019
	Allocated grants for rescue archaeology and research through the Archaeology Programme	Achieved £1.1 million in grants for rescue archaeology and research allocated, up 6.8% on 2017/18
	Worked with lead bodies in the sector to deliver Scotland's Archaeology Strategy	Achieved Celebrating Archaeology in Scotland report on the delivery of the Archaeology Strategy published in November 2018
Building Scotland's National Record of the Historic Environment	Increased the proportion of Canmore records that meet quality standards	Achieved 36.8% of Canmore records now meet quality standards, an increase of over 1.3% or 5,800 records
	Prepared a development plan for long-term storage of and access to our archives	Achieved Development plan prepared



3,500
AERIAL PHOTOS
TAKEN DURING 2018,
DOCUMENTING **1,875** SITES

UNDERSTAND PERFORMANCE RESULTS		
KPI: INCREASED KNOWLEDGE AND UNDERSTANDING OF THE HISTORIC ENVIRONMENT (CONTINUED)		
ANNUAL OPERATING PLAN COMMITMENT 2018-19	DELIVERABLE BY MARCH 2019, WE:	RESULT
Sharing knowledge	Delivered publications, outreach and online services, including training and community activities by Scotland's Urban Past	Achieved Scotland's Urban Past fieldwork took place in Dunoon, Thurso, Kirkwall and Glasgow
	Used innovative survey techniques in partnership with others	Achieved Innovative survey techniques used across a number of projects with one example being fieldwork in Kilmartin Glen, informing the assessment of low and high resolution lidar (Airborne Laser Scanning) for rapid archaeological landscape survey
Improving access to information and data	Played our role in Scotland's Historic Environment Data (SHED) strategy delivery	Achieved Working in partnership with local authorities, we co funded the improved mapping of thousands of sites and monuments in Scottish Borders, Stirling and Clackmannanshire, making them easier to discover and understand
	Increased the number of users visiting our websites by 5%	Achieved Increased website users by 30% or 1.6 million users
	Increased the number of collections items digitally accessible online in line with the <i>SHED Implementation Plan</i>	Achieved Digitised 165,162 collection items, increasing the number of images available online to 531,000



INCREASED THE
NUMBER OF
WEBSITE VISITS BY
30%

PROTECT

We have enhanced protection of Scotland's historic environment through conservation and management of the properties in our care and through regulation, collection and investment, enabling change and improving skills.



WE ACHIEVED

100%

of the 'Protect'
deliverables in our
Annual Operating Plan.

KEY HIGHLIGHTS



Conservation Area Regeneration Scheme

Round 8 of the Conservation Area Regeneration Scheme (CARS) was launched in June 2018 by the Cabinet Secretary for Culture, Tourism and External Affairs and our Chief Executive. The grant funding acts as a catalyst for investment in the repair and restoration of a town's heritage buildings, while supporting training opportunities and community engagement. In April 2019 £4.4 million of funding was announced for projects in Hawick, Lochgilphead and Mauchline, bringing the total awarded since CARS was established in 2008 to £41.5 million.



Properties in our care

The sites in our care form a nationally valuable cultural, social, environmental and economic asset for the people of Scotland. In addition to our regular conservation expenditure maintaining and protecting the sites, we invested £5.9 million through our Asset Management Plan and Investment Plan, improving the condition of the sites. This included over 200 individual investment projects over the past two years spanning the majority of properties in care (PICs) and depots across the country.



Investing in skills

In March 2019 we launched the *Skills Investment Plan* in partnership with Skills Development Scotland (SDS), while the Engine Shed went from strength to strength helping to encourage a greater understanding of traditional building materials and skills. We directly enhanced opportunities for apprentices to work across all our activities – five new modern apprentice opportunities in Cultural Venue Operations and Business Administration, in addition to six new stonemason apprenticeships recruited to in 2018, brought the total number of apprentices employed by HES in 2018-19 to 40. During the year we also introduced Graduate and Foundation Apprenticeships, supporting the development of the skills needed to conserve and manage the historic environment into the future.

SPOTLIGHT ON: ENABLING CHANGE

We are working to ensure that Scotland's irreplaceable historic environment is cared for and protected. The new Historic Environment Policy for Scotland (HEPS) outlines the key principles that should be taken into account whenever a decision will affect the historic environment. It supports and enables good decision-making about change to the historic environment. HEPS has been directly informed by listening to people's views on how to look after and manage the historic environment and it also takes into account principles that the UK and Scottish governments have agreed to in international charters and conventions on cultural heritage and landscape along with other national policies.



Making a difference – HEPS contrasts with previous policy documents which focused on HES's regulatory functions rather than the whole of the historic environment. HEPS is about the whole of the historic environment, tangible and intangible, whether it is designated or undesignated. This supports good decision making for Scotland's unique places, whose importance often goes far beyond what can be seen or touched – they resonate with our sense of place, identity and well being. By setting out a series of high level principles and policies for the recognition, care and sustainable management of the historic environment, the policy encourages consistent, integrated management and decision making, and helps to deliver the vision and aims of *Our Place in Time*. HEPS aims to be accessible and it directly responds to the voices of the public and stakeholders who took part in our wide ranging levels of consultation. In creating a shorter policy document we also delivered new managing change guidance on demolition of listed buildings, use and adaptation of listed buildings as well as a new scheduled monument consent policy, and a new designations policy and selection guidance. At the same time, we continued to play an important role in the planning system with 96% of regulatory activities dealt with inside required timescales. In August 2018 we published our *Planning Performance Framework Report*, covering our publication of over 55,000 designation records and responses to over 4,000 requests for statutory advice within the Scottish Planning System for 2017/18.

Looking ahead – HEPS is being used at national and local levels to help to support positive outcomes in the historic environment for the people of Scotland. Developing HEPS has resulted in related workstreams which emerged from public and stakeholders' feedback. We are now working on these projects, such as revising existing guidance, to continue our role as the lead public body for the historic environment. We will continue to work closely with private and public sector stakeholders who engaged and supported the development of HEPS.

PROTECT PERFORMANCE RESULTS		
KPI: IMPROVED THE CONDITION OF SCOTLAND'S HISTORIC ENVIRONMENT		
ANNUAL OPERATING PLAN COMMITMENT 2018-19	DELIVERABLE BY MARCH 2019, WE:	RESULT
Managing Properties in our Care (PICs)	Managed, repaired and maintained properties in our care in line with the Schemes of Delegation	Achieved Over 100 conservation and Mechanical & Electrical (M&E) projects have been undertaken or were underway at the Properties in Care
	Published <i>Properties in Care of Scottish Ministers Annual Report</i> , which includes measures of condition	Achieved Report published in September 2018
	Delivered our Asset Management Plan and Year 2 of our Investment Plan	Achieved £5.9 million invested in site condition projects as part of Year 2 of the Investment Plan
Investing in Scotland's Historic Environment	Progressed development of a plan to inform a Scotland-wide built heritage investment approach working with the <i>Our Place in Time</i> Built Heritage Investment Group (BHIG) ¹	Achieved Delivered draft reports for 2 of the 4 BHIG workstreams, data analysis initiated for the 'definition' workstream and approaches investigated for the prioritisation fourth workstream
	Invested at least £14.5 million in historic environment grants	Achieved £14.5 million invested
	Provided advice, guidance and training on technical conservation, grants and heritage management	Achieved Disseminated over 14,000 guides on technical conservation, launched a new 'Partners in Planning' website in collaboration with Key Agencies and hosted 'Planning for Positive Outcomes' skills event at the Engine Shed

¹ Scotland's Historic Environment Forum (SHEF) approved a change to the delivery timescale, and the plan is now due to be published in late 2019. HES Board approved a change to this deliverable on 14 February 2019 – from "Delivery of a plan" to "Progressed development of a plan". We met our revised target to progress development of a plan.

PROTECT PERFORMANCE RESULTS		
KPI: IMPROVED THE CONDITION OF SCOTLAND'S HISTORIC ENVIRONMENT (CONTINUED)		
ANNUAL OPERATING PLAN COMMITMENT 2018-19	DELIVERABLE BY MARCH 2019, WE:	RESULT
Enabling change in Scotland's Historic Environment	Contributed to consultations on the Planning (Scotland) Bill	Achieved Continued to provide advice to colleagues in the Scottish Government Bill Team and others and worked closely with fellow Key Agencies in reviewing amendments to the Bill as it moves through Parliament
	Supported the preparation of National Planning Framework 4 and the review of Permitted Development Rights	Achieved Participated in Key Agency subgroup to support the forthcoming NPF4/Scottish Planning Policy
	Drafted a replacement <i>Historic Environment Policy</i> Statement drawing on the conclusions of What's Your Heritage?	Achieved Historic Environment Policy for Scotland drafted in 2018 and published in April 2019
	Dealt with 90% of regulatory activities, consultations and decisions within required timescales	Achieved 96% of regulatory activities dealt with within required timescales
	Published our annual Planning Performance Report	Achieved Report published in August 2018
Increased the quality and availability of skills	Published a Skills Investment Plan (SIP) for the sector	Achieved SIP published in March 2019
	Worked with Skills Development Scotland and key partners to deliver a traditional skills programme	Achieved Achieved as part of the SIP
	Provided a minimum of 35 Modern Apprenticeships across our activities	Achieved 40 Modern Apprenticeships provided
	Welcomed 10,000 visitors to the Engine Shed	Achieved 11,581 visitors welcomed
	Delivered school visits at the Engine Shed for at least 2,000 school pupils	Achieved School visits delivered for 2,164 pupils
	Delivered a programme of events for professionals and the public at the Engine Shed	Achieved 40 HES run events delivered, attended by 1,933 participants

VALUE

We have promoted the value of the historic environment through education, learning outreach and skill-sharing activities, delivering a sustainable growth in tourism, supporting and enabling a sense of place and increasing the number and range of people who value, celebrate and enjoy the historic environment.



WE ACHIEVED

15 OUT OF 17

'Value' deliverables in the Annual Operating Plan and partially achieved the remaining two deliverables.

KEY HIGHLIGHTS



Growing tourism

We welcomed over 5.2 million visitors to our staffed sites in 2018-19, exceeding our target of 5 million (an increase of 4% on the previous year). Our 5-year Visitor Strategy, *Visitors First*, sets out our ambition to be recognised internationally for our world-leading visitor experiences, engaging existing and new visitors alike while preserving and protecting our historic environment. As part of our Ticket Giveaway weekend in November 2018 we offered free entry to 35 sites across Scotland, attracting over 20,000 visitors (16% up on 2017-18).



Volunteering

We have successfully increased the number and range of our volunteers, growing volunteer numbers from 405 in 2017-18 to 715 in 2018-19. Our volunteers are involved in a range of activities including guiding tours, supporting events, gardening, ranger duties and archaeology.



Promoting Gaelic

Our Gaelic Language Plan was launched in August 2018, alongside a Gaelic Volunteer Programme, acknowledging and promoting Gaelic language and culture as an important and valuable part of Scotland's historic environment.

SPOTLIGHT ON: YEAR OF YOUNG PEOPLE 2018

The aim of the Year of Young People was to inspire Scotland through its young people, celebrating their achievements, valuing their contribution to communities, and creating new opportunities for them locally, nationally and globally. We often work closely with young people, schools and youth groups in our work to promote Scotland's historic environment and 2018 provided further opportunity to develop that area of activity.

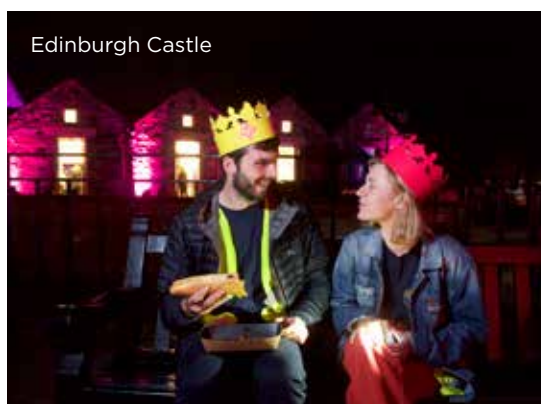


Making a difference – The historic environment makes a strong contribution to education and learning. Through our work with partner organisations, between February and December 2018, over 8,000 young people visited historic sites across the country using the £1 entry for Young Scot cardholders. A particular highlight was a new after-hours event, *Knight at the Castle*, co-designed with over 200 young people through partnerships with Napier University, Young Scot, The List, Impact Arts, Media Education and Scotland's Urban Past. The event, held at Edinburgh Castle and featuring DJs and live music, attracted an audience of 1,500 young people. We are also providing opportunities for young people to develop their careers through apprenticeships in conservation, tourism, heritage management, business management, HR and IT. Our Junior Guides programme continues to provide opportunities for young people across Scotland, building skills and confidence while playing an active role in improving their local communities.

Looking ahead – Building on the work of the Year of Young People, the £1 entry scheme will continue in 2019. We will establish a Youth Forum for young people who work for HES and a Historic Environment Youth Forum for young volunteers from across Scotland to help co-design new services and initiatives for young people. We are also committed to widening opportunities to access the historic environment and to better support young people from SEBD (social, emotional and behavioural difficulties) schools or schools in areas low on the Scottish Index of Multiple Deprivation. In 2019-20 we will continue to work with youth partners to enable the voice of young people to inform our work and to provide opportunities for career development in Science, Technology, Engineering and Mathematics (STEM) subjects by seeking to incorporate the historic environment into the STEM curriculum.



Craigmillar Castle



Edinburgh Castle



VALUE PERFORMANCE RESULTS		
KPI: ENHANCED ENGAGEMENT WITH THE HISTORIC ENVIRONMENT KPI: PROVIDED EXCELLENT SERVICE TO OUR VISITORS AND USERS		
ANNUAL OPERATING PLAN COMMITMENT 2018-19	DELIVERABLE BY MARCH 2019, WE:	RESULT
Growing tourism through our attractions and experiences	Attracted more than 5 million visitors to sites	Achieved 5.2 million visitors attracted to sites, up 4% on 2017 18
	Achieved 200,000 members at the high point of the year	Achieved 204,457 members achieved in August 2018 up 5.3% on 2017 18
	Published our Visitor Strategy	Achieved Strategy approved and now in delivery
	Implemented a new quality measurement system	Partially Achieved Progress was made with system development and testing during the year. Further testing, implementation and review is scheduled for 2019-20
	Delivered a prioritised programme of investment in our visitor-facing operations at properties in our care	Achieved £1.9 million invested in visitor facing projects as part of Year 2 of the Investment Plan
	Delivered visitor safety and security measures	Achieved Delivered internal training, a new HES Health and Safety Policy and continued to implement CCTV and bag searches at key sites
Delivering education, training and learning	Provided nearly 75,000 free education visits	Achieved 128,928 free education visits provided, up 9.2% on 2017 18
	Provided 20,000 travel subsidies (schools)	Achieved 30,101 Heritage Travel Subsidies provided to pupils from 795 schools, up 5.6% on 2017 18
	Worked on more than 50 partnership projects with diverse audiences across Scotland	Achieved Over 50 partnership projects worked on
	Delivered an innovative programme to support the Year of Young People 2018, co-produced and co-delivered with young people	Achieved Programme successfully delivered in 2018

VALUE PERFORMANCE RESULTS		
KPI: ENHANCED ENGAGEMENT WITH THE HISTORIC ENVIRONMENT (CONTINUED) KPI: PROVIDED EXCELLENT SERVICE TO OUR VISITORS AND USERS (CONTINUED)		
ANNUAL OPERATING PLAN COMMITMENT 2018-19	DELIVERABLE BY MARCH 2019, WE:	RESULT
Supporting and enabling Sense of place	Updated Statements of Significance for 30 properties in our care	Achieved 31 Statements of Significance updated
	Delivered Year 1 of our Gaelic Language Plan 2018-23	Achieved Gaelic Language Plan launched in August 2018
Promoting heritage for all	Demonstrated that we have reduced barriers to accessing heritage	Achieved Barriers to access reduced by developing content for our access tablets with examples including creating a new British Sign Language (BSL) tour at Stirling Castle, providing Dyslexia font scripts for adult tours at nine sites and adding sub titles to audio visual programmes at Duff House and Skara Brae
	Implemented our 2018-19 action plan to grow volunteering	Achieved Volunteers increased from 405 in 2017/18 to 715 in 2018/19
	Delivered joint initiatives to promote and support volunteering and developed new approaches through the <i>Our Place in Time</i> Volunteering Group	Achieved Co managed the 2018 national Volunteer Managers event at the Engine Shed, introduced a new partnership with the Police Scotland Youth Volunteers, and worked with the OPiT Volunteering Group to develop a national volunteering participation campaign for 2019/24
	Increased impressions on our social media channels by 12%	Partially Achieved Impressions on our social media channels increased by 2.2% (over 1.3 million additional impressions) ²
	Attracted 10% of followers on Facebook, Twitter and Instagram aged 13-24	Achieved 10% of the followers on our Facebook and Instagram accounts were aged 13/24 in six months of the year, with our average across the year being 9.3% ³

² We continued to increase impressions across our Instagram, LinkedIn and Twitter accounts throughout the year. However, our Facebook impressions were affected by a change in algorithm, which meant that our non-paid for posts did not reach the same audience numbers. We continue to proactively manage our accounts and the use of paid-for posts to maximise our impressions. For 2019-20 the indicator is focused on increasing the number of people accessing the historic environment through digital channels.

³ Twitter changed access to age demographic data after we set this deliverable, so we only have figures available for the HES Facebook and HES Instagram accounts.

PERFORM

We have successfully created a high-performing organisation that is well equipped to meet day-to-day and future challenges. By enhancing our focus on visitors, promoting equality and reducing our carbon emissions we have become more efficient, resilient and sustainable.



WE ACHIEVED

15 OUT OF 16

of the 'Perform' deliverables in our Annual Operating Plan and the remaining deliverable was not achieved.

KEY HIGHLIGHTS



Growing trust in HES

The 2018 survey on our corporate reputation and brand awareness took place in November 2018 and showed that, among stakeholders, HES achieved a Corporate Reputation Index score of 75 in 2018, compared to 69 in 2016. Among the public, HES achieved a score of 55 in 2018, compared to 53 in 2016. In both cases, HES's corporate reputation and brand awareness score in 2018 is higher than the standard benchmark.



Resilience and sustainability

We developed a long-term approach to financial modelling to help ensure the long-term financial sustainability of the organisation while enabling delivery of our strategic priorities. We grew our commercial income to £62 million thanks to continued growth in visitor numbers. We embarked on *Programme for Success*, an ambitious programme aimed at providing the infrastructure and tools to transform the way we work, helping to support staff and enable us to operate in a flexible, effective and creative environment.

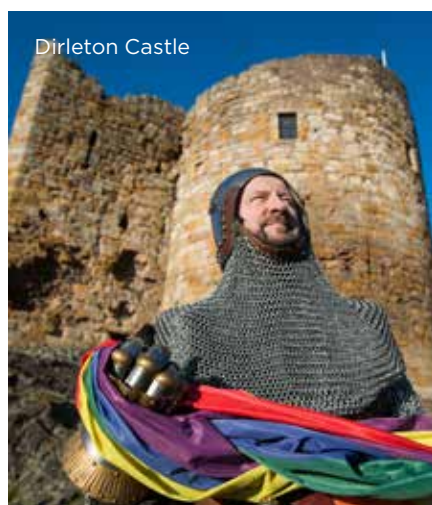


Equalities

In October 2018 we participated in Black History Month, followed in March 2019 by Women's History Month and International Women's Day. We launched LGBT+ Employee and Workplace Allies Network at Edinburgh Castle during LGBT History Month in February 2019 and flew the Rainbow Flag at 14 properties in our care. This year British Sign Language Tours became an established part of the tour programme at Edinburgh and Stirling Castles.

SPOTLIGHT ON: OUR PEOPLE

Our people are at the heart of driving our success as an organisation. The three frameworks of our People Strategy: Health and Wellbeing, Learning and Development and Resourcing, enable the engagement, development and management of our staff and we work to ensure a workplace culture where equality of opportunity and the appreciation of diversity and dignity at work are embedded values.



Dirleton Castle



Making a difference – Our performance as an organisation and the strength of our relationships affects the quality, experience and perceptions of the services that we provide. In November 2018 we were recognised for our work in supporting staff well being, winning the inaugural Health and Wellbeing of the Year award at the HR Network Scotland. In addition, we have been accredited with a Healthy Working Lives Gold Award building on Silver and Bronze awards achieved in previous years. For the Year of Young People, we increased Foundation, Modern and Graduate Apprenticeships and engaged with schools to promote routes to careers in heritage. We are also working with our young people to co design a Youth Forum that identifies, supports and addresses the needs of our young staff.

We have worked hard throughout the year promoting heritage for all and delivering our equalities outcomes. This included working with local author Sara Sheridan to produce *Where are the Women? A Guide to an Imagined Scotland*, a guidebook of fictional streets, buildings, statues and monuments dedicated to real women, telling often unknown stories. In February we launched our LGBT+ Staff and Allies Network which will contribute to engagement with the LGBT+ community across Scotland and for Black History Month we began exploring the connections between Scotland's built environment and the Slave Trade.

Looking ahead – we are committed to ensuring our people have the right skills to deliver the priorities of *Heritage for All*, our Corporate Plan for 2019 onwards. This will include further developing our Leadership Programmes and preparing a new People Strategy for 2020-23. In addition, the implementation of digital and infrastructure projects through the *Programme for Success* will transform the way our staff work.

PERFORM PERFORMANCE RESULTS		
KPI: WE ARE AN EFFICIENT, RESILIENT AND SUSTAINABLE ORGANISATION		
ANNUAL OPERATING PLAN COMMITMENT 2018-19	DELIVERABLE BY MARCH 2019, WE:	RESULT
Enhancing our customer focus	Developed our Digital Strategy	Achieved Digital Strategy under delivery
	Delivered our services in line with our Service Standards	Achieved 92% of complaints and 93% of freedom of information (FOI) requests / environmental information requests (EIR) responded to on time and majority of phone calls sampled were in line with service standards
KPI: OUR STAFF ARE FULLY ENGAGED IN THE TRANSFORMATION KPI: CREATED AN ORGANISATION THAT EARNS RESPECT AS THE LEAD PUBLIC BODY FOR THE HISTORIC ENVIRONMENT		
Building a strong organisation	Delivered 3% (£1.2 million) efficiency savings in line with the Scottish Government's Efficient Government Programme	Achieved 7.8% efficiency savings delivered (£3 million)
	Delivered Year 1 of our Business Improvement and Internal Audit Plan 2018-21	Achieved Year 1 delivered with nine internal audits completed and a business improvement framework developed
	Generated income from PiCs and commercial activities of at least £62 million ⁴	Achieved £62 million generated, up 6.9% on 2017/18
	Delivered the Annual Business Plan for HES Enterprises	Achieved Activity included relocating retail warehouse and setting up team to progress new areas of income generation
	Delivered Year 2 of the three strategic frameworks of our People Strategy (Health and Wellbeing, Learning and Development and Resourcing)	Achieved Continued development of our Skills Framework and Leadership programme and received external recognition for delivery of our People Strategy
	Delivered Year 1 of our Leadership Programme	Achieved Four tier leadership programme established and under delivery
	Worked towards Investors in People accreditation	Achieved Worked with Re:markable to benchmark against the Investors in People framework, including Investors in Young People and developed an action plan to address the outcomes of the report

4 The "Income from PiCs and commercial activities" target is prior to discount. This differs to income reported in the financial statements which is reported net of discounts offered.

PERFORM PERFORMANCE RESULTS		
KPI: OUR STAFF ARE FULLY ENGAGED IN THE TRANSFORMATION (CONTINUED)		
KPI: CREATED AN ORGANISATION THAT EARNS RESPECT AS THE LEAD PUBLIC BODY FOR THE HISTORIC ENVIRONMENT (CONT)		
ANNUAL OPERATING PLAN COMMITMENT 2018-19	DELIVERABLE BY MARCH 2019, WE:	RESULT
Building a strong organisation	Maintained Average Working Days Lost (AWDL) ⁵ of no more than 7.5	Not Achieved AWDL stood at 12.1 at the 31 of March 2019 ⁶
	Commenced delivery of our IT Business Plan which directs investment in technology	Achieved 91% of IT Business Plan complete or in implementation
	Improved our corporate reputation measured by the TRI*M corporate reputation index 2018	Achieved TRI*M stakeholder index was 75 in 2018, increased from 69 in 2016. Among the public, HES achieved a TRI*M Index of 55 in 2018, increased from 53 in 2016. In both cases, the HES TRI*M Index in 2018 is higher than the standard benchmark of 57 for stakeholders and 50 for the public
	Drafted and consulted on our next Corporate Plan which will take effect in 2019	Achieved Consultation on our new Corporate Plan took place between August and November 2018 and involved an innovative service design approach to gather views from stakeholders and the public. The Corporate Plan was published in April 2019
KPI: WE ACTIVELY PROMOTE EQUALITIES		
Promoting Equality	Delivered Year 2 of our Equality Outcomes and Action Plan	Achieved Year 2 delivered and a progress report was published in April 2019
KPI: REDUCED OUR CARBON EMISSIONS IN LINE WITH OUR CARBON MANAGEMENT PLAN		
Reducing our greenhouse gas emissions	Reduced our greenhouse gas emissions in line with our Carbon Management Plan 2.4% (emitting no more than 6,371 tonnes of CO ₂)	Achieved Greenhouse gas emissions reduced by 13.1% (emitting 5,382 tonnes of CO ₂ , a reduction of 814 tonnes of CO ₂) ⁷
	Published our Annual Sustainability Report	Achieved Report published in September 2018

5 For the purposes of the KPI, AWDL is calculated excluding the working days lost by staff who have left the organisation.

6 17% of our staff account for 90% of the absence and good progress has been made in supporting staff on long-term absence back into work. Our Staffing Governance Committee are undertaking work to better understand what lies beneath the result. We are focussed on promoting a culture of well-being. Staff are being supported to take sickness absence as needed and business areas are supported in the management of sickness absence.

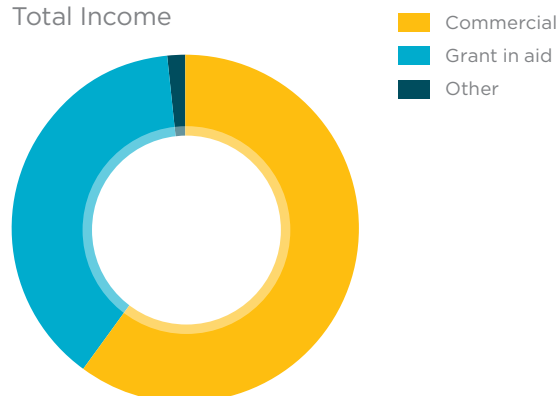
7 The significant reduction in greenhouse gas emissions is due to a mixture of targeted action, conversion factors having reduced due to the National Grid becoming cleaner from the integration of more renewable technologies as power sources as well as increased accuracy of data.

FINANCIAL REVIEW

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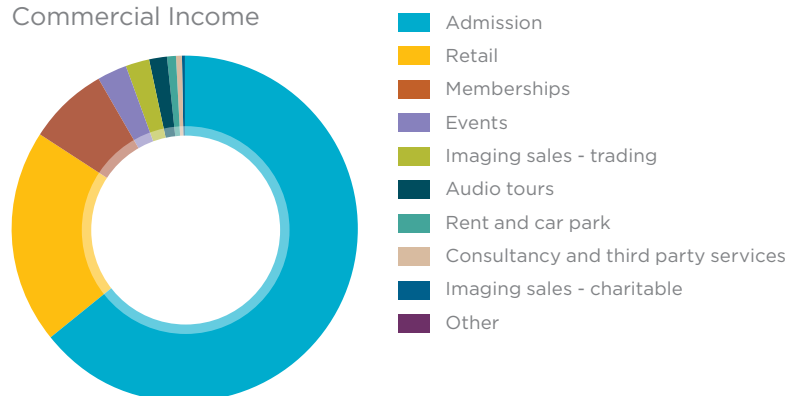
FINANCIAL OVERVIEW

Total Income



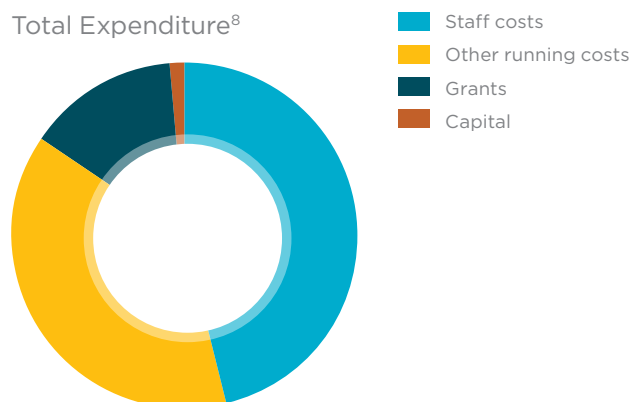
HES is funded mainly from commercial income and grant in aid from the Scottish Government.

Commercial Income



We have a diverse range of commercial income from admissions and retail sales to memberships, events and the sale of digital images.

Total Expenditure⁸



Staff costs account for 43% of our running costs.

⁸ The "Total Expenditure" chart includes grant expenditure on in-year accrual basis rather than full grant commitment basis to better reflect the annual split of expenditure.

OUTTURN AGAINST SCOTTISH GOVERNMENT TARGETS

Our Scottish Government funding target is based on expenditure net of income. We managed net expenditure in line with the limit of £42.5 million for 2018-19.

	2018-19 £m	2017-18 £m
Income (net of cost of sales)	56.7	54.0
Expenditure	(99.2)	(95.4)
Net expenditure for the year	42.5	41.4
Funded by:		
Scottish Government Funding - cash grant in aid	38.6	37.1
Scottish Government Funding - non-cash allocation	3.9	8.9
Total funding	42.5	46.0
Outturn for the year	-	4.6
Split:		
Outturn against Scottish Government cash grant in aid	-	(0.1)
Outturn against Scottish Government non-cash allocation	-	4.7
	-	4.6

RECONCILIATION BETWEEN REPORTING AS AN NDPB AND AS A CHARITY

There are certain differences in how our performance is reported as an non-departmental public body (NDPB) to the Scottish Government compared to how our performance is reported in our financial statements in line with the Charities SORP.

	2018-19 £m	2017-18 £m
Outturn reported to Scottish Government	-	4.6
<i>Adjusted for:</i>		
Difference between grants offered in year and grants invested	(9.0)	2.9
Capitalisation of tangible assets	1.5	2.8
Other adjustments	(0.4)	(0.4)
	(7.9)	9.9
Less: Scottish Government non-cash allocation	(3.9)	(8.9)
(Net expenditure) / income expenditure per the financial statements	(11.8)	1.0

In line with direction from Scottish Ministers (reproduced on page 106), our financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) and the Charities Statement of Recommended Practice (Charities SORP).

Our reported financial performance can vary significantly due to timing of offers we make with multi-year grant programmes. In line with the Charities SORP, we recognise grant expenditure in full as soon as we make an offer. Our grant expenditure was particularly high in 2018-19 due to new multi-year commitments. The high level of grant commitments resulted in net expenditure of £11.8 million (2017-18 net income £1.0 million).

Our underlying performance remains stable. We are pleased to report that we have continued to grow our commercial income and manage our resources within the limits sets by the Scottish Government.

OUR INCOME AND EXPENDITURE

Our income

Total income has grown 3% from £97.3 million in 2017-18 to £100.1 million in 2018-19 with year-on-year increases in Government grant in aid, income from charitable activities and income from trading activities. Adjusting for a change in the accounting treatment of discounts, underlying income has grown 5%.

Cash government grant in aid has increased 4% from £37.1 million in 2017-18 to £38.6 million in 2018-19.

Income from charitable activities includes admissions, memberships and other activities directly linked to our charitable purpose. Our income from charitable activities has grown £1 million (2%) from £44.6 million in 2017-18 to £45.6 million in 2018-19. Adjusting for a change in accounting treatment of discounts, income from charitable activities has increased £2.7m (6%). This increase is due to a 4% rise in visitor numbers as well as strong growth in Historic Scotland membership income.

Our trading activities are those that are undertaken to generate funds to support our charitable work but are not direct charitable activities themselves. Our income from trading activities is primarily retail sales at our sites and online, income from events, sales of digital images and other miscellaneous activities. Our income from trading activities has increased 2% from £15.1 million in 2017-18 to £15.4 million in 2018-19 with growth in imaging sales driven by an increase in high value orders.

Our expenditure

Total expenditure has increased 16% from £96.3 million in 2017-18 to £111.8 million in 2018-19 primarily due to a high level of new multi-year grants commitments highlighted above.

Staff costs are our biggest area of expenditure and have increased by 12% from £43.1 million in 2017-18 to £48.2 million in 2018-19. This includes the 2018-19 HES pay award, which was in line with pay policy set by Scottish Ministers. Expenditure on raising funds has increased 4% from £13.2 million in 2017-18 to £13.7 million in 2018-19, a marginally higher growth rate than the income from trading activities which it generates.



77

SITES OPERATED
COMMERCIALY

Expenditure on charitable activities has increased 4% from £71 million in 2017-18 to £74.1 million in 2018-19. Adjusting for a change in accounting treatment of discounts, expenditure on charitable activities has increased £4.8m (7%). This expenditure covers our broad range of activities from conservation, operating visitor attractions and our regulatory work.

In the second year of our Investment Plan, we invested £10.4 million to enhance the condition of our sites and improve the experience of our visitors as well as other corporate priorities.

Grant expenditure reported on a Charities SORP basis has increased £12 million to £24.1 million due to new commitments entered during the year. New grants committed vary from year to year depending on the timing of the cyclical nature of some of our multi-year grant programmes. The new grants committed in 2018-19 include the latest round of the multi-year City Heritage Trusts grants at £8.3 million.

We manage grant spending on an annualised basis and met our target of investing grants of £14.5 million for 2018-19. We offer grants in advance and often over multiple years and our grant funding for 2019-20 has already been largely committed.

Support costs are allocated across expenditure on raising funds, expenditure on charitable activities and expenditure on grants in the statement of financial activities. Support costs have increased 8% from £14.4 million in 2017-18 to £15.6 million in 2018-19. This was principally due to a £1 million release of dilapidations provision in 2017-18 which had the effect of lowering expenditure in that year. Adjusting for the provisions release in 2017-18, support costs have increased 1% year-on-year.



EXPENDITURE ON
CHARITABLE ACTIVITIES
HAS INCREASED 7% TO
£74.1M

Investment plan

	2018-19	2017-18
	£m	£m
Site condition	5.9	5.5
Visitor experience	1.9	2.5
Other corporate priorities	2.6	2.1
	10.4	10.1

OUR FINANCIAL POSITION

As a public body, HES is restricted in its ability to build up reserves and is reliant on continued funding from the Scottish Government to continue to operate. Whilst the balance sheet as at 31 March 2019 shows net assets of £11.3 million (2017-18: £18.2 million) this is due to substantial fixed asset balances and the balance sheet shows a deficit once these are excluded.

The Office of Scottish Charity Regulator (OSCR) defines free reserves as unrestricted funds excluding unrestricted tangible fixed assets and any designated funds. Our free reserves are negative £33.4 million (2017-18: negative £24.3 million). The substantial reserves deficit is because we recognise grant commitments in full once offered whilst our funding for grant expenditure is based on annual payments. Essentially, we are reliant on future Scottish Government funding to meet our grant liabilities. Excluding future grant commitments (e.g. for work not yet undertaken by grant recipients), our free reserves are negative £8.6 million (2017-18: negative £8.7 million). Excluding total grant liabilities our free reserves are positive £2.2 million (2017-18: positive £2.3 million).

Going concern

As stated in the accounting policies, the Board and Accountable Officer consider that income from government grant in aid and self-generated income will be enough to meet the ongoing expenses and the grant payments of HES. Therefore, the financial statements have been prepared on a going concern basis.

Fixed assets

HES is responsible for over 300 archaeological and historic sites across Scotland. These properties are in the care of Scottish Ministers (the “properties in care” or “PiCs”) although many are not owned by the Scottish Ministers and are held in guardianship. In the opinion of the Board and Accountable Officer these assets are integral to the operation and being of HES and following guidance from Scottish Ministers are included within these financial statements.

Free reserves

	2018-19 £m	2017-18 £m
Unrestricted funds	8.3	14.7
Less unrestricted fixed assets	(41.7)	(39.2)
Free reserves	(33.4)	(24.5)
Exclude future grant commitments	24.8	15.8
Free reserves excluding future grant commitments	(8.6)	(8.7)
Exclude grants accruals and retentions	10.8	11.0
Free reserves excluding total grant liabilities	2.2	2.3

Except for elements used for income generation or other non-heritage purposes, it is the opinion of the Board and Accountable Officer that, owing to the incomparable nature of the heritage properties in care, the valuation of these sites lacks reliability and involves costs that are likely to be onerous on HES. HES does not therefore recognise these assets on its balance sheet.

The land, buildings and dwellings which we do recognise on our balance sheet are revalued every year either by formal valuation or an indexation increase. The revaluation reserve has decreased £0.2 million during 2018-19 to £19.6 million as at 31 March 2019.

Pensions

HES is a member of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS – known as “alpha”), these schemes which are unfunded multi-employer defined benefit schemes. HES is unable to identify its share of the underlying assets and liabilities and therefore, pension assets and liabilities have not been recognised on our balance sheet.

Restricted funds

As at 31 March 2019, HES had restricted reserves of £3.1 million (2017-18: £3.5 million). Of this, £2.7 million (2017-18: £2.8 million) relates to Heritage Lottery Fund grants received to fund the Engine Shed and will be released to unrestricted reserves in line with the depreciation of the building. The remaining £0.4 million (2017-18: £0.7 million) relates to other unspent restricted grant income.

GRANTS POLICY

HES offers a range of grants and funding schemes to individuals and organisations, to assist with projects that benefit the historic environment, and which deliver the training and skills needed in this area.

These projects vary in scope and size, with decisions on the provision of grant and the outcomes that will be delivered by each project considered in line with HES's overall corporate objectives and within the strategic aims of the Scottish Government. This year all grants had a community-related outcome attached to grant agreements.

The grants programmes HES operates can be found at historicenvironment.scot/our-grants, and details of the grants awarded during the year ended 31 March 2019 can be found at historicenvironment.scot/grantsawarded-2018-19.pdf

SUPPLIER PAYMENT PERFORMANCE

Standard supplier payments terms are generally 30 days but HES follows the Scottish Government target for the payment of invoices within 10 working days of their receipt. In 2018-19, 89% of invoices were paid within 10 working days (2017-18: 89%) and 98% were paid within 30 days (2017-18: 98%).

POST BALANCE SHEET EVENTS

There are no material post balance sheet events that are required to be adjusted in the financial statements or to be disclosed.

PRINCIPAL RISKS

PRÒMH RIOSGAN

We maintain a risk register to support the delivery of our strategic priorities. The risk register is reviewed regularly by the Senior Management Team and the Audit, Risk and Assurance Committee. Further detail on our risk management arrangements is provided in the Governance Statement.

The key risks to the delivery of our strategic priorities are set out in the table below.

RISK	Mitigating action
EU exit There is a risk that the UK exit from the EU results in negative impact on visitor numbers, commercial income and the ability to recruit staff.	<ol style="list-style-type: none"> 1. Strategic engagement across culture and tourism bodies. 2. Implementation of our International Strategy <i>Partnering Globally</i>. 3. All Directorates preparing business-continuity focussed contingency plans for a 'no-deal' scenario.
<p>Risk change: This risk remained 'High' over the course of 2018-19.</p> <p>Assessment: An internal review of Brexit preparedness was undertaken during the year on all areas of operations, including visitor operations, workforce, regulation and planning, suppliers and contractors, movement of goods, funding and procurement for HES and where it might impact on the sector. The review identified the most immediate risks to HES from Brexit as the continuity of supply chains and the impact of increased costs of goods and materials.</p> <p>Looking ahead: Further work is being undertaken to prepare for the potential disruption of "no deal" including prioritising planning to maintain delivery of business-critical functions.</p>	

RISK	Mitigating action
Conservation of Properties in Care The impact of climate change and lack of resources leads to unacceptable irreversible loss of historic fabric and associated cultural significance over time.	<ol style="list-style-type: none"> 1. Management of the assets in our care under the terms of the Scottish Ministers' <i>Scheme of Delegation for Properties in Care and Associated Collections</i> and detailed in our <i>Asset Management Plan</i> and <i>Investment Plan</i>. 2. Recording the cultural significance of the properties in our care. 3. Work to tackle the impacts of climate change on the wider historic environment and support for Scotland's carbon reduction targets.
<p>Risk change: This risk remained 'High' over the course of 2018-19.</p> <p>Assessment: The baseline risk position is set out in our monument condition index and our <i>Climate Change Risk Assessment</i>.</p> <p>Looking ahead: Ongoing management of assets in our care and implementation of our sector-leading <i>Climate Change and Environmental Action Plan</i>.</p>	

RISK	Mitigating action
Expectations There is a risk that demands on HES as the lead body in the historic environment outweigh the resources available to us, resulting in reputational damage.	1. Strategic priorities set out in our Corporate Plan 2019 onwards. 2. Regular reporting on the delivery of the sector strategy <i>Our Place in Time</i> to Scotland's Historic Environment Forum.
Risk change: This risk was raised in August 2018 and remained 'High' over the course of 2018-19. Assessment: The risk assessment is informed by the findings of our corporate reputation survey. Looking ahead: Delivery of our Corporate Plan and development of a Communications Strategy.	

RISK	Mitigating action
Archive collections There is a risk of damage to archives due to lack of appropriate storage facilities.	1. Robust archive management policies, plans and procedures are in place to ensure standards of care appropriate for an Accredited Archives service. 2. Options appraisal for archival storage.
Risk change: This risk remained 'High' over the course of 2018-19. Assessment: The strategic importance of the archive collection and the operation of controls informs the assessment of this risk. Looking ahead: A project is underway to develop a modern, safe storage solution to ensure the long-term preservation of the archive.	

OUR PLANS FOR 2019 ONWARDS

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Our second Corporate Plan, *Heritage for All*, takes confidence from what we have achieved so far and builds on areas for improvement. We plan to focus on the real outcomes we want to achieve over the next three years and beyond which in turn supports the delivery of National Outcomes in the Scottish Government's National Performance Framework.

In developing this plan we took a Service Design approach, asking people, groups, communities, businesses, organisations – and our own staff – all across the country what they think about the historic environment, what it means to them, and how it touches their lives. We listened to all the different voices – and especially tried to reach some of those voices that are often not heard in conversations about history and heritage. What they said was used along with the results of formal consultation and impact assessments to fundamentally shape what we aim to do and how we will do it. This new Corporate Plan presents a dynamic vision for the whole historic environment – a vision everyone can share.

Looking ahead, our five outcomes for 2019 onwards are:

1. The historic environment makes a real difference to people's lives.

WE WILL:

- create heritage without boundaries
- use the historic environment to build strong and sustainable communities
- promote knowledge about the historic environment and
- use our historic places to help us live healthy and active lives



2. The historic environment is looked after, protected and managed for the generations to come.

WE WILL:

- look after the historic environment assets in our care
- encourage everyone to work together and drive support and innovation in caring for our heritage
- respond to the challenges of climate change and
- enable sustainable change in the historic environment

3. The historic environment makes a broader contribution to the economy of Scotland and its people.

WE WILL:

- promote sustainable tourism
- encourage enterprise and investment in the historic environment
- advance the use of science and technology and
- increase the quality, availability and demand for skills

4. The historic environment inspires a creative and vibrant Scotland.

WE WILL:

- celebrate the cultural value of heritage
- promote the historic environment as a key resource for creative inspiration
- use the historic environment to enrich education and learning and
- share our heritage with the world

5. The historic environment is cared for and championed by a high-performing organisation.

WE WILL:

- lead and enable the historic environment sector
- build productive partnerships
- invest in our people and
- demonstrate sustainability in a changing environment

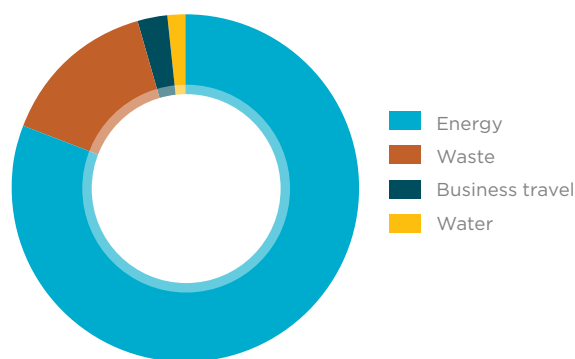
Our Corporate Plan 2019 onwards, *Heritage for All* (historicenvironment.scot/heritage-for-all) details how we will deliver these priorities.

These priorities are long-term aspirational outcomes and will take several years to achieve. Our *Annual Operating Plan 2019-20* (historicenvironment.scot/annual-operating-plan-2019-20) outlines the activities we will undertake in the first year of the new Corporate Plan period to support achievement of these outcomes.

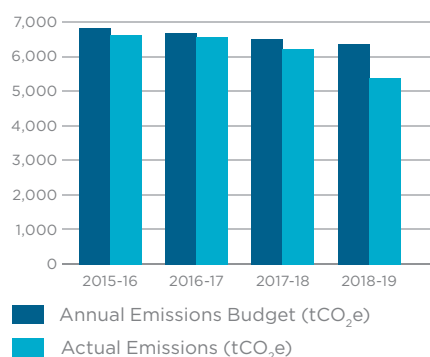
SUMMARY SUSTAINABILITY REPORT

GEÀRR-CHUNNTAS AIR AITHISG SO-SHEASMHAICH

2018-19 Greenhouse Gas emissions



Actual vs target emissions (tCO₂e)



Performance against our 2015-20 CMP GHG emissions target

Year	GHG EMISSIONS					
	TARGET		ACTUAL		DIFFERENCE	
	Emissions tCO ₂ e	Change %	Emissions tCO ₂ e	Change %	Emissions tCO ₂ e	Change %
BASELINE	6,986	N/A	6,986	N/A	N/A	N/A
2015-16	6,832	(2.2%)	6,616	(5.3%)	(216)	(3.2%)
2016-17	6,679	(2.2%)	6,588	(0.4%)	(91)	(1.4%)
2017-18	6,525	(2.3%)	6,196	(6.0%)	(329)	(5.0%)
2018-19	6,371	(2.4%)	5,382	(13.1%)	(990)	(15.5%)
SUB-TOTAL	26,407	(8.8%)	24,779	(23.0%)	(1,626)	(6.2%)
2019-20	6,218	(2.4%)				
TOTAL	32,625	(11.0%)				

GHG emissions overview by contributor

	2014 15	2015 16	2016-17	2017-18	2018-19	Annual Change	Change Against Baseline
Energy	6,036	5,729	5,557	5,142	4,357	(15.3%)	(27.8%)
Waste	90	136	169	166	162	(2.8%)	79.0%
Business travel	811	693	799	821	786	(4.2%)	(3.1%)
Water	48	59	62	66	77	16.7%	61.8%
Grand total	6,986	6,616	6,588	6,196	5,382	(13.1%)	(23.0%)

GHG emissions figures from previous years are recalculated where additional information is available. This means that GHG emissions shown for previous years may not match that previously reported.

This Summary Sustainability Report provides an overview of HES performance for 2018-19. Our full Sustainability Report can be found online at historicensevironment.scot/about-us/who-we-are/corporate-information/annual-reports/. We also submit a Mandatory Public Sector Climate Change Duties Report via the Sustainable Scotland Network portal.

Since its creation HES has made a considerable effort to continually reduce its operational greenhouse gas (GHG) emissions. *Heritage for All*, our Corporate Plan for 2019 and beyond, has embedded our leadership role in climate change in its objectives, ensuring that the historic environment is looked after, protected and managed for generations to come. Under this we will respond to the challenges of climate change – making it central to our policy and practice, and better understand, manage and mitigate its impact.

The Public Bodies Duties under the Climate Change (Scotland) Act 2009 identify HES as a ‘Major Player’, which means we have a formal responsibility to act as an exemplar, to contribute to meeting the Scottish Government target for a reduction of carbon emissions of 80% by 2050 and to act in a sustainable way.

Our Carbon Management Plan (CMP), available online at historicensevironment.scot/carbon-management-plan, sets out our intention to reduce greenhouse gas emissions through our operations in line with national targets to 2050. The CMP is focused through a series of five-year periods, each of which is allocated a specific carbon budget. In our CMP we have adopted the approach of setting a total ‘carbon budget’ for the entire target period (i.e. to 2050), based on national targets, where year-on-year carbon ‘overspend’ or ‘underspend’ can be carried forward and counted in subsequent years. This cumulative, multi-year approach helps to even out the variables (peaks and troughs) in annual Greenhouse Gas (GHG) emissions brought on by factors beyond our control (e.g. weather), in order to highlight good (or otherwise) performance across the target period.

OUR GREENHOUSE GAS EMISSIONS

Energy consumption from our buildings is our largest contributor to our organisational carbon footprint, accounting for 81% of total emissions from our operations. Business travel accounts for 14.6%, Waste 3.0%, and Water 1.4%.

Our CMP target was to reduce annual GHG emissions by 11% from the 2014-15 baseline to 2019-20. The reduction to 2018-19 is 23% and we are on track to deliver a reduction significantly in excess of target for the CMP period. Cumulative GHG emissions 2015-19 are 6.2% lower than our target and we are also on track to achieve our five-year cumulative target.



Performance against our 2018-19 GHG emissions target

We have reduced our GHG emissions by more than our target for the fourth year in a row.

During 2018-19, we reduced our GHG emissions by 13.1% against our target of a 2.4% reduction. This consists of a 15.3% reduction in energy emissions, a 2.8% reduction in waste emissions, a 4.2% reduction in business travel emissions and a 16.7% increase in water emissions.

Our GHG emissions reduced by 814 tCO₂e from 6,196 tCO₂e for 2017-18 to 5,382 tCO₂e for 2018-19.

Energy consumption (kWh) from Gas and Electricity has decreased against the previous year. We can attribute this to the reduction of over-estimated energy bills from improved submission of manual meter reads across Scotland. Furthermore, carbon reductions from both utilities have also improved because their associated Conversion Factors have reduced due to the National Grid becoming cleaner from the integration of more renewable technologies as power sources. Water consumption has increased against the previous year partially due to increased visitor numbers at our sites.

OTHER SUSTAINABILITY ACTIVITIES

Biodiversity

There were many opportunities taken across our operations to support biodiversity and key achievements for 2018-19, including:

- Ranger activities at Holyrood and Linlithgow including educational visits with children and teachers/adult leaders.
- Volunteer programme helping to eradicate invasive non-native species (INNS) - in particular Himalayan balsam in Holyrood Park and mink at Linlithgow - is important and again allows native species to regain a foothold providing a stronger link in the food web and thus enhancing biodiversity.
- Continued monitoring at Holyrood Park of the sticky catchfly reintroduction and maiden pink translocations.
- Partnering with 'Buglife' to facilitate surveys for the bordered brown lacewing, a rare insect known from only two locations within Scotland. 14 specimens were discovered.
- Started collating a baseline database for landscape in terms of designations and understanding what we have on our estate, such as Ancient Woodlands, etc.

Sustainable procurement

HES has a dedicated Sustainable Procurement Policy that aims to apply the principles set out in the Scottish Minister's Sustainable Procurement Action Plan. Key activity undertaken in 2018-19 included:

- 'Sustainability tests' were used for larger contracts to ensure that we build sustainable criteria into the specification of the product/ services where possible and link this to evaluation criteria. We have used the Sustainable Procurement Tools for some

of our larger contracts in 2018-19, which has helped to shape the specifications.

- Training was provided to our procurement team and buyers on how to include circular economy principles within tenders. This was included for our recent uniforms tender, where we specified specifics for refurbishments and recycling of worn uniforms. We have also been working with our stationery suppliers, professional print suppliers and users of these contracts to encourage procurement of environmentally friendly products throughout the organisation.
- We have been working with our suppliers to reduce packaging, including this as a requirement within our specifications. Our retail teams have reduced packaging from 46 to 42 tonnes as well as their use of plastic from 7 tonnes to 6 tonnes. Furthermore, we now have a cardboard packaging return scheme with our stationary supplier.
- Work has been ongoing to reduce purchasing where possible and increasing resource efficiency across the organisation. This is facilitated by 'Warp It', an online resource redistribution network, where unwanted items can be redistributed internally first and then claimed by external local networks for free.

Climate change adaptation

Climate Change adaptation, as well as understanding what the impacts and risks are of climate change, continues to form a core strand of work and research here at HES. This will be reflected in our new Climate Change and Environmental Action Plan currently under development. Highlights for 2018-19 included:

- We organised and hosted a 'Climate Change Impacts Seminar' at the Engine Shed in May 2018; the launch of a series of climate change impacts and adaptation short films; and being awarded the Fit for the Future Change Maker Award, in recognition of our Climate Change Risk Assessment work.
- We have continued to support the wider sector, and further, through active participation in networks such as Adaptation Scotland, Fit for the Future, Climate Heritage and the Historic Environment Adaptation Working Group.
- We have continued to support various organisations and projects, such as Scottish Coastal Archaeology and the Problem of Coastal Erosion (SCAPE) and Dynamic Coast. The work of these two projects, specifically, is continuing to transform our understanding of climate change impacts on coastal heritage. We are also the Project Coordinator for Adapt Northern Heritage – a project funded by the European Union, Iceland and Norway through the Interreg Programme for the Northern Periphery and Arctic.

ACCOUNTABILITY REPORT

STRUCTURE, GOVERNANCE AND MANAGEMENT

AITHISG AIR FREAGARRACHD

STRUCTAR, RIAGHLACHAS AGUS STIÙIREADH

HES is an non-departmental public body (NDPB) created under The Historic Environment Scotland Act 2014 and is also a registered charity. HES's Framework Document, drawn up by the Scottish Government in consultation with the Historic Environment Scotland Board, sets out a broad framework for how we operate.

HES's relationship with Scottish Ministers and our sponsor department in Scottish Government is also detailed in the Framework Document. In addition, a unique feature of HES governance, is the Scheme of Delegation from Scottish Ministers setting out the requirements for the management of properties and collections in HES's care.

HES is governed by a non-executive Board supported by an Audit, Risk and Assurance Committee and a Staff Governance Committee. Day to day running of HES is delegated to the Chief Executive and the Senior Management Team.

BOARD

The role of the Board is to provide leadership, direction, support and guidance to ensure that HES delivers and is committed to delivering its functions effectively and efficiently and in accordance with the aims, policies and priorities of the Scottish Ministers.

Board members are also trustees for the purposes of charity law and are responsible for complying with their duties as charity trustees.

The board members for the year to 31 March 2019 were:

- Jane Ryder OBE, Chair
- Dr Janet Brennan
- Ian Brennan
- Trudi Craggs
- Andrew Holmes
- Dr Coinneach Maclean
- Dr Fiona McLean
- Dr Paul Stollard
- Dr Ken Thomson
- Ian Robertson

There were no changes to board members from the 31 March 2019 to the date this Annual Report was approved.

The full biographies for our board members can be found on our website: historicensevironment.scot/board-members

The Board has corporate responsibility, under the leadership of the chair, for:

- taking forward the strategic aims and objectives for the body agreed by the Scottish Ministers
- determining the steps needed to deal with changes which are likely to impact on the strategic aims and objectives of HES or on the attainability of its operational targets
- promoting the efficient, economic and effective use of staff and other resources by HES consistent with the principles of Best Value, including, where appropriate, participation in shared services arrangements and ensuring that effective arrangements are in place so that HES acts corporately in accordance with the priorities set out in the Scottish Government's statement of corporate expectations
- ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control
- (in reaching decisions) taking into account relevant guidance issued by the Scottish Ministers

- ensuring that the Board receives and reviews regular financial information concerning the management and performance of HES and is informed in a timely manner about any concerns regarding the activities of HES
- appointing with the approval of the Scottish Ministers the HES Chief Executive and, in consultation with the SG, set appropriate performance objectives and remuneration terms linked to these objectives which give due weight to the proper management and use of resources within the stewardship of HES and the delivery of outcomes
- demonstrating high standards of corporate governance at all times, including openness and transparency in its decision making.

To discharge their responsibilities, the Board met seven times during 2018-19 for regular Board meetings. At each regular meeting the Board receives a report on key operational matters from the Chief Executive; a financial report; minutes of sub-committees to the Board; and reports on specific topics as necessary. Risk related items are highlighted as necessary. The Board also met twice specifically on strategy development and undertook two site visits with stakeholder engagements.

Board members work to the high standards of conduct outlined in The Ethical Standards in Public Life etc. (Scotland) Act 2004. The Board is subject to a Code of Conduct and is required to ensure that all relevant interests are declared. Copies of the Code of Conduct, the Register of Declared Interests and approved Board Minutes are available online at historicensevironment.scot/board-papers.

Board members are appointed by Scottish Ministers following an open process. These appointments are regulated by the Commissioners for Ethical Standards in Public Life in Scotland.

When board members join the Board, they undergo an induction process to familiarise them with the operation of HES. This includes introduction to and engagement with staff, the role and responsibilities of the board, information regarding the Code of Conduct, completion of the Register of Interests and exercises to ensure personal development of board members. Board members are also required to familiarise themselves with the Scottish Government publication “On Board – a guide for board members of public bodies in Scotland”.

For ongoing training and development, board members collectively and individually take part in familiarisation visits, which include meetings with staff and stakeholders, ensuring an understanding of a range of different perspectives. Individual board members have attended events and courses, and draw on their experience elsewhere, to feedback and share examples of good practice with other board members and staff. This is brought together in an annual self-assessment and recommendations, with a commitment to continuous improvements.

BOARD COMMITTEES

The Audit, Risk and Assurance Committee, chaired by a non-executive Board member, meets on a quarterly basis to receive reports from the Director of Finance and Performance, Internal Audit and our External Auditors concerning internal control issues and recommendations and are notified of actions to be taken to address any issues or weaknesses identified. The Audit, Risk and Assurance Committee also consider the adequacy of arrangements for corporate governance. The Committee supports the Board and the Accountable Officer in reviewing the effectiveness of the internal control environment.

The Staff Governance Committee's role is to provide the Board with assurance that the Executive Team of HES, is properly addressing the requirements of the organisation with particular reference to the development and management of staff and volunteers, health and safety and equalities. This includes staff structure, remuneration, performance management and other systems and processes relating to staff and volunteer management, health and safety, welfare and wellbeing, including attraction, retention and career and personal development of staff and volunteers.

CHIEF EXECUTIVE AND THE SENIOR MANAGEMENT TEAM

The Chief Executive is appointed by and is responsible to the Board. The Chief Executive chairs a Senior Management Team comprising senior staff from HES.

Senior Management Team members for the year to 31 March 2019 were:

- Alex Paterson, Chief Executive and Accountable Officer
- Barbara Cummins, Director of Heritage
- Stephen Duncan, Director of Commercial and Tourism
- Gary Love, Director of Corporate Services
- Lisa McGraith, Director of Communications (maternity leave from 4 March 2019)

- Kirsteen Rowlands, Interim Director of Communications (from 13 March 2019)
- Dr David Mitchell, Director of Conservation
- Donella Steel, Director of Finance and Performance
- Alison Turnbull, Director of Development and Partnership

There were no changes to the Senior Management Team from the 31 March 2019 to the date this Annual Report was approved.

The full biographies for our Senior Management Team can be found on our website:

historicenvironment.scot/senior-management-team

The Senior Management Team receives regular reports on progress on the delivery of commitments and considers major strategic decisions required to ensure continued delivery. The Senior Management Team meets fortnightly.

The responsibilities delegated to the Chief Executive by the Board and to the members of the Senior Management Team are laid out in the Scheme of Internal Delegation. The Chief Executive is charged with responsibility for overall corporate performance, management within HES and exercise of HES's statutory powers as a regulatory body. The Chief Executive is additionally responsible for functions including, but not limited to, approval of directorate plans and budget allocations, operational policies

spanning multiple directorates, structure and staffing below Senior Management Team level and approval of expenditure, investment and procurement up to thresholds agreed with the Board. Day-to-day implementation of the Corporate Plan is delegated to members of the Senior Management Team.

GROUP STRUCTURE

HES wholly owns two subsidiaries: Historic Environment Scotland Enterprises Limited (HESe) and Scran Ltd and these entities are included in the Group's financial statements.

HESe carries out non-core trading activity, including retail sales of Historic Environment Scotland merchandise and catering facilities and the commercial sale of images. HESe is governed by a separate Board of Directors which reports to the HES Board.

Scran Ltd ceased trading on 31 March 2016 and was dormant for the year to 31 March 2019.

HES is also in a Limited Liability Partnership with Glasgow Scotland Art: CCDV LLP. HES's share of CCDV LLP is not consolidated in the Group's financial statements as it is not considered material. The partnership undertakes digital documentation of heritage sites.

The activities of HES are distinct from the Historic Scotland Foundation Trust, which was set up in 2001 as an independent charitable trust to accept donations, gifts and legacies for the work of Historic Scotland or any successor body.

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

AITHISG AIR OBAIR NAN OIFIGEARAN LE UALLAICHEAN SÒNRAICHTE

The Principal Accountable Officer of the Scottish Government appointed the Chief Executive as the Accountable Officer for HES in accordance with section 15 of the Public Finance and Accountability (Scotland) Act 2000. As Accountable Officer, the Chief Executive is responsible to Scottish Ministers. In line with the responsibilities assigned to the Accountable Officer in the Scottish Public Finance Manual (SPFM), the Accountable Officer is personally responsible for:

- the propriety and regularity of financial transactions under the Accountable Officer's control and for the economical, efficient and effective use of resources provided to HES;
- ensuring that arrangements have been made to secure best value and for signing the annual report; and
- that effective management systems are in place with HES and that risks are identified, assessed and managed appropriately.

In accordance with the accounts direction (reproduced on page 106) issued under Paragraph 13 of Schedule 1 of the Historic Environment Scotland Act 2014 the Accountable Officer is required to prepare financial statements for each financial year in the form and on the basis set out in the Government Financial Reporting Manual (FReM) and applicable Charities SORP.

The financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs of HES and of its income and expenditure, and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

In preparing the accounts the Accountable Officer is required to comply with the FReM and applicable Charities SORP, in particular to:

- observe the accounts direction including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the FReM and the applicable Charities SORP have been followed and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Financial Statements as a whole are fair, balanced and understandable and take personal responsibility for the Annual Report and Financial Statements and the judgements required for determining that it is fair, balanced and understandable.

GOVERNANCE STATEMENT

AITHRIS RIAGHLACHAIS

The Scottish Public Finance Manual (SPFM) requires that I, as Accountable Officer, take personal responsibility for the Governance Statement. The below statement sets out the key elements of HES's internal control framework and my conclusion on this. The statement is approved personally by me, as Accountable Officer, and is also approved by the Board as part of their overall approval of the Annual Report.

SCOPE OF RESPONSIBILITY

As set out in the Statement of Accountable Officer's Responsibilities, I have personal responsibility for maintaining effective systems of internal control.

I am also responsible for providing the necessary assurances to the Principal Accountable Officer to enable them to sign the Governance Statement contained within the Scottish Government consolidated financial statements.

The SPFM is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling of public funds. It is mainly designed to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety, and secure effective accountability and good systems of internal control. I confirm that HES complied with the SPFM and guidance from Scottish Ministers in all material aspects for the year to 31 March 2019.

RISK MANAGEMENT AND INTERNAL CONTROLS

Our system of internal control is designed to manage risk rather than eliminate all risk of failure to achieve our strategic priorities. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of our strategic priorities; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

All bodies subject to the requirements of the SPFM must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The general principles for successful risk management strategy are set out in the SPFM.

We have a Risk Management Policy and Risk Management Strategy which sets out our approach to risk management and the means through which we aim to improve our risk maturity. Our Risk Management Policy states that "HES is committed to ensuring that effective and proportionate risk management underpins and supports the discharge of our current or future strategic priorities set out in our Corporate Plan, our charitable purpose, our statutory and regulatory duties, good practice and ethical standards in public life."

We maintain a risk register that details the most significant risks to the delivery of our strategic priorities. The risk management framework is based on a hierarchical structure of risk registers from directorates and projects up to corporate level. This framework enables the escalation of risks that cannot be managed at local level. Risk registers are regularly reviewed and updated.

The Audit, Risk and Assurance Committee provides the Board with independent advice and assurance on the effectiveness of the internal control and risk management systems.

An Information Assurance Board has been established and is chaired by the Director of Finance as the Senior Information Risk Owner (SIRO). The Information Assurance Board will collectively deal with information risk, data handling, business continuity, information, records, document management and security. HES did not report any personal information breaches to the Information Commissioner's Office (ICO) and there were no significant information losses during 2018-19.

HES has an appraisal system to assess the performance of individual staff members. The Board and Audit, Risk and Assurance Committee also conduct a collective self-assessment of performance.

More generally, HES is committed to best value and a process of continuous improvement: developing systems in response to any relevant reviews and developments in best practice in this area.

REVIEW OF EFFECTIVENESS

I, as Accountable Officer, have responsibility for reviewing the effectiveness of the system of governance. This review is informed by:

- the work of the Board and the strategic direction it gives to HES, in particular around governance;
- the work and views of the Audit, Risk and Assurance Committee;
- documented assurances from senior managers within the organisation who have responsibility for the development and maintenance of the internal control framework;

- the work of the Internal Auditor, who submits to the Audit, Risk and Assurance Committee regular reports which include the Head of Internal Audit and Business Improvement's independent and objective opinion on the adequacy and effectiveness of the HES systems of internal control together with recommendations for improvement; and
- comments made by the External Auditor in their management letter and other reports.

FOLLOW-UP OF ISSUES REPORTED IN OUR 2017-18 GOVERNANCE STATEMENT

During 2017-18, we identified the following issues on which we required further assurance:

Business Continuity Planning

During 2018-19, we appointed a Business Continuity Consultant to help develop Business Continuity Plans at Corporate and Directorate level. A programme of workshops and meetings have been held to ensure that the plans reflect accurately the requirements of HES. Further work is required to finalise our plans and we intend to complete this work during 2019.

Information assets

An Information Assurance Board chaired by the Senior Information Risk Owner (SIRO) has been established reporting to the Senior Management Team. Senior leaders throughout the organisation designated as Information Asset Owners are responsible for managing and mitigating information risk within their respective business area, liaising with colleagues on cross department risks to information and on a quarterly basis meeting as a Board to consider information risk, data handling, business continuity, information, records, document management and security to organisational information. Further action is required to develop methods for identifying information asset specific risks.

Third party funding / grants

During the year an internal audit of HES grant-making was undertaken, resulting in a 'Satisfactory' rating and identifying some areas for improvement. Targets for improvement have been met, with revised grant administration better supporting grants decisions. Revised guidance has been produced for the main Historic Environment Repair Grants, increasing transparency. A review of grant programmes has been approved by the Board and will be implemented over the new Corporate Plan period. I am satisfied that sufficient action has been taken to address this issue.

Equality impact assessments

Equality impact assessment (EIA) requirements are now built into our project management arrangements. Our Project Initiation Documents (PID) and Business Case paperwork now includes references EIA requirements and an additional checklist is being developed to aid compliance. We are looking to further develop our compliance monitoring in this area. I am satisfied that sufficient action has been taken to address this issue.

2018-19 ISSUES

In addition to the Business Continuity Planning and Information Asset points highlighted above and over which we need further assurances, a new issue that has been identified during 2018-19 is:

Compliance assurance and reporting

Whilst we have strong compliance assurance and reporting in many areas, we want to improve the consistency of monitoring and reporting of compliance across the organisation. We intend to undertake a review of the compliance 'landscape' to baseline our current position and provide a basis for improvements to policy as well as monitoring and reporting of compliance across the organisation. This will improve the organisation's ability to take opportunities and manage risks while giving visibility and assurance to Senior Management Team and the Board that compliance risks are being managed in line with their risk appetite.

CONCLUSION

Based on the assurance provided to me, I have concluded that the internal control system is operating effectively and that appropriate action plans are in place to address any weaknesses identified.



Alex Paterson
Chief Executive and
Accountable Officer
15 August 2019



REMUNERATION AND STAFF REPORT

AITHISG CO-DHÌOLADH IS LUCHD-OBRAICH

The information in the Annual Report is reviewed by the external auditors for consistency with the financial statements, and the information relating to the remuneration and pension benefits of board members and the Senior Management Team, staff numbers, staff costs and number of exit packages has been audited by them.

REMUNERATION POLICY

HES operates a pay and grading arrangement which is available to view on our website at historicenvironment.scot/pay-and-pension.

Pay is reviewed annually and pay settlements are negotiated within the pay remit agreed with the Scottish Government and are approved by the Board.

The Board in approving the pay award has regard to:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- objectives for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services; and
- the affordability of the recommendation.

Remuneration for the Chief Executive is set by the Board and is approved by the Scottish Government Remuneration Group.

SERVICE CONTRACTS

HES employs new permanent staff on the basis of fair and open competition. HES staff are public servants rather than civil servants; however, following good practice HES uses the Recruitment Principles published by the Civil Service Commission which specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report are in open-ended contracts. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

BOARD MEMBERS

No board members received any remuneration from HES for 2018-19 (2017-18: nil).

SENIOR MANAGEMENT TEAM SALARIES AND PENSION BENEFITS

The total salaries and pension entitlement earned by the Senior Management Team for 2018-19 was £843,000 (2017-18: £757,000). The salary and pension entitlement earned individually by the Senior Management Team members for the year to 31 March 2019 were as follows:

	2018-19			2017-18		
	SALARY	PENSION BENEFITS	TOTAL	SALARY	PENSION BENEFITS	TOTAL
	£000	£000	£000	£000	£000	£000
Chief Executive						
Alex Paterson	120-125	47	165-170	115-120	46	160-165
Directors						
Barbara Cummins	70-75	28	95-100	70-75	27	95-100
Stephen Duncan	70-75	28	95-100	70-75	27	95-100
Gary Love	70-75	9	80-85	70-75	-	70-75
Lisa McGraith ¹	70-75	28	100-105	70-75	27	95-100
Dr David Mitchell	70-75	28	95-100	70-75	16	85-90
Donella Steel ²	70-75	28	95-100	40-45	36	75-80
Alison Turnbull ³	60-65	24	85-90	25-30	10	35-40
Jennie Smith ⁴	-	-	-	20-25	8	25-30

"Salary" includes gross salary, supplements, allowances and any performance pay and overtime. The amounts shown above relate to remuneration for the period that the employee was part of the Senior Management Team.

"Pension benefits" are calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

1 Lisa McGraith was on maternity leave from 4 March 2019.

2 Donella Steel was appointed as Director of Finance and Performance on 21 August 2017.

3 Alison Turnbull was appointed as Director of Development and Partnership on 30 October 2017.

4 Jennie Smith was acting Director of Finance from 1 April 2016 to 20 August 2017.

Kirsteen Rowlands was seconded from the Scottish Government as Interim Director of Communications from 13 March 2019. The recharge for the services provided during 2018-19 was £4,090.

Bonuses

There were no bonuses paid to the Senior Management Team for 2018-19 (2017-18: nil).

Compensation for loss of office

No member of the Senior Management Team received compensation for loss of office for 2018-19 (2017-18: nil).

Exit packages

There were no exit packages for 2018-19 (2017-18: nil).

Pension benefits

The pension entitlements earned by the Senior Management Team for 2018-19 were:

	Real increase in pension and related lump sum at pension age	Accrued pension at pension age at 31 March 2019 and related lump sum	CETV at 31 March 2018	CETV at 31 March 2019	Real increase in CETV
	£000	£000	£000	£000	£000
Chief Executive					
Alex Paterson	2.5-5	5-10	52	96	29
Directors					
Barbara Cummins	0-2.5	15-20	168	210	16
Stephen Duncan	0-2.5	30-35	390	460	17
Gary Love	0-2.5 plus a lump sum of 0-2.5	30-35 plus lump sum of 100-105	667	754	15
Lisa McGraith	0-2.5	15-20	118	154	10
Dr David Mitchell	0-2.5	25-30	350	420	16
Donella Steel ¹	2.5-5	20-25	270	339	29
Alison Turnbull	0-2.5	0.5	6	23	11

¹ CETV as at 31 March 2018 for Donella Steel has been restated from the previous reported figure of £277,000 following a recalculation of the amount by Civil Service Pensions.

Kirsteen Rowlands was seconded from the Scottish Government as Interim Director of Communications from 13 March 2019. CETV disclosures are not required for seconded role.

Pension benefits for the Senior Management Team were provided through the Civil Service pension arrangements. No payments were made to Partnership Pension Accounts. Civil Service Pensions are still assessing the impact of the McCloud judgement in relation to changes in benefits. The benefits and related CETVs disclosed do not allow for any potential future adjustments that may arise from this judgement.

Cash Equivalent Transfer Value (CETV)

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have

accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This is the element of the increase in accrued pension funded by the employer. It excludes increases due to inflation and contributions paid by the employee. It is worked out using common market valuation factors for the start and end of the period.

Fair pay disclosures

The minimum, maximum and median total remunerations for 2018-19 were:

	2018-19	2017-18
	£000	£000
Minimum total remuneration	17	16
Maximum total remuneration	122	119
Band of highest paid member of the Senior Management Team	120-125	115-120
	£	£
Median total remuneration	22,787	22,123
Ratio of median total remuneration to maximum total remuneration	5.34	5.37

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

CIVIL SERVICE PENSIONS

Pension benefits are provided through the Civil Service pension arrangements. HES staff are public servants rather than civil servants; however HES staff are treated as civil servants for the purposes of the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60;

and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65. These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha.

(The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account). Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for

[continued >](#)

each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership.

At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website civilservicepensionscheme.org.uk

STAFF REPORT

	2018-19	2017-18
	£000	£000
Staff costs comprise:		
Wages and salaries	37,031	33,054
Social security costs	3,383	2,980
Employer's contributions to pension schemes	7,183	6,342
Early departure costs	-	-
Agency temporary staff costs	695	785
Total employment costs	48,292	43,161
Less: Recoveries in respect of outward secondments	(52)	(37)
Total net costs	48,240	43,124

Employees who received benefits, excluding pension costs, of more than £60,000:	2018-19	2017-18
Banding		
£60,000 – 69,999	2	-
£70,000 – 79,999	6	5
£80,000 – 89,999	-	-
£110,000 – 119,999	-	1
£120,000 – 129,999	1	-
Total number of staff	9	6

Staff numbers

The average number of full-time equivalent (FTE) staff employed for 2018-19, by occupational group, were:

	2018-19 FTE	2017-18 FTE
Commercial and Tourism	551	518
Conservation	450	416
Heritage	151	150
Corporate Services	78	72
Finance and Performance	58	51
Communications	23	17
Development and Partnership	9	1
Chief Executive's Office	9	6
Senior Management	8	7
Agency/Temporary Staff	19	22
	1,356	1,260

The average number of staff employed for 2018-19 were:

	2018-19 Headcount	2017-18 Headcount
Full time	1,081	1,085
Part time	365	292
	1,446	1,377

The average number of staff by band and gender for 2018-19 were:

	Male Headcount	Female Headcount	Total Headcount
Chief Executive	1	-	1
Director	3	4	7
Band F	23	16	39
Bands A - E	780	619	1,399
	807	639	1,446

Sickness absence

For 2018-19, the average sickness absence was 13 days including leavers (2017-18: 10 days) and 17,329 total days (2017-18: 12,462 days). This is split four average number of working days lost to ill-health short-term absences (2017-18: three days) and nine average number of working days lost to ill-health long-term absences (2017-18: seven days). The HR team continues to work closely with management to ensure appropriate management of sickness absence. Regular case reviews are carried out in partnership with management, with a view to identifying, discussing and supporting staff at an early stage to best understand their needs and to support them in achieving sustained attendance.

In addition, HR continues to ensure monthly reports are circulated to management to ensure a consistent approach is taken by leadership. HES is also committed to developing the well-being agenda throughout the organisation for staff by staff.

Employees with disabilities

HES is committed to providing equal opportunities for all its employees. We recognise that people with disabilities have the same range of skills and qualities as non-disabled people. It is important that full advantage is taken of these skills so that every person is given the opportunity to make the fullest contribution in line with their abilities.

Applications from people with disabilities for employment or promotion are given full and fair consideration. The percentage of staff declaring a disability for 2018-19 was 2% (2017-18: 2%).

Equal opportunities and diversity

HES is committed to equality of opportunity for all its employees and customers, and to treating every member of staff and every customer with dignity and respect. It is the organisation's policy to ensure that all staff are able to work in an environment free from discrimination, harassment and bullying.

In April 2017 HES published its first Equalities Mainstreaming Report and Equality Outcomes for the period 2017-21. This report which is available on the HES website sets out the actions to achieve the Equality Outcomes. Progress is reported to HES Staff Governance Committee. In this first year some examples of deliverables include:

- The introduction of British Sign Language (BSL) tours at premier visitor attractions
- Accessibility improvements to our website
- Year of Young People activity
- Apprenticeships and positive action internships
- Gender Pay Gap published
- Establishment of HES Equality Planning Group

Health, safety and security at work

HES is committed to ensuring the highest standards of health, safety and security at work of its staff, visitors and others who may be affected by our work activities. We aim to provide safe and healthy workplaces and practices for all our employees and extend this provision to include visitors, contractors and others to our premises, sites and events.

Trained health and safety representatives are present at all HES sites, as well as a team of health and safety advisors. They ensure that each site remains safe not only for staff but also for visitors, with dedicated visitor safety risk assessments being used specifically to protect visitors from site hazards at ancient monuments. Our health and safety advisors are also trained in crime prevention and conduct regular site security audits to provide assurance over our security arrangements.

Additionally, HES runs programs of airborne contaminant monitoring and health surveillance checks for conservation staff, plus vaccinations and lifestyle health checks for all staff. HES operates a wellbeing group, supported by Healthy Working Lives, which also runs regular events highlighting healthy eating, physical exercise and general wellbeing, as well as organising mental health awareness training for all staff.

Learning and development

HES aspires to be an effective learning organisation, encouraging and supporting lifelong learning by all its staff. This commitment involved investing in people; planning and evaluating that investment; and helping employees understand the broad options and activities available.

HES aims to understand and recognise its own talent, as well as acknowledging and valuing staff input. This means building a culture where staff feel supported and respected and one which creates new opportunities and a culture of mentoring and support for everyone. HES offers support to employees who wish to develop their careers through further training and education, including training courses, apprenticeships, work-based learning and professional qualifications that benefit them and the organisation.

Resourcing

HES aims to create an organisation where work can be planned and delivered in line with an established workforce plan and flexible resourcing. Recruitment to HES is fair, open and based on merit. Staff are the best resource in ensuring the growth and success of HES as an organisation.

Employee consultation

The organisation is committed to effective employee communications, which it maintains through all staff notices, the staff newsletter and briefing sessions. The HES Partnership Board provides the means for representatives of staff and management to discuss matters of concern or mutual interest.

Trade union relationships

HES works in partnership with its three recognised trade unions; Unite the Union, Public and Commercial Services Union (PCS) and Prospect. There is a Partnership Agreement that outlines our joint approach to the management of employment relations and reinforces the relationship between management and trade union within the organisation to provide a voice for employees.

Trade Union (Facility Time Publication Requirements) Regulations 2017

For 2018-19, HES had 23 union representatives across our three recognised Trade Unions. During the year, nine undertook and recorded Trade Union activities or duties.

The percentage of HES union representatives' working hours spent on facility time was:

Banding	Number of employees
0%	14
1 – 50%	9

The total cost of this facility time represents 0.02% of HES's total wages and salaries for 2018-19 (2017-18: 0.006%).

80% of total paid facility time hours was spent on paid trade union activities in 2018-19 (2017-18: 69.6%).

Volunteers

For 2018-19, HES provided opportunities to 715 volunteers (2017-18: 405), who dedicated 10,590 hours (2017-18: 7,740) to volunteering with us. These included our board members, volunteer gardeners, volunteer rangers, archaeology volunteers, volunteer tour guides and visitor activity & event volunteers.

Expenditure on consultancy

Expenditure on consultancy for 2018-19 was £443,000 (2017-18: £380,000).



VOLUNTEER NUMBERS
HAVE INCREASED

77%

REFERENCE AND ADMINISTRATIVE DETAIL

TUAIRISGEUL AIR FIOSRACHADH RIANACHAIL

Principal Office and Registered Address

Longmore House
Salisbury Place
Edinburgh EH9 1SH

Scottish charity number
SC045925

Subsidiaries

Historic Environment Scotland
Enterprise Limited
Scran Limited (dormant)

Bankers

Royal Bank of Scotland
36 St Andrew Square
Edinburgh EH2 2YB

NatWest
c/o Government Banking Service
Southern House (7th Floor)
Wellesley Grove
Croydon
Surrey CR9 1WW

Bank of Scotland
300 Lawnmarket
Edinburgh EH1 2PH

Solicitors

Harper MacLeod LLP
65 Haymarket Terrace
Edinburgh EH12 5HD

External auditors

Deloitte LLP
110 Queen Street
Glasgow G1 3BX

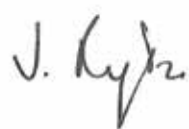
APPROVAL

AONTA

The Board and Accountable Officer confirm that the Annual Report and Financial Statements as a whole are fair, balanced and understandable.

The Board and Accountable Officer also confirm that they have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that HES's auditors are aware of that information. So far as they are aware, there is no relevant audit information of which the auditors are unaware.

This Annual Report of Historic Environment Scotland, registered charity number SC045925, was approved by the Board and Accountable Officer Board and authorised for index on 15 August 2019.



Jane Ryder OBE
Chair



Alex Paterson
Chief Executive and
Accountable Officer

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HISTORIC ENVIRONMENT SCOTLAND, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT.

AITHISG NEO-EISIMILEACH AN NEACH-SGRÙDAIDH DO BHALL ÀRAINNEACHD EACHDRAIDHEIL ALBA, ÀRD-NEACH-SGRÙDAIDH NA DÙTHCHA AGUS PÀRLAMAID NA H-ALBA.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION ON FINANCIAL STATEMENTS

We have audited the financial statements in the annual report and financial statements of Historic Environment Scotland for the year ended 31 March 2019 under the Historic Environment Scotland Act 2014 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated and Charity Statement of Financial Activity, the Consolidated and Charity Balance Sheets, the Consolidated and Charity Cashflow Statements, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Historic Environment Scotland Act 2014 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2019 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Historic Environment Scotland Act 2014 and directions made thereunder by the Scottish Ministers, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

BASIS FOR OPINION

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland.

Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is three years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN BASIS OF ACCOUNTING

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

RISKS OF MATERIAL MISSTATEMENT

We have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

RESPONSIBILITIES OF THE ACCOUNTABLE OFFICER FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of the Accountable Officer Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to

going concern and using the going concern basis of accounting unless deemed inappropriate.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material

misstatement due to fraud. A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER INFORMATION IN THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Accountable Officer is responsible for the other information in the annual report and financial statements. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual report and financial statements and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement

in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT ON REGULARITY OF EXPENDITURE AND INCOME

OPINION ON REGULARITY

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

RESPONSIBILITIES FOR REGULARITY

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

REPORT ON OTHER REQUIREMENTS

OPINIONS ON MATTERS PRESCRIBED BY THE AUDITOR GENERAL FOR SCOTLAND

In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Historic Environment Scotland Act 2014 and

directions made thereunder by the Scottish Ministers.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Historic Environment Scotland Act 2014 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Historic Environment Scotland Act 2014 and directions made thereunder by the Scottish Ministers.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We are required by The Charities Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

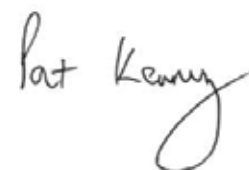
We have nothing to report in respect of these matters.

CONCLUSIONS ON WIDER SCOPE RESPONSIBILITIES

In addition to our responsibilities for the annual report and financial statements, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

USE OF OUR REPORT

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



Pat Kenny, CPFA (for and on behalf of Deloitte LLP)
110 Queen Street
Glasgow
G1 3BX
United Kingdom
15 August 2019

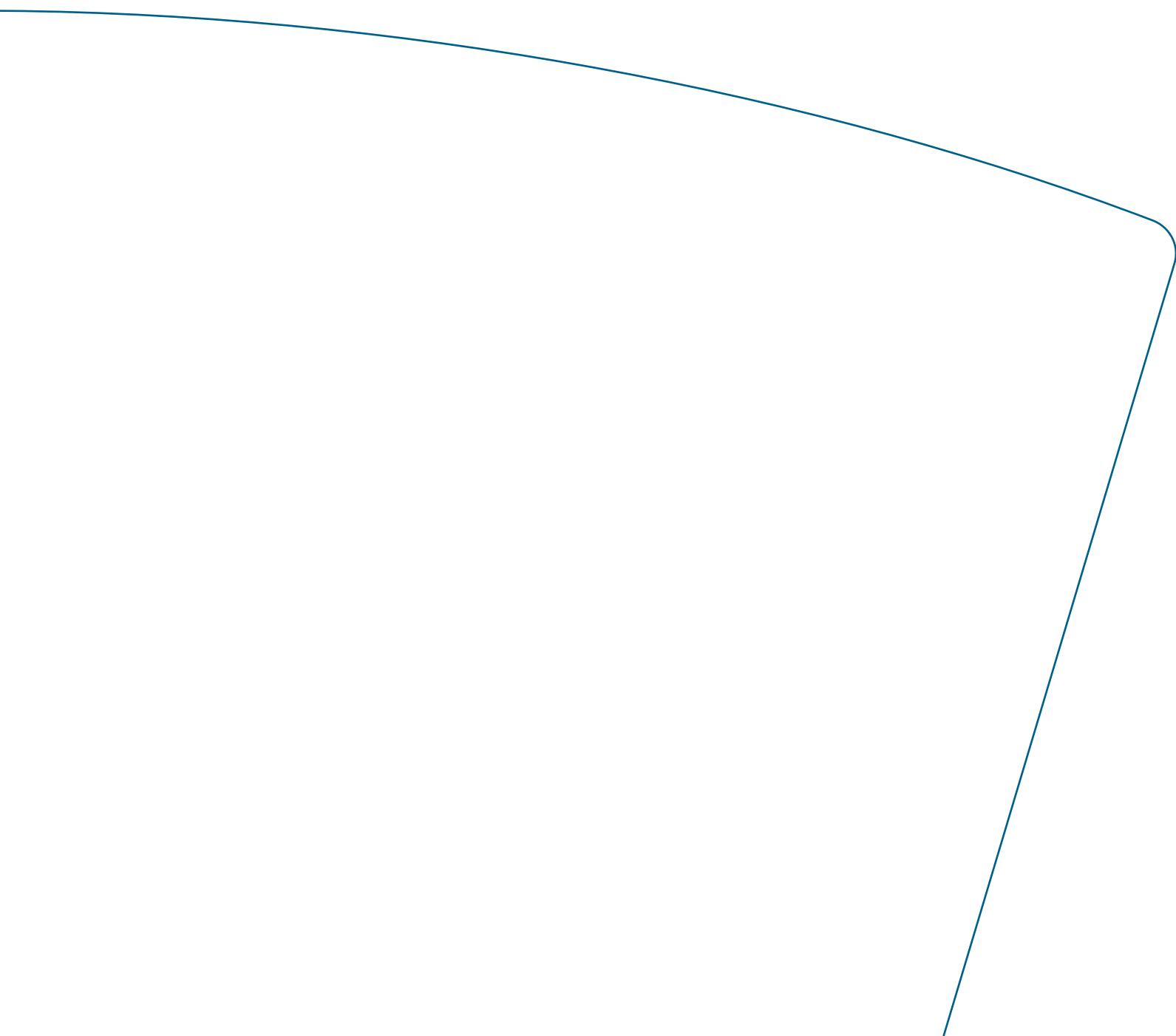
Deloitte LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

FINANCIAL STATEMENTS

Year ended: 31 March 2019

CUNNTASAN BLIADHNAIL

Bliadhna crìochnaichte: 31 Màirt 2019



CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITY FOR THE YEAR ENDED 31 MARCH 2019

		2018-19			2017-18		
	Note	Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
Income from:							
Government grant in aid		38,600	-	38,600	37,145	-	37,145
Charitable activities	3	44,755	831	45,586	43,383	1,201	44,584
Donations		89	-	89	73	-	73
Trading activities	4	15,410	-	15,410	15,120	-	15,120
Other income		381	-	381	370	-	370
Total income		99,235	831	100,066	96,091	1,201	97,292
Expenditure on:							
Raising funds	5	(13,675)	-	(13,675)	(13,179)	-	(13,179)
Charitable activities	6	(72,617)	(1,448)	(74,065)	(68,786)	(2,226)	(71,012)
Grants	7	(24,085)	-	(24,085)	(12,082)	-	(12,082)
Total expenditure		(110,377)	(1,448)	(111,825)	(94,047)	(2,226)	(96,273)
(Net expenditure) / net income		(11,142)	(617)	(11,759)	2,044	(1,025)	1,019
Transfers between funds	23	(189)	189	-	(289)	289	-
Gain on revaluation of fixed assets	26	4,942	-	4,942	1,206	-	1,206
Net movement in funds		(6,389)	(428)	(6,817)	2,961	(736)	2,225
Reconciliation of funds							
Total funds brought forward		14,711	3,489	18,200	11,750	4,225	15,975
Total funds carried forward	23	8,322	3,061	11,383	14,711	3,489	18,200

All the activities relate to continuing operations. All gains and losses in the current and prior year are included in the statement of financial activity.

The notes on pages 75 to 105 form part of these financial statements.

CHARITY STATEMENT OF FINANCIAL ACTIVITY FOR THE YEAR ENDED 31 MARCH 2019

		2018-19			2017-18		
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	Note	£000	£000	£000	£000	£000	£000
Income from:							
Government grant in aid		38,600	-	38,600	37,145	-	37,145
Charitable activities	3	44,755	831	45,586	43,383	1,201	44,584
Gift aid		3,096	-	3,096	3,444	-	3,444
Donations		89	-	89	73	-	73
Other income:							
Recharges for personnel and services		6,042	-	6,042	5,684	-	5,684
Miscellaneous income		360	-	360	359	-	359
Total income		92,942	831	93,773	90,088	1,201	91,289
Expenditure on:							
Charitable activities	6	(72,617)	(1,448)	(74,065)	(68,786)	(2,226)	(71,012)
Grants	7	(24,085)	-	(24,085)	(12,082)	-	(12,082)
Other	9	(7,382)		(7,382)	(7,176)	-	(7,176)
Total expenditure		(104,084)	(1,448)	(105,532)	(88,044)	(2,226)	(90,270)
(Net expenditure) / net income		(11,142)	(617)	(11,759)	2,044	(1,025)	1,019
Transfers between funds	23	(189)	189	-	(289)	289	-
Gain on revaluation of fixed assets	26	4,942	-	4,942	1,206	-	1,206
Net movement in funds		(6,389)	(428)	(6,817)	2,961	(736)	2,225
Reconciliation of funds							
Total funds brought forward		14,711	3,489	18,200	11,750	4,225	15,975
Total funds carried forward	23	8,322	3,061	11,383	14,711	3,489	18,200

All the activities relate to continuing operations. All gains and losses in the current and prior year are included in the statement of financial activity.

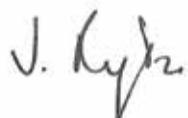
The notes on pages 75 to 105 form part of these financial statements.

CONSOLIDATED AND CHARITY BALANCE SHEETS AS AT 31 MARCH 2019

					Restated
		2018-19	2018-19	2017-18	2017-18
		Group	Charity	Group	Charity
	Note	£000	£000	£000	£000
Fixed assets:					
Intangible assets	14	249	249	381	381
Tangible assets	15	43,771	43,771	41,251	41,251
Heritage assets	16	361	361	361	361
Investments	17	-	1,157	-	1,157
Total fixed assets		44,381	45,538	41,993	43,150
Current assets:					
Stock	18	2,848	276	2,556	269
Debtors	19	3,649	6,795	4,671	7,915
Cash at bank and in hand		3,008	2,167	4,492	3,194
Total current assets		9,505	9,238	11,719	11,378
Current liabilities:					
Creditors: amounts falling due within one year	20	(30,851)	(31,747)	(27,010)	(27,837)
Net current liabilities		(21,346)	(22,509)	(15,291)	(16,459)
Total assets less current liabilities		23,035	23,029	26,702	26,691
Creditors: amounts falling due outside one year	21	(10,892)	(10,886)	(7,617)	(7,606)
Provisions	22	(760)	(760)	(885)	(885)
Net assets		11,383	11,383	18,200	18,200
Funds:					
Restricted funds	23	3,061	3,061	3,489	3,489
Unrestricted reserve	23	(11,229)	(11,229)	(5,046)	(5,046)
Revaluation reserve	26	19,551	19,551	19,757	19,757
Unrestricted funds		8,322	8,322	14,711	14,711
Total funds		11,383	11,383	18,200	18,200

These financial statements of Historic Environment Scotland, registered charity number SC045925, were approved by the Board and authorised for issue on 15 August 2019.

They were signed on its behalf by



Jane Ryder OBE
Chair



Alex Paterson
Chief Executive and Accountable Officer

The notes on pages 75 to 105 form part of these financial statements.

CONSOLIDATED AND CHARITY CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

	Note	2018-19 Group £000	2018-19 Charity £000	2017-18 Group £000	2017-18 Charity £000
Reconciliation of (net expenditure) / net income to net cash flow from operating activities					
(Net expenditure) / net income		(11,759)	(11,759)	1,019	1,019
Adjustments for					
Depreciation		3,422	3,422	2,157	2,157
Amortisation		218	218	199	199
Impairment of fixed assets		-	-	1,832	1,832
Loss / (gain) on disposal of fixed assets		322	322	(18)	(18)
Decrease in provisions	22	(125)	(125)	(1,203)	(1,203)
(Increase) / decrease in stock	18	(292)	(7)	(469)	90
Decrease in debtors	19	1,022	1,120	466	550
Increase / (decrease) in creditors	20,21	7,116	7,190	(2,124)	(3,956)
Net cash from operating activities		(76)	381	1,859	670
Cash flows from investing activities					
Purchase of fixed assets	14, 15	(1,450)	(1,450)	(2,827)	(2,827)
Proceeds on disposal of fixed assets		42	42	44	44
Net cash used in investing activities		(1,408)	(1,408)	(2,783)	(2,783)
Net decrease in cash		(1,484)	(1,027)	(924)	(2,113)
Cash as at 1 April		4,492	3,194	5,416	5,307
Cash as at 31 March		3,008	2,167	4,492	3,194

The notes on pages 75 to 105 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a. Basis of preparation

Historic Environment Scotland (HES), is a non-departmental public body (NDPB), formed under the Historic Environment Scotland Act 2014 and is also a registered charity.

HES meets the definition of a public benefit entity under the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

These Annual Report and Financial Statements have been produced in accordance with:

- the Accounts Direction issued by Scottish Ministers (reproduced as an appendix);
- Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), effective 1 January 2015 (Charities SORP);
- the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102);
- the 2018-19 Government Financial Reporting Manual (FReM) issued by HM Treasury;
- the Charities and Trustee Investment (Scotland) Act 2005;
- and the Charities Accounts (Scotland) Regulations 2006.

The financial statements have been prepared under the historical cost convention modified to account for the revaluation of land and buildings.

The presentation currency of these financial statements is sterling. All amounts have been rounded to the nearest £1,000.

b. Going concern basis

Government grant in aid is receivable and accounted for on the basis of need. As HES must commit to grants on a longer-term basis to allow appropriate planning by recipients there is a disparity between grant income receivable and investment grants payable resulting in a deficit on unrestricted funds.

The Board and Accountable Officer consider that income from government grant and self-generated income will be sufficient to meet the on-going expenses and the grant payments of HES.

The Board and Accountable Officer do not consider there to be any material uncertainties about HES's ability to continue as a going concern. As such, the financial statements have been prepared on a going concern basis.

c. Basis of consolidation

The financial statements consolidate the result of HES and its wholly owned subsidiaries Historic Environment Scotland Enterprises Limited (HESe) and Scran Limited on a line-by-line basis.

d. Income

Income is recognised when HES is entitled to the funds, it is probable the income will be received and the amount can be measured reliably.

Income received in advance of entitlement is recorded as deferred income until the event has taken place.

All income is accounted for net of discounts and Value Added Tax (VAT).

Government grant in aid

HES receives grant in aid from the Scottish Government to help fund our core activities.

Grant in aid is treated as income and credited to the statement of financial activity in the period in which it is received.

Admissions, retail and other earned income

Admissions, retail and other earned income is recognised when earned.

Membership income

Historic Scotland membership income is accounted for on a cash basis.

Other grant income

Grant income from other sources is recorded when it is receivable. If entitlement of grant income is subject to performance conditions, the income is recognised as the performance conditions are met.

1. ACCOUNTING POLICIES (continued)

e. Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable the settlement will be required and the amount of the obligation can be measured reliably.

Expenditure is classified under the following activity headings:

- Expenditure on raising funds comprises the cost of opening ticketed sites across the portfolio of properties managed by HES, the cost of the retail activity, other commercial activity as well as allocated support costs.
- Expenditure on charitable activities comprises the costs of opening, maintaining and repairing sites which are free to the public to view, other charitable activity as well as allocated support costs.
- Expenditure on grants comprises grants to support projects that promote and protect the historic environment.
- Expenditure on other comprises costs incurred by the Charity of providing personnel and support services to HESe.

Expenditure is shown net of Value Added Tax (VAT) where it is recoverable. Irrecoverable VAT is charged as a cost against the activity for which the expenditure is incurred.

f. Leases

All HES leases are leases where substantially all the risks and benefits of ownership of the asset have not transferred to HES and are therefore classified as operating leases. There are no assets held under finance lease.

Rentals payable are charged to the statement of financial activity on a straight-line basis over the term of the lease.

HES recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis.

g. Fund accounting

Unrestricted funds are available to spend on activities which further any of the purposes of HES.

Restricted funds must be used in accordance with the wishes of the donor or grantor.

h. Grants payable

Grants are paid to individuals and bodies by HES in accordance with its statutory powers and duties.

Grant expenditure is recognised in the statement of financial activity when a formal offer has been made.

Grants payable over a number of years are represented in creditors due within and after one year.

i. Allocation of support costs

Support costs are those functions that assist the work of HES but do not directly undertake charitable activities. These costs have been allocated between expenditure on raising funds, expenditure on charitable activities, expenditure on grants and expenditure on other. The bases on which support costs have been allocated are set out in note 8.

j. Tangible fixed assets

Initial recognition

On initial recognition, tangible fixed assets are measured at cost including any costs directly attributable to bringing them into working condition.

Properties in care

HES is responsible for over 300 archaeological and historic sites across Scotland in the care of Scottish Ministers (the “properties in care”). Many of these buildings, sites and monuments, although cared for by HES, are not owned by the Scottish Ministers. They are held in guardianship, a legal agreement between the owner and Scottish Ministers under which the title to the property remains with the owner, but Scottish Ministers, through HES, have full control and management of the property.

HES does not have legal ownership of the majority of the properties it cares for however, in the opinion of the Board and Accountable Officer these assets are integral to the operation and being of HES and following guidance from Scottish Ministers are included within these financial statements.

Land, buildings and dwellings

Land, buildings and dwellings owned by, or in the guardianship of HES, are classified as either:

- Heritage land, buildings and dwellings.
- Operational land, buildings and dwellings.

The heritage assets accounting policy sets out accounting for the heritage land, buildings and dwellings.

Operational land, building and dwellings includes elements of the properties in care, which, in addition to being held by HES in pursuit of its overall objectives, are also used for income generation or other non-heritage purposes.

All operational land, building and dwellings are subject of a five-year rolling programme of professional valuations.

These valuations are updated annually by HES using appropriate indices and, following valuation, the remaining life may be restated.

Plant and machinery, which would normally be regarded as an integral part of the properties and essential for their effective use, have been included in the valuations.

The operational land, buildings and dwelling have been valued on a fair value basis applying the following approaches:

- Non-specialised properties – market value for existing use.
- Specialised properties – depreciated replacement cost.
- Properties leased to third parties – open market value.

Land related to operational assets is capitalised where it can be clearly separated from the heritage asset.

Residential properties have been valued on the assumption that they are subject to assured tenancies in terms of the Housing (Scotland) Act 1988.

Leasehold building improvements

Leasehold building improvements (LBIs) represent the fit-out costs where HES is tenant. Depreciated historic cost has been used as a proxy for the current value as LBIs comprise lots of individual items of relatively low value in comparison to the overall total. The depreciation charge is thought to provide a realistic reflection of consumption.

Motor vehicles, information & computer technology systems and plant & equipment

Motor vehicles, information and computer technology (ICT) systems and plant & equipment are stated at depreciated historic cost.

Antiques & works of art

Works of art, which are new works and have only recently been completed, have been included at cost.

Assets under construction

Expenditure of a capital nature incurred in pursuance of the HES's commercial activities on works integral to the fabric of the historic sites is initially identified as assets under construction within the tangible fixed assets note. Thereafter it is transferred to the relevant asset category. Similar works of a non-commercial nature are written off in the year of expenditure.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or, if appropriate, recognised as a separate asset if it is probable that future benefits associated with the item will flow to HES and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the statement of financial activity during the financial year in which they are incurred.

Capitalisation thresholds

The capitalisation thresholds for tangible fixed assets are £10,000 for land, buildings and dwellings, £1,000 for ICT systems and £5,000 for all other categories.

Multiple purchases of similar assets may be grouped for consideration against the capitalisation thresholds.

Donated fixed assets

Donated fixed assets are capitalised at their fair value on receipt. The funding element is recognised as income and taken to the statement of financial activity. Subsequent revaluations are taken to the revaluation reserve.

Depreciation

Depreciation is provided on tangible fixed assets (excluding land and assets under construction) on a straight-line basis at rates sufficient to write down their cost to their estimated residual value, over their estimated useful lives.

The depreciation periods for the principal categories of tangible fixed assets are:

Land: Not depreciated

Buildings and dwellings:
On an individual basis not exceeding 60 years

Leasehold building improvements:
Over the term of the lease

Plant and equipment: 5 years

Motor vehicles: 5 years

ICT Systems: 3 years

Antiques and works of art:
Up to 60 years (non-heritage)

Assets in the course of construction are not depreciated until the asset is brought into use.

k. Intangible fixed assets

HES recognises an intangible asset when it is probable the asset will bring future economic benefits, and where costs can be measured reliably.

The capitalisation thresholds for intangible fixed assets are £1,000 for Computer & Software Licenses and £5,000 for all other categories.

Amortisation

Amortisation is provided on intangible fixed assets on a straight-line basis at rates sufficient to write down their cost to their estimated residual value, over their estimated useful lives.

The amortisation periods for the principal categories of intangible fixed assets are:

Archive rights: 10 years

Computer & software licenses:
3 years

l. Heritage fixed assets

Heritage assets are defined as tangible items with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. The ability to value these assets is noted below.

Properties in care

With the exception of elements used for income generation or other non-heritage purposes, it is the opinion of the Board and Accountable Officer that, owing to the incomparable nature of the heritage properties in care, the valuation of these sites lack reliability and involves costs that are likely to be onerous on HES. HES does not therefore recognise these assets on its balance sheet.

Archives and Collections

HES owns or holds in its care archives and collections relating to Scotland's wider historic environment:

- National Record of Scotland's Historic Environment - over 5 million archival items relating to all aspects of the historic environment of Scotland.
- Properties in Care Associated Collections (PiCACs) - over 35,000 objects of cultural significance relating to the history and archaeology of Properties in Care (PICs).

- National Collection of Aerial Photography (NCAP) – over 15 million photographs and digital images.
- In addition, HES also holds responsibility for some 100,000 recently excavated archaeological artefacts being studied prior to allocation to museums via the Treasure Trove system.

It is the opinion of the Board and Accountable Officer that due to the number of items, lack of comparative market values and the diverse nature of the collection, reliable cost or valuation information cannot be obtained. HES does not therefore recognise these assets on its balance sheet. The exception is an acquisition of seven Raeburn paintings which are recorded at their historical cost on the balance sheet.

Conservation costs

Expenditure which is required to conserve and maintain Heritage Assets, in line with HES responsibility to protect and enhance the historic environment, is recognised in the statement of financial activity when it is incurred.

m. Investments

Investment in HESe is carried on the balance sheet at cost. Investment in Scrán Ltd is carried at net asset value which in the opinion of the Board and Accountable Officer equates to the fair value of the investment.

n. Stock

Stock is valued at the lower of cost and net realisable value. Retail stock net realisable value is estimated as selling price less costs to sell and retail cost is calculated using the average cost method. Provision is made for obsolete, slow-moving or defective items where appropriate.

o. Financial instruments

The financial assets and liabilities held by HES qualify as basic financial instruments under FRS 102. Financial assets and financial liabilities are recognised when HES becomes a party to the contractual provisions of the instrument.

Financial assets

Basic financial assets, comprising trade debtors and cash, are initially recognised at transaction value and subsequently measured at their settlement value after any trade discount offered.

Financial assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) HES transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) HES, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities

Basic financial liabilities, comprising trade creditors, are initially recognised at transaction value and subsequently measured at their settlement value after any trade discount offered. Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the HES intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

p. Provisions

Provisions are recognised where HES has a present obligation resulting from a past event which will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Provisions are normally recognised at their settlement amount after allowing for any trade discount due.

q. Pensions

Past and present employees of HES are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS – known as “alpha”), multi-employer defined benefit schemes which is described in the staff costs note (note 12).

HES is unable to identify its share of the assets and liabilities and it accounts for the schemes as a defined contribution scheme.

Employer's pension contributions are charged to the statement of financial activity.

HES is required to meet the additional costs of benefits beyond the normal PCSPS and CSOPS benefits in respect of employees who retire early. HES provides in full for these costs when the early retirement has been agreed.

r. Realised element on depreciation of revaluation reserve

Depreciation is charged to the statement of financial activity on the revalued amount of the relevant assets. An element of the depreciation arises from the increase in valuation and is in excess of the depreciation that would be charged on the historic cost of the relevant assets. The amount relating to this excess is the realised gain on revaluation and is transferred from the revaluation reserve to unrestricted reserve.

s. Foreign currency

Transactions denominated in foreign currencies are translated to sterling at the rate ruling at the date of transaction. Any monetary assets and liabilities outstanding at the year-end are translated into Sterling at the rates ruling at 31 March. Exchange differences are recorded in the statement of financial activity.

t. Impact of new and updated Financial Reporting Standards and Interpretations

Charity SORP (FRS 102) Update Bulletin 2 is applicable for reporting periods beginning on or after 1 January 2019. The updates have been applied early where permitted or required. The adoption of this Update Bulletin 2 has not had, nor is it expected to have, a material impact on the results or financial statement disclosures of HES.

u. Reclassification of Comparative Figures

Comparative figures shown below have been reclassified to incorporate the following accounting treatments:

- Reclassification of Depreciation from Support Costs to Expenditure on Raising Funds and Expenditure on Charitable Activities.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

In the application of the accounting policies described in note 1, the Board and Accountable Officer are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The critical accounting judgements and estimation uncertainty that have the most significant impact on the financial statements are:

- The valuation of land and buildings is dependant on valuations undertaken by external valuers. The valuations are based on a number of assumptions including market values and asset useful lives.

3. INCOME FROM CHARITABLE ACTIVITIES – GROUP & CHARITY

	Unrestricted £000	Restricted £000	2018-19 Total £000	Unrestricted £000	Restricted £000	2017-18 Total £000
Admissions	38,588	-	38,588	37,899	-	37,899
Membership	4,513	-	4,513	4,169	-	4,169
Audio Tours	962	-	962	748	-	748
Imaging sales – charitable	151	-	151	155	-	155
Third party services	188	-	188	204	-	204
Visitor events	204	-	204	82	-	82
Heritage Lottery Fund grants	-	286	286	-	768	768
Partnership funding	-	545	545	-	433	433
Other	149	-	149	126	-	126
	44,755	831	45,586	43,383	1,201	44,584

In the prior year to 31 March 2018, the financial statements reflected customer discounts as expenditure. For 2018-19, the financial statements reflect customer discounts as a deduction from income in line with FRS 102. Admission income for 2017-18 would have been £1,746,000 lower if the same treatment had been applied.

4. INCOME FROM TRADING ACTIVITIES – GROUP

	2018-19 Unrestricted £000	2017-18 Unrestricted £000
Retail	11,945	12,055
Imaging sales – trading	1,366	978
Events	1,482	1,582
Rent and car park	570	469
Consultancy	47	36
Total	15,410	15,120

5. EXPENDITURE ON RAISING FUNDS – GROUP

	Commercial and Tourism £000	Heritage £000	2018-19 Total £000
Direct salaries	6,011	-	6,011
Direct costs	4,661	-	4,661
Support costs	2,440	-	2,440
Depreciation	563	-	563
	13,675	-	13,675

	Commercial and Tourism £000	Heritage £000	2017-18 Total £000
Direct salaries	4,967	414	5,381
Direct costs	4,907	204	5,111
Support costs	2,186	124	2,310
Depreciation	354	23	377
	12,414	765	13,179

6. EXPENDITURE ON CHARITABLE ACTIVITIES – GROUP & CHARITY

	Commercial and Tourism £000	Heritage £000	Conservation £000	Development and Partnership £000	2018-19 Total £000
Direct salaries	10,977	6,161	16,512	484	34,134
Direct costs	8,515	1,787	13,291	218	23,811
Support costs	4,460	1,828	6,630	153	13,071
Depreciation	1,027	418	1,567	37	3,049
	24,979	10,194	38,000	892	74,065
Unrestricted	24,339	9,711	37,675	892	72,617
Restricted	640	483	325	-	1,448
	24,979	10,194	38,000	892	74,065

	Commercial and Tourism £000	Heritage £000	Conservation £000	Development and Partnership £000	2018-19 Total £000
Direct salaries	9,782	4,998	14,731	71	29,582
Direct costs	9,533	2,903	13,198	6	25,640
Support costs	4,089	1,638	6,266	-	11,993
Depreciation	792	258	915	-	1,965
Impairment	-	-	1,832	-	1,832
	24,196	9,797	36,942	77	71,012
Unrestricted	23,467	9,234	36,008	77	68,786
Restricted	729	563	934	-	2,226
	24,196	9,797	36,942	77	71,012

In the prior year to 31 March 2018, the financial statements reflected customer discounts as expenditure. For 2018-19, the financial statements reflect customer discounts as a deduction from income in line with FRS 102. Expenditure on charitable activities would have been £1,746,000 lower if the same treatment had been applied.

7. EXPENDITURE ON GRANTS – GROUP & CHARITY

	2018-19 £000	2017-18 £000
Grants payable	23,412	11,517
Direct salaries	412	351
Direct costs	111	114
Support costs	122	85
Depreciation	28	15
	24,085	12,082

	2018-19 £000	2017-18 £000
Grants invested from current year funding	14,542	14,564
Grant returned to HES	(97)	(205)
Movement in grant commitments from future funding	8,967	(2,842)
Grants payable	23,412	11,517

8. SUPPORT COSTS – GROUP & CHARITY

	Raising Funds £000	Charitable Activities £000	Grants £000	2018-19 Total £000
Office running costs	469	2,542	23	3,034
Information systems	720	3,905	35	4,660
Finance	336	1,820	16	2,172
HR	349	1,727	20	2,096
Communications	263	1,431	13	1,707
Chief Executive's Office	110	598	5	713
Information governance	112	609	6	727
Corporate analysis and performance	44	238	2	284
Governance	37	201	2	240
	2,440	13,071	122	15,633

	Raising Funds £000	Charitable Activities £000	Grants £000	2017-18 Total £000
Office running costs	598	3,127	21	3,746
Information systems	683	3,508	24	4,215
Finance	263	1,372	9	1,644
HR	289	1,508	13	1,810
Communications	242	1,265	8	1,515
Chief Executive's Office	91	477	4	572
Information governance	75	390	3	468
Corporate analysis and performance	47	243	2	292
Governance	22	112	1	135
	2,310	12,002	85	14,397

HR costs are allocated to activities on the basis of the average number of employees. The remainder of support costs are allocated on the basis of expenditure by activity excluding grants payable.

Charity

The total amount and allocation of support costs in the charity financial statements is consistent with the group financial statements with the exception that costs allocated to “expenditure on raising funds” in the group financial statements have been allocated to “expenditure on other” in the charity financial statements.

9. EXPENDITURE ON OTHER – CHARITY

	2018-19 £000	2017-18 £000
Direct salaries	4,379	4,489
Support costs	2,440	2,310
Depreciation	563	377
	7,382	7,176

'Expenditure on Other' comprises costs incurred by the Charity in providing personnel and support services to HESe.

10. GRANTS – GROUP AND CHARITY

	2018-19 £000	2017-18 £000
Grants commitment at 1 April	26,014	30,126
Grants awarded	23,731	11,018
Grants reduced	(287)	224
Grants paid in year	(13,871)	(15,354)
	35,587	26,014

	2018-19 £000	2017-18 £000
Accrual for grants payable due within one year	23,207	17,344
Accrual for grants payable due outside one year	10,630	6,992
Grants retentions due within one year	1,494	1,063
Grants retentions due outside one year	256	615
	35,587	26,014

Grants awarded:

	2018-19			2017-18		
	Institutions	Individuals	Total	Institutions	Individuals	Total
	£000	£000	£000	£000	£000	£000
Ancient Monuments	-	-	-	255	-	255
Archaeology	3,330	101	3,431	1,016	16	1,032
City Heritage Trust	8,289	-	8,289	515	-	515
Conservation Area Regen Scheme	3,524	-	3,524	3,595	-	3,595
HES Repair Scheme	2,369	258	2,627	2,980	-	2,980
Historic Environment Support Fund	314	35	349	184	5	189
Organisational Support Fund	3,586	-	3,586	1,530	-	1,530
Places of Worship	1,925	-	1,925	922	-	922
	23,337	394	23,731	10,997	21	11,018

Details of the grants awarded during the year ended 31 March 2019 can be found at historicenvironment.scot/grants-awarded

Detail of the grant programmes HES operates can be found at historicenvironment.scot/grantsawarded-2018-19.pdf

11. EXPENDITURE DISCLOSURES

	2018-19	2017-18
External auditor's remuneration for audit of the financial statements	£000	£000
Historic Environment Scotland	77	76
Historic Environment Scotland Enterprises Limited	13	13
Scran Limited	-	2
	90	91

	2018-19	2017-18
Board members' expenses	£000	£000
Accommodation, travel and subsistence incurred by or on behalf of board members	18	32

	2018-19	2017-18
Number of board members	£000	£000
Number of board members	10	10
Number of board members claiming expenses or expenses paid on behalf of board members	10	10

	2018-19	2017-18
Losses statement	£000	£000
Losses resulting from unpaid direct debits, cash losses and bad debts	32	58

12. STAFF COSTS

Staff costs for the year to 31 March 2019 were £48,240,000 (2017-18: £43,124,000). Further analysis of these costs is shown within the Remuneration and Staff Report on page 61.

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” are unfunded multi-employer defined benefit schemes but HES is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2016. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (civilservicepensionscheme.org.uk).

For the year ended 31 March 2019, employers' contributions of £7,031,000 (2017-18: £6,186,000) were payable to the PCSPS at one of four rates in the range 20% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation.

The contribution rates are set to meet the cost of the benefits accruing during the year ended 31 March 2019 to be paid when the member retires and not the benefits paid during this period to existing pensioners. Employees can opt to open a

partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £152,000 (2017-18: £129,000) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age related and range 8% to 15% of pensionable earnings. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £5,000 (2017-18: £5,000), 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £10,000 (2017-18: £11,000). No contributions were prepaid at that date (2017-18: £nil).

Key management personnel remuneration is disclosed in the Remuneration and Staff Report on pages 56 to 64.

13. RELATED PARTIES – GROUP AND CHARITY

Group Undertakings:

HES wholly owns two subsidiaries: Historic Environment Scotland Enterprises Limited (HESe) and Scran Limited (Scran). All transactions between HES, HESe and Scran are eliminated on consolidation.

Transactions undertaken with group undertakings during the year were:

	2018-19 £000	Restated 2017-18 £000
Supply of personnel and support services by HES to HESe	6,042	5,684
Gift aid donation HESe to HES	3,096	3,444
Transfer of bank balance from Scran to HES	-	55

Amount receivable from/due to group undertakings:

	Debtors receivable 2018-19 £000	Creditors outstanding 2018-19 £000	Restated Debtors receivable 2017-18 £000	Creditors outstanding 2017-18 £000
HESe	3,585	83	3,713	2
Scran	-	1,157	-	1,157

Other related parties:

Centre for Digital Documentation and Visualisation (CDDV) LLP

During the year ended 31 March 2010 Historic Scotland entered into a Limited Liability Partnership with Glasgow School of Art to form CDDV LLP. It was agreed that CDDV would deliver the digital documentation of the five Scottish World Heritage sites and five international Heritage sites in a project known as the Scottish Ten, as well as undertaking commercial projects. This work continued with HES. During 2018-19 HES levied charges of £7,000 (2017-18: £5,000) to CDDV and incurred charges of £26,000 (2017-18: £14,000) from CDDV. There were no balances outstanding at the 31 March 2019 (2017-18: nil). The financial statements do not consolidate HES's share of CDDV LLP as it is not considered material.

Edinburgh Napier University

HES board member Paul Stollard was a member of the court for Edinburgh Napier University until July 2018. HES received payment of £1,000 in 2018-19 (2017-18: £1,000) and incurred costs of £10,000 (2017-18: £10,000). There were no balances outstanding at the 31 March 2019 (2017-18: nil).

Forth Valley College

HES board member Ken Thomson was Forth Valley College Principle and Chief Executive and HES board member Trudi Craggs was a Forth Valley College board member throughout 2018-19. HES incurred costs of £50,000 in 2018-19 (2017-18: £48,000) HES received payments in 2018-19 of £6,000 (2017-18: £9,000). There were no balances outstanding at the 31 March 2019 (2017-18: nil).

JPS Restoration

HES Director Dr David Mitchell's brother in law owns the company JPS Restoration. HES incurred costs of £1,000 in 2018-19 (2017-18: £4,000). There were no balances outstanding at the 31 March 2019 (2017-18: £1,000).

Scottish Ironworks Foundation

HES Director Dr David Mitchell is also a trustee for Scottish Ironworks Foundation. HES incurred costs of 2018-19 of £1,000 (2017-18: nil). There were no balances outstanding at the 31 March 2019 (2017-18: £1,000).

The Smith Art Gallery & Museum

HES Director Dr David Mitchell is also a trustee of The Smith Art Gallery & Museum. HES awarded grants of £1,000 in 2018-19 (2017-18: nil) and incurred costs of £3,000 in 2018-19

(2017-18: Nil). There were no balances outstanding at the 31 March 2019 (2017-18: nil).

Society for Antiquaries of Scotland

HES Head of Archaeology Dr Rebecca Jones's spouse is a director for the Society for Antiquaries of Scotland. HES incurred costs of £9,000 in 2018-19 (2017-18: £16,000). HES awarded grants of £202,000 in 2018-19

(2017-18: £32,000). Amounts due from HES as at 31 March 2019 were £6,000 (2017-18: £55,000).

University of the Highlands and Islands

HES board member Fiona McLean is Vice Chair and independent governor for the University of the Highlands and Islands. HES incurred costs of £1,000 in 2018-19 (2017-18: nil). There were no

balances outstanding at the 31 March 2019 (2017-18: nil).

Other than as disclosed above, none of the board members, members of key management personnel or related parties has entered into any material transaction with HES during the current year or prior year.

14. INTANGIBLE ASSETS – GROUP AND CHARITY

	Archive rights £000	Computer & Software licences £000	Total £000
Cost			
As at 1 April 2017	54	1,953	2,007
Additions	-	8	8
Transfers	-	(451)	(451)
As at 1 April 2018	54	1,510	1,564
Additions	-	-	-
Transfers	-	86	86
Disposals	-	(123)	(123)
As at 31 March 2019	54	1,473	1,527
Accumulated amortisation			
As at 1 April 2017	(8)	(1,418)	(1,426)
Charge for the year	(8)	(191)	(199)
Disposals	-	442	442
As at 1 April 2018	(16)	(1,167)	(1,183)
Charge for the year	(8)	(210)	(218)
Disposals	-	123	123
As at 31 March 2019	(24)	(1,254)	(1,278)
Net book value			
As at 31 March 2017	46	535	581
As at 31 March 2018	38	343	581
As at 31 March 2019	30	219	249

Amortisation of archive rights is included within expenditure on charitable activities within the statement of financial activity. The computer & software licence amortisation costs are included with information systems support costs and are allocated as described in note 8.

15. TANGIBLE FIXED ASSETS – GROUP AND CHARITY

	Land £000	Buildings £000	Dwellings £000	Motor vehicles £000
Cost or Valuation				
As at 1 April 2017	2,516	22,371	3,530	3,130
Additions	-	-	-	357
Transfers	511	9,526	-	-
Disposals	-	-	-	(371)
Revaluation & Indexation	130	822	76	-
As at 1 April 2018	3,157	32,719	3,606	3,116
Additions	-	47	-	334
Transfers	14	(14)	-	-
Disposals	-	(342)	(90)	(406)
Revaluation & Indexation	34	3,031	189	-
As at 31 March 2019	3,205	35,441	3,705	3,044
Accumulated Depreciation & Impairment				
As at 1 April 2017	-	(1,742)	(250)	(2,347)
Charge for the year	-	(927)	(132)	(220)
Disposals	-	-	-	371
Impairment	(246)	(1,586)	-	-
Revaluation & Indexation	-	101	141	-
As at 1 April 2018	(246)	(4,154)	(241)	(2,196)
Charge for the year	-	(1,006)	(133)	(367)
Disposals	-	219	14	405
Impairment	-	-	-	-
Revaluation & Indexation	-	1,636	52	-
As at 31 March 2019	(246)	(3,305)	(308)	(2,158)
Net Book Value				
As at 31 March 2017	2,516	20,629	3,280	783
As at 31 March 2018	2,911	28,565	3,365	920
As at 31 March 2019	2,959	32,136	3,397	886
Historic Cost				
As at 31 March 2017	1,171	7,496	-	783
As at 31 March 2018	1,436	15,436	-	920
As at 31 March 2019	1,450	14,446	-	886

ICT £000	Plant & equipment £000	Antiques & works of art £000	Assets under construction £000	Total £000
5,920	6,805	2,331	9,833	56,436
1,373	419	-	670	2,819
-	-	-	(10,037)	-
(1,220)	(239)	-	-	(1,830)
-	-	-	-	1,028
6,073	6,985	2,331	466	58,453
530	203	-	336	1,450
268	66	-	(420)	(86)
(516)	(389)	-	(148)	(1,891)
-	-	-	-	3,254
6,355	6,865	2,331	234	61,180
(4,262)	(5,973)	(629)	-	(15,203)
(648)	(218)	(76)	-	(2,221)
1,202	239	-	-	1,812
-	-	-	-	(1,832)
-	-	-	-	242
(3,708)	(5,952)	(705)	-	(17,202)
(1,507)	(339)	(70)	-	(3,422)
500	389	-	-	1,527
-	-	-	-	-
-	-	-	-	1,688
(4,715)	(5,902)	(775)	-	(17,409)
1,658	832	1,702	9,833	41,233
2,365	1,033	1,626	466	41,251
1,640	963	1,556	234	43,771
1,658	832	1,702	9,833	23,475
2,365	1,033	1,626	466	23,282
1,640	963	1,556	234	21,175

At 31 March 2019 approximately 20% of the land, buildings and dwellings assets were valued by District Valuers (DV) of the Valuation Office Agency acting in the capacity of external valuers. HES undertakes this valuation exercise annually as part of a 5-year rolling programme of professional valuations in accordance with the Charities SORP. The valuations were conducted in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

The value of land, buildings and dwellings assets on a historical cost basis is shown in the table above. Any historic cost value of dwellings purchased over 13 years ago will be included within the buildings category.

16. HERITAGE ASSETS – GROUP AND CHARITY

Collections

	2018-19 £000	2017-18 £000
Cost and Net Book Value as at 31 March and 1 April	361	361

The valuation above solely relates to a collection of seven paintings purchased by HES in the year ended 31 March 2006. There have not been any acquisition or disposals of Heritage Assets in the past five years requiring to be disclosed.

The values quoted for the collections are based on purchase costs or management's best estimate of a current market valuation for donations.

HES does not have legal ownership of the majority of the heritage assets it cares for. However, in the opinion of the Board and Accountable Officer, these assets are integral to the operation and being of HES and are therefore included within these financial statements. A description of the assets and consideration of their value is set out in the accounting policies that form part of these financial statements.

17. INVESTMENTS – CHARITY

HES owns 100% of the ordinary share capital of two subsidiaries: Historic Environment Scotland Enterprises Limited (HESe) and Scran Limited (Scran).

	2018-19 £000	2017-18 £000
HESe	-	-
Scran	1,157	1,157
As at 31 March	1,157	1,157

HES's investment in HESe is carried on the balance sheet at a cost of £1. HES's investment in Scran is carried on the balance sheet at the net asset value.

HESe

HESe is the trading arm of HES and carries out non-core trading activity, including retail sales of HES merchandise and catering facilities and the commercial sale of images. HESe is a company limited by shares and is registered in Scotland (SC510997).

The income and expenditure of HESE included in the consolidated statement of financial activities are:

	2018-19 £000	2017-18 £000
Income	15,432	15,133
Expenditure	(14,275)	(11,689)
	3,096	3,444

The assets and liabilities of HESE included in the group balance sheet are:

	2018-19 £000	2017-18 £000
Current assets	3,935	4,055
Creditors: amounts falling due within one year	(3,929)	(4,044)
Creditors: amounts falling due after more than one year	(6)	(11)
Net Assets	-	-

Scran

Scran, formerly a wholly owned subsidiary of Scran Trust, became a subsidiary of HES on 22 February 2016. Scran is a private company limited by shares and is registered in Scotland (SC163518). Scran and ceased trading on 31 March 2016 and on 1 April 2016 transferred its net assets to HES.

Scran was dormant for 2018-19 and did not have any income or expenditure for the current or prior year.

The assets and liabilities of Scran included in the group balance sheet are:

	2018-19	2017-18
	£000	£000
Current assets	1,157	1,157
Net Assets	1,157	1,157

Scran's current assets at 31 March 2018 and 31 March 2019 relate solely to amounts owed by Historic Environment Scotland as a result of the transfer of its net assets on 1 April 2016.

18. STOCKS

The main categories of inventory are retail stocks held in monument shops and raw materials and consumables held for building maintenance purposes.

	2018-19 Group £000	2018-19 Charity £000	2017-18 Group £000	2017-18 Charity £000
Retail stocks net of obsolescence provision	2,557	-	2,287	-
Work stocks – raw materials and consumables	291	276	269	269
	2,848	276	2,556	269

The value of retail stocks is shown net of a provision for obsolete and discontinued stock. The value of the provision as at 31 March 2019 was £131,000 (2017-18: £81,000). Retail stocks included as cost of sales for 2018-19 were £5,514,000 (2017-18: £4,867,000).

Work stocks are used in the upkeep of historic properties and are recorded as direct costs within expenditure on charitable activities when used.

19. DEBTORS

	2018-19 Group £000	2018-19 Charity £000	2017-18 Group £000	Restated 2017-18 Charity £000
Trade debtors	519	198	788	479
Taxes and social security	-	-	669	669
Amounts owed by group undertakings	-	3,585		3,713
Prepayments	1,789	1,783	1,449	1,426
Accrued income	1,177	1,096	1,622	1,520
Other debtors	164	133	143	108
	3,649	6,795	4,671	7,915

20. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018-19	2018-19	2017-18	2017-18
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Accrual for grants payable	23,207	23,207	17,592	17,592
Grants retention	1,494	1,494	1,063	1,063
Trade payables	330	329	495	493
Amounts owing to group undertakings	-	1,240	-	1,159
Other taxation and social security	365	365	759	759
Other payables	1,026	1,020	721	710
Accruals	3,968	3,731	6,038	5,825
Deferred Income	461	361	342	236
	30,851	31,747	27,010	27,837

All deferred income as at 31 March 2018 was recognised during 2018-19 and all deferred income as at 31 March 2019 was deferred during the year. Deferred income relates to amounts received in advance of entitlement.

21. CREDITORS – AMOUNTS FALLING DUE OUTSIDE ONE YEAR

	2018-19	2018-19	2017-18	2017-18
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Accruals for grants payable	10,630	10,630	6,992	6,992
Retentions	256	256	615	615
Deferred income	6	-	10	-
	10,892	10,886	7,617	7,607

22. PROVISIONS – GROUP & CHARITY

	Pension costs £000	Compensation payments £000	Waste water £000	Holiday pay £000	Dilapida- tions £000	Total £000
Balance as at 1 April 2018	33	106	53	92	601	885
Provisions made in the year	-	-	-	48	-	48
Provisions used during the year	(24)	(69)	-	-	-	(93)
Provisions released during the year	-	-	-	-	(80)	(80)
Balance as at 31 March 2019	9	37	53	140	521	760

The provision for pension costs relates to the compensation element of the former Early Retirement Package payable to officers who were over the age of 50 but below the age of 60. On attaining the age of 60 the compensation element ceases. Payments are made on a monthly basis with final settlement expected during the year ending 31 March 2020.

Compensation payments relate to claims for accidents to HES staff and visitors to the monuments. The estimate is based on information received about the progress of claims and likelihood of any potential liability. The final outcome and date of any settlement for these claims is unknown at this stage.

The provision for waste water relates to sewage treatment works at Urquhart Castle where a dispute continues with the contractor. The matter is ongoing and the timing of the expected settlement is not known at this stage.

The provision for holiday pay relates to a change in EU regulations on how overtime for holiday pay should be assessed. HES remains in negotiations with trade unions on the appropriate way of addressing this change and on any required pay out to staff. Discussions remain ongoing and the timing of the expected settlement is not known at this stage.

The provision for leasehold dilapidations relates to properties where HES has a legal responsibility as tenants for such costs. During 2018-19, £80,000 was released from the dilapidations provision in respect of HES no longer being obligated to undertake dilapidation works at the warehouse lease at Newcraighall, Edinburgh, which ended in May 2018.

23. FUNDS

	As at 31 March 2018 £000	Income £000	Expenditure £000	Transfer between reserves £000	Gains & losses £000	As at 31 March 2019 £000
Restricted funds – Group & Charity						
Heritage Lottery Fund	2,780	-	(79)	-	-	2,701
Travel Subsidy	29	250	(243)	-	-	36
Heritage Lottery Fund Scotland's Urban Past	-	315	(390)	75	-	-
Education resources	2	90	(102)	12	-	2
Bute Housing	-	114	(114)	-	-	-
Rock Art	545	-	(177)	-	-	368
Romantic Scotland	135	(31)	(125)	21	-	-
Funds less than £100,000	(2)	93	(218)	81	-	(46)
Total restricted funds – Group & Charity	3,489	831	1,448	189	-	3,061
Unrestricted funds – Group						
Unrestricted reserve	(5,046)	99,235	(110,377)	4,959	-	(11,229)
Revaluation reserve	19,757	-	-	(5,148)	4,942	19,551
Total unrestricted funds – Group	14,711	99,235	(110,377)	(189)	4,942	8,322
Unrestricted funds – Charity						
Unrestricted reserve	(5,046)	92,942	(104,084)	4,959	-	(11,229)
Revaluation reserve	19,757	-	-	(5,148)	4,942	19,551
Total unrestricted funds – Charity	14,711	92,942	(104,084)	(189)	4,942	8,322
All funds – Group	18,200	100,066	(111,825)	-	4,942	11,383
All funds – Charity	18,200	93,773	(105,532)	-	4,942	11,383

	As at 31 March 2017 £000	Income £000	Expenditure £000	Transfer between reserves £000	Gains & losses £000	As at 31 March 2018 £000
Restricted funds – Group & Charity						
Heritage Lottery Fund	3,118	445	(783)	-	-	2,780
Bute House Funding	-	100	(104)	4	-	-
Heritage Lottery Fund Scotland's Urban Past	-	266	(319)	53	-	-
Inner Forth Development	-	54	(125)	71	-	-
Travel Subsidy	-	163	(134)	-	-	29
Rock Art	737	-	(192)	-	-	545
Romantic Scotland	325	-	(190)	-	-	135
Education Resources	2	-	-	-	-	2
Funds less than £100,000	43	173	(379)	161	-	(2)
Total restricted funds – Group & Charity	4,225	1,201	(2,226)	289	-	3,489
Unrestricted funds – Group						
Unrestricted reserve	(6,825)	96,091	(94,047)	(265)	-	(5,046)
Revaluation reserve	18,575	-	-	(24)	1,206	19,757
Total unrestricted funds – Group	11,750	96,091	(94,047)	(289)	1,206	14,711
Unrestricted funds – Charity						
Unrestricted reserve	(6,825)	90,088	(88,044)	(265)	-	(5,046)
Revaluation reserve	18,575	-	-	(24)	1,206	19,757
Total unrestricted funds – Charity	11,750	90,088	(88,044)	(289)	1,206	14,711
All funds – Group	15,975	97,292	(96,273)	-	1,206	18,200
All funds – Charity	15,975	91,289	(90,270)	-	1,206	18,200

24. NET ASSETS BY FUND

Net Assets	Fixed assets £000	Cash £000	Other net current liabilities £000	Creditors falling outside one year £000	Provisions £000	2018-19 Total £000
Group						
Restricted funds	2,700	361	-	-	-	3,061
Unrestricted reserve	22,130	2,647	(24,354)	(10,892)	(760)	(11,229)
Revaluation reserve	19,551	-	-	-	-	19,551
Total Funds	44,381	3,008	(24,354)	(10,892)	(760)	11,383
Charity						
Restricted funds	2,700	361	-	-	-	3,061
Unrestricted reserve	23,287	1,806	(24,676)	(10,886)	(760)	(11,229)
Revaluation reserve	19,551	-	-	-	-	19,551
Total Funds	45,538	2,167	(24,676)	(10,886)	(760)	11,383

Net Assets	Fixed assets £000	Cash £000	Restated Other net current liabilities £000	Creditors falling outside one year £000	Provisions £000	Restated 2017-18 Total £000
Group						
Restricted funds	2,780	709	-	-	-	3,489
Unrestricted reserve	19,456	3,783	(19,783)	(7,617)	(885)	(5,046)
Revaluation reserve	19,757	-	-	-	-	19,757
Total Funds	41,993	4,492	(19,783)	(7,617)	(885)	18,200
Charity						
Restricted funds	2,780	709	-	-	-	3,489
Unrestricted reserve	20,613	2,485	(19,653)	(7,606)	(885)	(5,046)
Revaluation reserve	19,757	-	-	-	-	19,757
Total Funds	43,150	3,194	(19,653)	(7,606)	(885)	18,200

25. LEASING – GROUP AND CHARITY

Total payments for operating leases for 2018-19 were £1,809,000 (2017-18: £1,757,000).

Future minimum lease payments under non-cancellable operating leases for each of the following periods are:

	Land & Buildings	Equipment	2018-19 Total	Land & Buildings	Equipment	2017-18 Total
	£000	£000	£000	£000	£000	£000
Not later than one year	1,725	1	1,726	1,720	2	1,722
Later than one year and not later than five years	5,545	-	5,545	5,586	5	5,591
Later than five years	13,412	-	13,412	14,784	-	14,784
	20,682	1	20,683	22,090	7	22,097

26. REVALUATION RESERVE – GROUP AND CHARITY

	2018-19	2017-18
	£000	£000
As at 1 April	19,757	18,575
Revaluation and indexation of cost / valuation	4,994	1,270
Revaluation and indexation of accumulated depreciation	(52)	(64)
Gain on revaluation of fixed assets	4,942	1,206
Transfer of realised element of revaluation reserve to unrestricted reserve	(5,148)	(24)
As at 31 March	19,551	19,757

27. FINANCIAL COMMITMENTS – GROUP & CHARITY

HES has given indicative authorisation to grant applicants. While these do not represent a firm offer of grant, they reflect future potential offers and are an indication of the pressure on grants which HES faces. As at 31 March 2019, indicative authorisations totalled:

	2018-19 £000	2017-18 £000
Commitments due in:		
Less than one year	55	9,803
More than one year and less than five years	8,928	6,599
More than five years	-	-
Total	8,983	16,402

In addition, HES has capital commitments in respect of implementing a new Enterprise Resource Planning (ERP) system. As at 31 March 2019 these commitments totalled:

	2018-19 £000	2017-18 £000
Commitments due in:		
Less than one year	1,101	-
More than one year and less than five years	1,210	-
More than five years	-	-
Total	2,311	-

28. FINANCIAL INSTRUMENTS

As at 31 March 2019 the carrying value of financial instruments totalled:

	2018-19 Group £000	2018-19 Charity £000	2017-18 Group £000	Restated 2017-18 Charity £000
Assets measured at amortised costs	3,691	6,083	6,092	8,163
Liabilities measured at amortised costs	41,276	42,272	34,274	35,207

29. CONTINGENCY LIABILITIES– GROUP & CHARITY

There are no contingency liabilities that require to be disclosed as at 31 March 2019 (2017-18: nil).

30. POST BALANCE SHEET EVENTS – GROUP & CHARITY

There are no material post balance sheet events that require to be adjusted in the financial statements or to be disclosed.

31. POST BALANCE SHEET EVENTS – GROUP & CHARITY

In the prior year to 31 March 2018, the Charity financial statements of Historic Environment Scotland did not reflect a receivable for gift aid from its subsidiary Historic Environment Scotland Enterprises Limited. The Operating Agreement between the Historic Environment Scotland Enterprises Limited and Historic Environment Scotland, in place as at 31 March 2018, created a legally binding obligation at the balance sheet date for Historic Environment Scotland Enterprises Limited to make gift aid payments of profits made. The prior year comparatives have therefore been restated to reflect this transaction.

The impact on each account line item affected is as follows:

	As previously reported 2017-18		Restated 2017-18
	Charity	Adjustments	Charity
	£000	£000	£000
Debtors	4,472	3,443	7,915
Unrestricted funds	8,489	(3,443)	5,046



HISTORIC ENVIRONMENT SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

In accordance with Paragraph 13 of Schedule 1 of the Historic Environment Scotland Act 2014, The Scottish Ministers hereby give the following direction.

1. The statement of accounts for the financial year ended March 31, 2017, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) and the Charities SORP which is in force for the year for which the statement of accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
3. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers

Deputy Director, Culture and Historic Environment Division

Dated: 29 September 2015

Historic Environment Scotland is the lead public body established to investigate, care for and promote Scotland's historic environment.

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HISTORIC
ENVIRONMENT
SCOTLAND

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