



ANNUAL REPORT AND
FINANCIAL STATEMENTS
AITHISG BHLIADHNAIL
AGUS AITHRIS IONMHAIS
2016-17



HISTORIC
ENVIRONMENT
SCOTLAND

ÀRAINNEACHD
EACHDRAIDHE
ALBA



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INTRODUCTION RO-RÀDH

It is a great privilege and pleasure to introduce this report of the first full year of operation of Historic Environment Scotland.

As the successor to Historic Scotland and the Royal Commission on the Ancient and Historical Monuments of Scotland (RCAHMS), we are responsible for the stewardship of sites and artefacts which reflect the millennia of Scottish history: as such we are accountable to both present and future generations. We are also charged by the Scottish Government with a role as lead public body for the historic environment, leading and facilitating delivery of the sector strategy *Our Place in Time*. We therefore cover a remarkable breadth and scale of activities from the management of some 336 different sites, to active conservation and training provision, the awarding of significant grants and the exercise of important regulatory powers.

In our first full year of operation, we can report that we have met or exceeded almost all of our detailed targets, a significant achievement for the organisation at a time of unprecedented change. We welcomed 4.3 million visitors to our properties in care with an increase in income from £42 million to £48.48 million. We estimate this has contributed more than £430 million to the heritage tourism economy through the beneficial impact on thousands of local businesses.

In addition our grant programmes, awarding over £14 million each year, help to secure and create opportunities for many people in Scotland, including creating brand new resources for communities from unused or underused buildings. In the last year, we have seen a number of projects funded by HES come to fruition, including the conversion of farm buildings in Forres into a campus of the Glasgow School of Art, the restoration of Dunoon Burgh Halls and the development of the Russell Institute in Paisley into a skills hub.

Providing opportunities for people to engage with heritage is, of course, key, and this year, we have had more than 100,000 engagements with learners and provided 20,000 subsidised school visits. In 2016-17 we began to develop our thinking about greater community engagement and this will be an increasing feature of our work throughout 2017 and beyond.

As a public body and a registered charity, we have a responsibility to demonstrate our accountability, transparency and environmental sustainability as well as promoting diversity and equalities. This report includes the necessary information for 2016-17 and during the coming year we will be focusing on how we can improve across all these areas, including how we can better demonstrate this on an ongoing basis.

The success that we have enjoyed in 2016-17 and our ambitious plans for 2017-18 and beyond would not be possible without the hard work and contributions of our staff, led by our Chief Executive Alex Paterson, our volunteers, and our 172,678 members. On behalf of the HES Board I congratulate and thank them for their achievements.



26 October 2017

Jane Ryder OBE
Chair of HES Board
Historic Environment Scotland

336 
PROPERTIES IN CARE



172,678
HISTORIC SCOTLAND MEMBERS

£430
MILLION
CONTRIBUTION TO HERITAGE TOURISM

4.3 MILLION
VISITORS TO SITES
(UP FROM 3.83 MILLION)
+12.3%

1,126,819
ARCHIVES MADE AVAILABLE ONLINE

1952
ENGAGED IN
What's Your Heritage

103,465
LEARNING OPPORTUNITIES

TRUSTEES' REPORT

Objectives and Activities

AITHISG NAN URRASAIREAN

Cinn-ùidhe is Gnìomhachd

OUR OBJECTIVES

Historic Environment Scotland (HES) was established by the Historic Environment Scotland Act 2014 as a non-departmental public body (NDPB) of the Scottish Government and is a registered charity. HES came into full operation on 1 October 2015, with the first full financial year falling between 1 April 2016 and 31 March 2017. We have the statutory responsibility for investigating, caring for and promoting Scotland's historic environment. 336 properties and thousands of artefacts in the care of Scottish Ministers are entrusted to HES for preservation, conservation and operation.

As an organisation, our mission is:

- 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.

To achieve this, we work within five key themes:

- **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 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.
- **PERFORM**
We will create a high performing organisation that is well equipped to meet day-to-day challenges, and to improve the way we work and the quality of service we provide.

In all our work, we strive to provide leadership and act as an exemplar in reducing our greenhouse emissions, acting in a sustainable way and adapting to the changing climate. We contribute to national targets and the delivery of plans and programmes under the Climate Change (Scotland) Act 2009.

Our key objectives are held within our Annual Business Plan 2016-17 and *For All Our Futures*, our Corporate Plan for 2016-19. Both of these documents can be found online at historicenvironment.scot/corporate-information.



CONTRIBUTION TO NATIONAL PERFORMANCE FRAMEWORK

Historic Environment Scotland supports the Scottish Government's goal of creating opportunities for all of Scotland to flourish through increased sustainable growth and through implementation of the programmes for government and Scotland's Economic Strategy.

By working with our partners to successfully achieve our corporate objectives we will contribute to the achievement of the Scottish Government's Strategic Objectives and the following National Outcomes in Scotland Performs.



- HES makes a direct contribution to the National Outcome
- HES makes an indirect contribution to the National Outcome

NATIONAL INDICATOR	LEAD	UNDERSTAND	PROTECT	VALUE	PERFORM										
We live in a Scotland that is the most attractive place for doing business in Europe.	■		□	■											
We realise our full economic potential with more and better employment opportunities for our people.	■	□	■	■	■										
We are better educated, more skilled and more successful, renowned for our research and innovation.	□	■	■	□	□										
Our young people are successful learners, confident individuals, effective contributors and responsible citizens.		■	■	■											
Our children have the best start in life and are ready to succeed.			□												
We live longer, healthier lives.			□	■											
We have tackled the significant inequalities in Scottish society.	□	□	□	□	■										
We have improved the life chances for children, young people and families at risk.															
We live our lives safe from crime, disorder and danger.			□												
We live in well-designed, sustainable places where we are able to access the amenities and services we need.	□	□	■	□											
We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others.	■	□	□	■											
We value and enjoy our built and natural environment and protect it and enhance it for future generations.	■	■	■	■	■										
We take pride in a strong, fair and inclusive national identity.	■	□	□	□	■										
We reduce the local and global environmental impact of our consumption and production.	■	□	□	□	■										
Our people are able to maintain their independence as they get older and are able to access appropriate support when they need it.		□		□											
Our public services are high quality, continually improving, efficient and responsive to local people's needs.	□	□	□	□	■										
<table border="1" style="width: 100%; text-align: center;"> <tr> <td>Wealthier & Fairer</td> <td>Smarter</td> <td>Healthier</td> <td>Safer & Stronger</td> <td>Greener</td> </tr> <tr> <td colspan="5">Scotland's Strategic Objectives</td> </tr> </table>						Wealthier & Fairer	Smarter	Healthier	Safer & Stronger	Greener	Scotland's Strategic Objectives				
Wealthier & Fairer	Smarter	Healthier	Safer & Stronger	Greener											
Scotland's Strategic Objectives															

ACHIEVEMENTS AND PERFORMANCE

COILEANADH IS DÈANADAS

ACHIEVEMENTS

2016-17 has been an outstanding year for HES. Since the launch of our Corporate Plan in May 2016, we have worked hard to enhance knowledge and understanding of the historic environment, to protect and manage it, and to share and celebrate our cultural heritage with the world.

With over 96% of our Year 1 KPIs and Business Plan Success Measures achieved or well on their way to completion, we are an organisation growing in confidence, working with our partners towards a thriving historic environment, enriching the economic and social wellbeing of the people of Scotland.



KEY ACHIEVEMENT

TRANSPARENCY

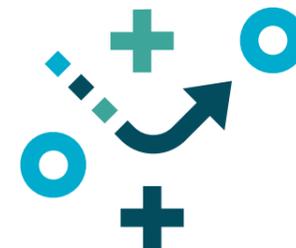
WE SET OUT **OUR PRIORITIES** IN HES FIRST CORPORATE PLAN, LAUNCHED OUR **NEW WEBSITE** AND PUBLISHED OUR FIRST EQUALITIES OUTCOMES, PUTTING **EQUALITY AT THE HEART OF OUR WORK.**



KEY ACHIEVEMENT

CLIMATE CHANGE

WE CONTINUED TO BE RECOGNISED FOR OUR INNOVATIVE WORK TO TACKLE **CLIMATE CHANGE** AND PUBLISHED OUR NEW **CARBON MANAGEMENT PLAN.**



KEY ACHIEVEMENT

STRATEGY

WE TOOK A FRESH LOOK AT WAYS OF DELIVERING **OUR PLACE IN TIME.**



KEY ACHIEVEMENT

VOLUNTEERS

MORE THAN **300 VOLUNTEERS** GAVE **8,000 HOURS OF THEIR TIME** TO DELIVER GUIDE PROGRAMMES, IMMERSIVE HISTORICAL EXPERIENCES AT KEY SITES, CONSERVATION SCHEMES AND RECORDING AND PROCESSING OF OUR ARCHIVES.



KEY ACHIEVEMENT

COMMUNITIES

WE SUPPORTED COMMUNITIES IN RECORDING THEIR HISTORY THROUGH **SCOTLAND'S URBAN PAST.**



KEY ACHIEVEMENT

TRADITIONAL CRAFT SKILLS

WE BOOSTED THE **AVAILABILITY OF SKILLS** THROUGH OUR APPRENTICE PROGRAMMES AND OUR NEW SKILLS PARTNERSHIP WITH STIRLING UNIVERSITY AND FORTH VALLEY COLLEGE.



KEY ACHIEVEMENT

PROMOTING

WE LAUNCHED OUR PROGRAMME FOR THE **YEAR OF HISTORY, HERITAGE AND ARCHAEOLOGY.**



KEY ACHIEVEMENT

RESEARCH

WE PUBLISHED THE MOST COMPREHENSIVE **CONSERVATION ASSESSMENT** OF PROPERTIES IN CARE EVER UNDERTAKEN.

PERFORMANCE

Our performance for 2016-17 was measured against targets laid out in the 2016-2019 Corporate Plan and the 2016-2017 Annual Business Plan. Both of these documents are available in full at historicenvironment.scot/corporate-information.

 **96%**
**KPIs and BUSINESS PLAN
 SUCCESS MEASURES**
 ACHIEVED or WELL ON
 THEIR WAY TO COMPLETION

KEY PERFORMANCE INDICATOR (KPI) RESULTS 2016-17

MEASURE	TARGET	RESULT
LEAD		
Publication of <i>For All Our Futures</i> Corporate Plan 2016-19	May 2016	Achieved
Changes to <i>Our Place in Time</i> Delivery Model	March 2017	Achieved
Publication of Scotland's Historic Environment Audit	March 2017	Achieved
Contribution to Heritage Tourism	>£383m	£430m
Research undertaken and good practice promoted in climate change	March 2017	Achieved
HES Corporate Reputation baseline established	March 2017	Achieved
UNDERSTAND		
Created a methodology to define the quality of HES records of known sites	March 2017	Achieved
Established a baseline for archive items to be made available online	Total by March 2017	1,126,819
Completed an analysis report of the archives	March 2017	Achieved
Research strategy published	March 2017	In preparation
PROTECT		
Monuments and historic buildings conserved; Asset Management Plan published	March 2017	Draft Asset Management Plan prepared for publication in 2017
Baseline measure of condition of collections established	March 2017	Achieved
Museums Accreditation application prepared	March 2017	Achieved
Archive Accreditation application prepared	March 2017	Achieved
Grants Outcome Framework published and review implemented	March 2017	Achieved
Public consultation web portal established	March 2017	Achieved
Engine Shed national conservation centre opened	March 2017	Opened June 2017*

KEY PERFORMANCE INDICATOR (KPI) RESULTS 2016-17

MEASURE	TARGET	RESULT
VALUE		
Visitors to staffed properties	3.7 million	4.3 million
Membership	169,000	172,678
Social media audience increase	15%	21.9%
Education visits	75,000	103,465
Travel subsidies for schools	20,000	33,775
Learning and partnership projects	30	39
Baseline measure established for online database and website usage	March 2017	Achieved
Staffed sites with VisitScotland rating of 4 stars or above	92%	92.6%
Mystery Visit programme service ratings	80%	89.5%
PERFORM		
Annual efficiency savings	£1.25m	£1.49m
Increase in income generated from the Properties in Care and commercial activities of 1.8%	£42m	£48.48m (15.3%)
Reduction in greenhouse gas emissions in line with Carbon Management Plan	2.2%	3.9%
Workforce plan, career and talent management programme delivered	March 2017	Achieved
Staff engagement increased	62%	61%[†]
Average working days lost (excluding leavers)	5	8.37[‡]
Equality Outcomes developed and Mainstreaming Report agreed	March 2017	Achieved

Explanatory Notes

* The opening of the Engine Shed national conservation centre in Stirling was delayed into financial year 2017-18. Levels of soil contamination could not be fully assessed on the former industrial and military site, until after construction work had begun. As a result, additional time was required to completely clean the site. Our contractors made every effort to recover time, allowing our conservation teams to move to their new permanent base in May 2017. The centre was opened by the Cabinet Secretary for Culture, Tourism and External Affairs, Fiona Hyslop, in June 2017, and welcomed more than 6,000 visitors in the first six weeks.

† Staff engagement, as measured through the Civil Service People Survey, increased by 1% compared with 2015-16, only missing this year's target by 1%. HES has an active plan in place to continue to improve staff engagement, including the implementation of our People Strategy, work towards Investors in People accreditation and increased resources for internal communication. A new weekly email bulletin was recently introduced, and our wellbeing team continues to promote the various benefits available to employees throughout the organisation.

‡ Two-thirds of working days lost were due to long term illness. HES works to support staff through such illnesses and facilitate their safe and healthy return to work. The wellbeing team are actively engaged in improving the general health and wellbeing of HES staff through the employee assistance programme, awareness raising, supporting access to therapists and access to discounted gym memberships. A pilot bike-pool scheme was recently introduced at our Edinburgh locations to encourage staff to take healthier transport options. If successful, this will be rolled out to other suitable sites.



92% OF STAFFED SITES HAVE A 4 STAR VISITSCOTLAND RATING (OR ABOVE)



Please note that this is just a sample of some of our grants schemes.
For further information visit historicenvironment.scot/grants-and-funding.

A full breakdown of all grants awarded can be found at historicenvironment.scot/grants-awarded-16-17.

*the maps below relate to grants funding for the entire year – April 1, 2016 to March 31, 2017

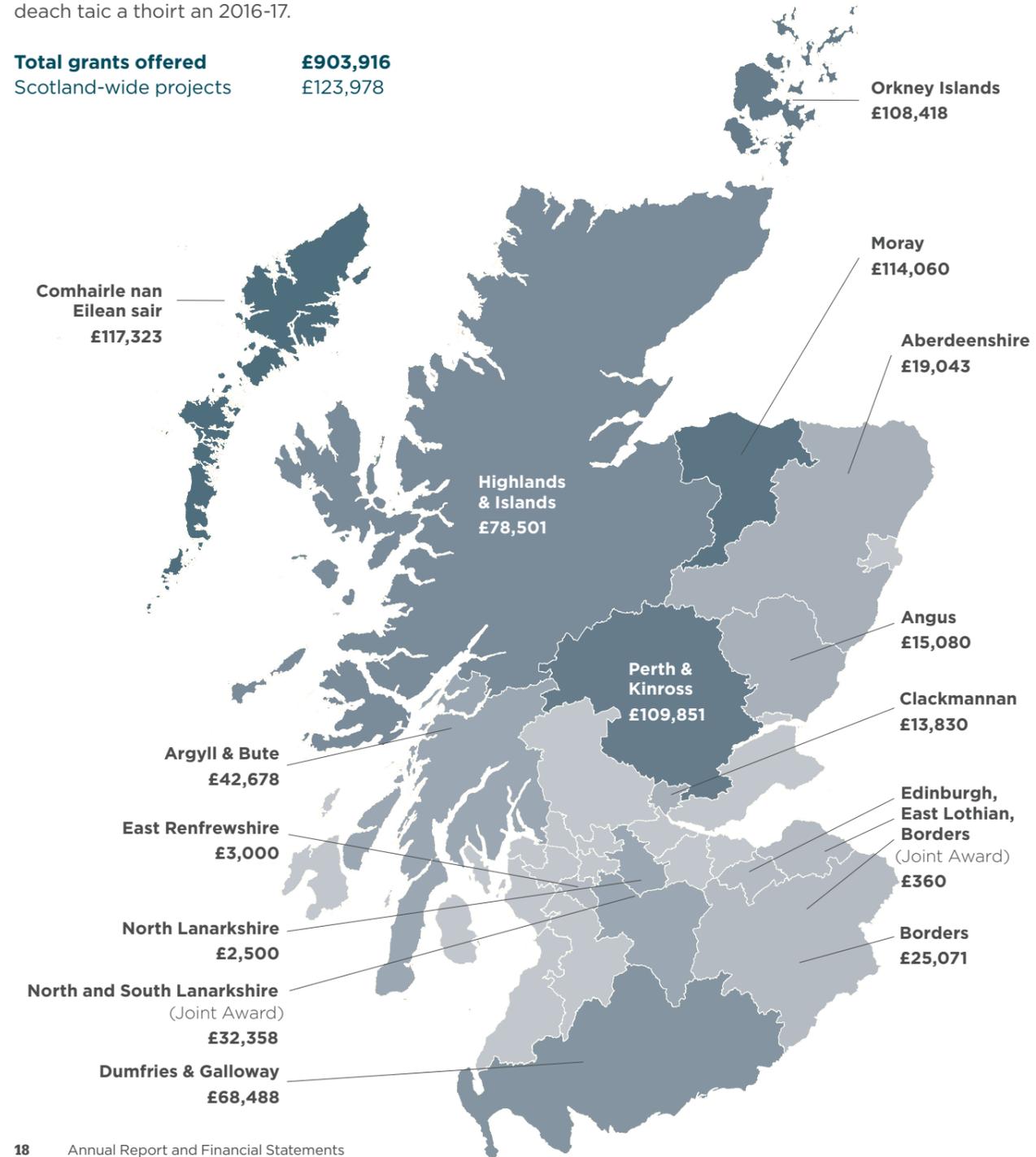
ARCHAEOLOGY PROGRAMME GRANTS

Archaeological excavations, surveys and other projects supported in 2016-17.

PRÒGRAM ÀRC-EÒLAIS

Cladhach àrc-eòlais, suirbhidhean, agus pròiseactan eile ris an deach taic a thoirt an 2016-17.

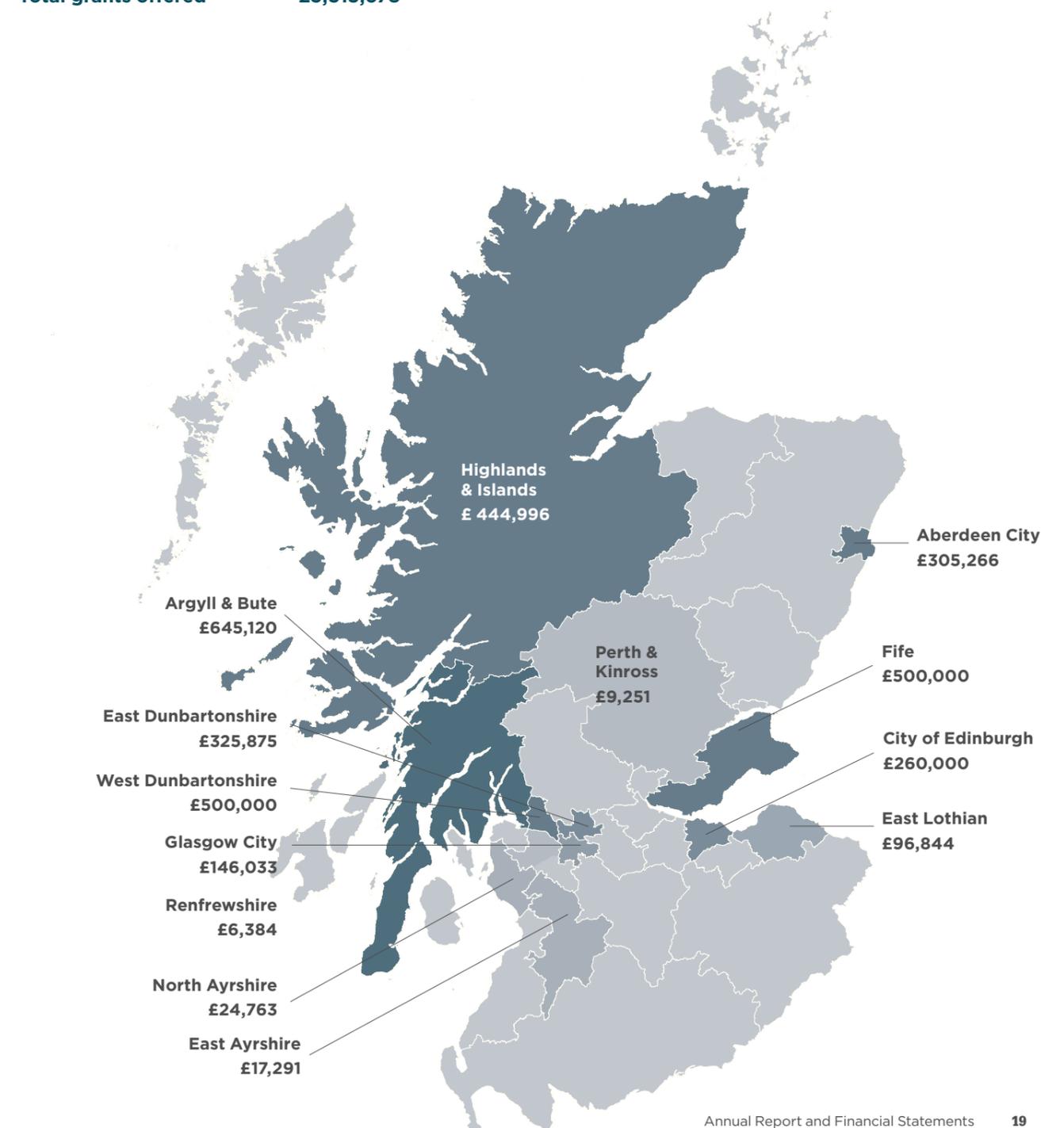
Total grants offered **£903,916**
Scotland-wide projects **£123,978**



HISTORIC BUILDING REPAIR GRANTS IN 2016-17

GRANTAICHEAN CÀRAIDH AIRSON TOGLAICHEAN EACHDRAIDHEIL AN 2016-17

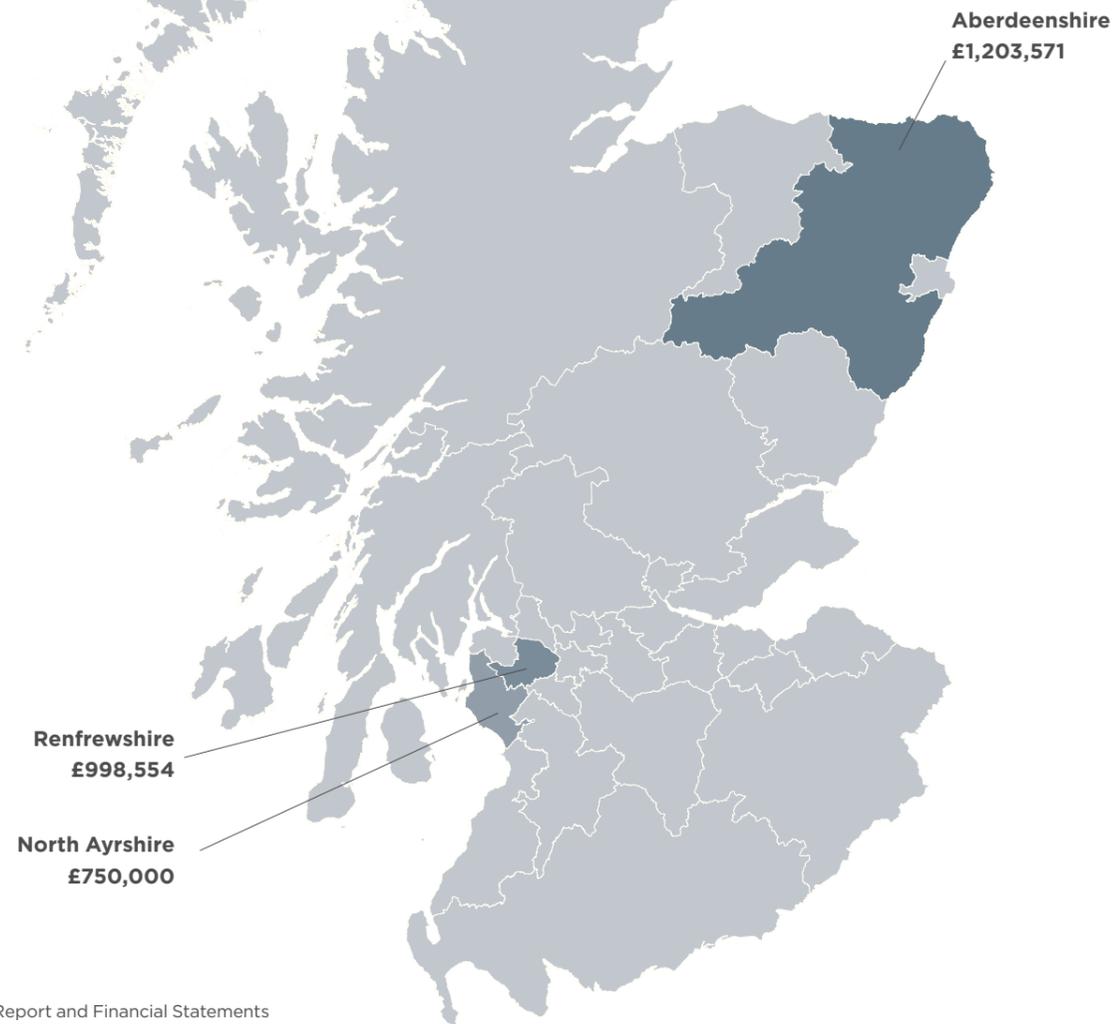
Total grants offered **£3,515,678**



CONSERVATION AREA REGENERATION SCHEME GRANTS

SGEAMA TABHARTASAN ATH-BHEÒTHACHADH
NA RAOIN GHLÈIDHTEACHAIS

Total grants offered **£2,952,125**



1,952
ENGAGED IN
WHAT'S YOUR
HERITAGE



FINANCIAL REVIEW

LEIRMHEAS AIR IONMHAS

The results in these statements are for the year to 31 March 2017, and represent the first full year of operation (2015-16: 6 months from commencement of HES operations 1 October 2015 to 31 March 2016). We are pleased to report the organisation achieved a net income result reported under the Charity Statements of Recommended Practice (SORP) (FRS102) of £9.9 million (2015-16: £14.9 million).

Admission and retail income generated from our historic properties received in the year ended 31 March 2017 reached £43 million (2015-16: £11 million) far exceeding our expectations, and is a reflection of the attractiveness of Scotland and its unique environment as a tourist destination both within Scotland and Europe and across the world. Additionally we have seen a large increase in the take up of our membership scheme, we now have over 172,000 members

which generated an income of £3.7 million (2015-16: £1.4 million), which includes nearly £0.5 million generated through gift aid receivable on our membership.

HES also generated income of £1.25 million through our online activity providing licences to use images from our extensive image collection. Nearly £1 million of these sales were generated outside of the UK.

HES' retail income is generated by the subsidiary company HES Enterprises Ltd (HESe). HES employ the staff used for HESe activities and recharges the costs of these, including overheads, on a cost basis to HESe. HESe generated a profit of £3.5 million which it has gifted to HES.

The Scottish Government contributed £41 million (2015-16: £36 million) to help us maintain the properties in care and to carry out our regulatory and

charitable activities. This funding included a £2 million economic stimulus grant which we invested in the preservation of our properties, thus contributing to the Scottish economy.

We received further grant funding from the Heritage Lottery Fund of £2.6 million, of which £2.1 million (2015-16: £1 million) was contributed to the Engine Shed with £0.3 million to fund projects such as Scotland's Urban Past and various skills programmes. We were also awarded grants totalling £1.2 million from the Arts and Humanities Research Council (AHRC) during the year for the Rock Art and Romantic Scotland projects.

Total Revenue spend for the year was £85 million (2015-16: £39 million). Expenditure is split into three broad categories: raising funds, charitable activities and grants. Organisation central

support costs, including Human Resources, Finance, Head Office running costs and Information Systems are allocated on a headcount and spend basis to the three categories.

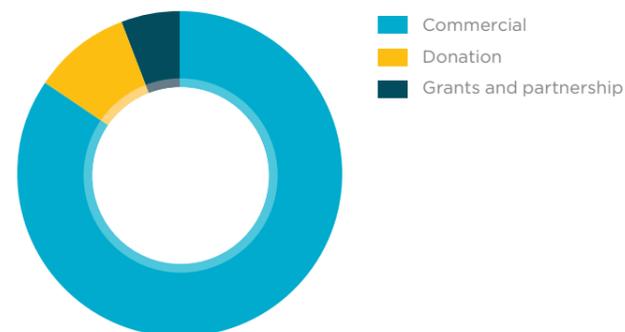
HES is committed to distributing investment grants to other voluntary sector bodies, charities and individuals, either directly or via local authorities, to enable them to invest in and protect Scotland's historic environment. In the year to 31 March 2017 grants of £16 million (2015-16: £6.6 million) were paid to institutions, projects and local authorities. Many grants are payable over a number of years and are paid following proof of approved expenditure by the recipient. Under the charity SORP we are required to account for grants as soon as we offer a grant. These amounted to £11 million (2015-16: £1.4 million). At the year end, HES had accrued grants offered of £28 million (2015-16: £34 million).

In addition to revenue expenditure, there was capital spend of 6.8 million (2015-16 £4.9 million). £5.1 million of the capital spend related to the Engine Shed, Scotland's national building conservation centre. This involved converting a military building in Stirling's Forthside area, sensitively restoring and adapting its historic fabric and adding two extensions to house office, laboratory and learning facilities. It is a joint funded project with funding from the European Regional Development Fund, the Heritage Lottery Fund, the Historic Scotland Foundation and the Scottish Government.

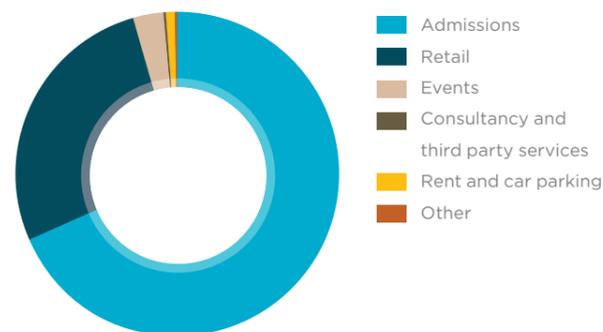
Staff costs account for over 50% of the organisation's running costs, when excluding grants payable. HES is committed to having no compulsory redundancies. All new posts are considered by the Staffing Committee and only once they have been approved will recruitment take place.

Further information regarding staff costs is detailed in the Remuneration and Staff Report. Remaining expenditure relates to the direct and indirect cost of running, repairing and maintaining properties in care of the Scottish Ministers, providing access to HES' and Scottish Minister's collections and providing advice and guidance to the Scottish Government, other organisations and individuals. The Consolidated Statement of Financial Activity splits expenditure into three categories: raising funds, charitable activities and grants distributed. Expenditure on raising funds includes the cost of opening ticketed sites across the portfolio of properties managed by HES, the cost of the retail activity and the cost of producing images and publications sold by the organisation. Charitable expenditure comprises the costs of opening, maintaining and repairing sites which are free to the public to view, producing free publications and provision of advice and educational activities.

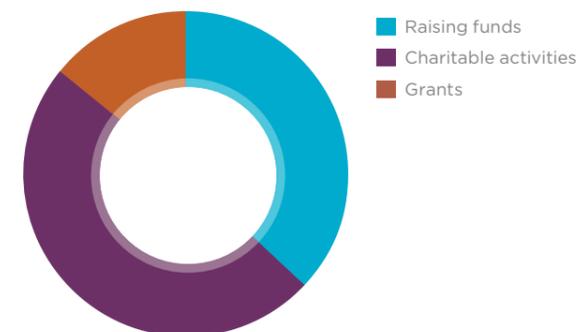
Income excluding Grant in Aid



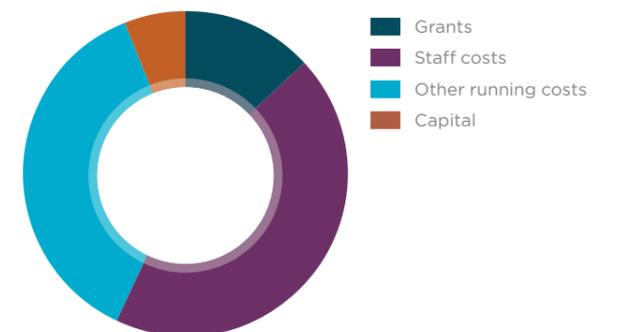
Commercial Income



Expenditure



Total Expenditure



CASH BALANCES

At the year-end HES had cash balances totalling £5.4 million (2015-16: £5.9 million). HES operates a Government Banking Service bank account as well as several commercial accounts with RBS (under Scottish Government Banking Services contract). Additionally, Scran Ltd has a commercial bank account with the Bank of Scotland, this account will be closed in the year to 31 March 2018. Operational balances are maintained in commercial accounts and surpluses are regularly transferred to the Government Banking Service account, therefore HES does not benefit from interest received on cash balances.

RESERVES POLICY AND GOING CONCERN

HES relies on Scottish Government Grant in Aid to enable it to continue its current level of charitable activities. Due to government annularity rules HES does not normally retain reserves.

There is some provision to use the Historic Scotland Foundation for surpluses at the year end, with the approval of the Scottish Government Sponsors. No surpluses were transferred in the year to 31 March 2017 (2015-16: £350,000).

Excluding the revaluation reserve, HES carries forward an unrestricted deficit of £6.9 million, down from £13.5 million in 2015-16. The deficit has arisen due to the commitment

made by HES to pay out future grants. This grant spending is managed on an annualised basis.

Gifts, bequests and donations can be retained by HES but they must also be used in year.

At the year-end, HES had restricted reserves of £4.2 million. £3.1 million of this relates to HLF funds received to fund the Engine Shed, which will be released to unrestricted reserves in line with the depreciation of the building. The remaining £1.1 million represents grants received in advance of expenditure and is represented by cash.

Every year HES revalues its Land and Buildings following a formal valuation or an indexation increase. Gains are represented in the Revaluation Reserve on an asset by asset basis. Net losses are charged to the Consolidated Statement of Financial Activity following the reduction of any previously recognised gains recorded in the revaluation reserve.

All the profits of HESe, HES trading subsidiary, are gift aided to HES and therefore it has no reserves carried forward at the year end.

The assets and liabilities of the Scran Trust including its subsidiary Scran Ltd, were transferred to HES on 22 February 2016. Scran Ltd as a subsidiary of HES ceased trading on 31 March 2016 but retains an accumulated deficit of £751,000, funded by share capital of £1.9 million.

PRINCIPAL RISKS

The Trustees recognise that investment is required for the conservation of properties in care and the Storage Collections in specialist accommodation. Surveys are carried out to monitor the condition of the properties to provide the Trustees with assurance that they provide a safe environment for staff and visitors. Any property not deemed to be safe would need to be closed. HES is actively developing an Investment Plan and Asset Management Plan, which will chart future investment in properties to ensure that they remain well maintained and in full upkeep. Both of these plans are to be published in 2017-18. Further details are available in Corporate and Operating Plans.

Most of HES own income generation arises from admissions to properties in care and retail income. A principal risk to this is the effect of Brexit on tourism, in particular: changes in border control, changes in visa requirements and the availability of staffing due to a possible reduction in EU migrant workers. HES is in the process of establishing a working group drawing on knowledge and expertise from across the organisation, which will work to mitigate the risks from Brexit as far as possible. Other risks to income generation relate to maintaining the quality, security and safety of the visitor experience, and these will be dealt with by the Investment and Asset Management plans.

STATUS OF LAND AND BUILDINGS AND SIGNIFICANT CHANGES TO FIXED ASSETS

The Historic Environment Scotland Act 2014 allowed the transfer of some Fixed Assets of Historic Scotland and the Royal Commission on the Ancient and Historical Monuments of Scotland (RCAHMS) to Historic Environment Scotland. Scottish Ministers retained the ownership or guardianship of properties in care and their associated collections. The investment in maintaining and caring for these historic properties are written off in the year of expenditure in the Consolidated Statement of Financial Activity under the

category Charitable Activities. Expenditure of a capital nature in pursuance of commercial activities is capitalised. Additionally, the organisation incurred costs of £1.4 million on operating assets such as motor vehicles, computer equipment, and office furniture and equipment in the year ended 31 March 2017.

The Engine Shed is recorded as an asset in the course of construction. Total investment in the development amounted to £9.8 million at 31 March 2017 with an expected further spend of £1 million to complete the development. Projects completed during the year related to works carried out around Edinburgh Castle and investment in Information Technology.

HERITAGE ASSETS AND OTHER ANTIQUES, WORKS OF ART

HES is fortunate to own a number of portraits by Sir Henry Raeburn. They are recorded at their cost-price of £361,000 on the balance sheet as this is believed to be a reasonable estimate of value. Works of Art valued in the balance sheet at £1.7 million relate to the Stirling Castle Tapestries. These are seven hand-woven tapestries hanging on the walls of the Queen's Inner Hall in the royal palace at Stirling Castle. HES has many other items in its collections but it is not feasible to have these valued due to the cost of the exercise and the unique nature of the collection.



POST BALANCE SHEET EVENTS

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

GRANTS POLICY

Historic Environment Scotland 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 Historic Environment Scotland's overall corporate objectives and within the strategic aims of the Scottish Government.

Targeted outcomes include:

- Delivering measurable benefits for communities.
- Promoting public access, interaction and engagement.
- Bringing vacant buildings back into use and promoting quality repairs.
- Delivering a viable and sustainable future for a building.
- Developing knowledge and skills.
- Building capacity for local heritage management and resilience.
- Empowering communities to take an active role in understanding and enhancing the historic environment.

The seven Grant programmes HES operates can be found at [historicenvironment.scot/our-grants](https://www.historicenvironment.scot/our-grants), and details of the grants offered during 2016-17 can be found at [historicenvironment.scot/grants-awarded-16-17](https://www.historicenvironment.scot/grants-awarded-16-17).

PLANS FOR FUTURE PERIODS

Historic Environment Scotland is involved in considerable investment to make a difference to sites, communities and individuals around Scotland.

With people coming from across the world to visit our sites, ensuring that properties deliver a remarkable and memorable experience is important to us. We intend to invest £5.6 million in conservation and visitor facing activities at sites across Scotland in 2017-18, with ongoing investment in subsequent years. Planned improvements range from creating new visitor interpretation content to the upgrading of visitor toilet facilities to ensure they are accessible and fit for purpose.

Our new Carbon Management Plan, launched this year, takes an innovative approach to carbon management, with a progressive reduction in carbon emissions of between 2.2 and 2.4% each year, leading to an overall 11% reduction for the period 2015-2020. This ambitious target requires a transformational change in the way we operate. We have made a great start, substantially exceeding our target for the first year of the plan, with a reduction of 3.9%.

As well as continuing to reduce energy use across our estate, we will decrease emissions from business travel, waste and water consumption. Carbon budgets are to be developed for individual business areas to improve accountability, including through travel data and taxi use and we will explore devolving responsibility to business areas in the future. By integrating carbon management into our business planning processes, we will bring about increased efficiencies in areas such as procurement of goods and services and through our IT and HR systems. In this way, we intend to lead the way in managing and using resources more efficiently and contributing to environmental wellbeing. Progress on this Plan will be reported publicly through our annual Public Bodies Climate Change Duties Report, and our Sustainability Report published alongside our Annual Report and Financial Statements.

IT forms a key part of HES business, playing a major role in our day-to-day operations, our educational programmes and access to our collections. Investment is planned for 2017-18, to ensure that our IT systems are resilient and have sufficient capability for disaster recovery. This investment will also deliver business improvements by ensuring that staff have suitable and reliable equipment for their duties. £210,000 is being spent on the project to digitalise our collections, with this amount due to rise to £250,000 per annum from 2018 until 2021.

£480,000 has been made available to deliver improvements to staff accommodation across our sites and to our archive storage facilities in Edinburgh. These will include welfare improvements at our depots and increased access to training.

This is all part of an overall investment of £11.5 million in the year 2017-18, which will help to ensure sites are cared for, for the enjoyment of future generations; that we provide world leading visitor attractions; and perform in a successful and sustainable manner.

Following on from the success of the first year of *For All Our Futures*, and the Annual Business Plan, we have published an Annual Operating Plan for the year 2017-18. This seeks to build on

our achievements within our key themes, and ensure that we continue to make a real and substantial difference within Scotland.

Our wider commitments for 2017-18, as set out in the Annual Operating Plan are:

- promoting heritage for all;
- strengthening communities;
- addressing the impact of climate change and reducing our carbon emissions;
- strengthening Scotland's National Record of the Historic Environment;
- sharing our knowledge and improving access to information and data;
- growing tourism through our attractions and experiences; and
- promoting equality.

The full Annual Operating Plan is available online at [historicenvironment.scot/annual-operating-plan/](https://www.historicenvironment.scot/annual-operating-plan/).



26 October 2017

Alex Paterson
Chief Executive and
Accountable Officer



STRUCTURE, GOVERNANCE AND MANAGEMENT

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GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

Dr David Mitchell was the Accountable Officer from 1 April 2016 until I took up the role on 12 September 2016. This Governance Statement outlines how I have discharged my responsibility as Accountable Officer, including receiving assurance from the former Interim Accountable Officer that the controls over the organisation's resources during the course of the first six months of the financial year of HES operated effectively.

SCOPE OF RESPONSIBILITY

The Accountable Officer and Trustees of HES have joint responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's strategic priorities, whilst safeguarding

the public funds and assets for which the Accountable Officer is personally responsible, in accordance with the responsibilities assigned to the organisation.

As Accountable Officer, I am personally answerable to the Scottish Parliament in accordance with section 15 of the Public Finance and Accountability (Scotland) Act 2000. I am responsible for the propriety and regularity of financial transactions under my control and for the economical, efficient and effective use of resources provided to HES, for ensuring that arrangements have been made to secure best value and for signing the financial statement. 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 accounts. I have responsibility for ensuring that effective management systems are in place within the charity and that all risks are identified, assessed and managed appropriately.

The Scottish Public Finance Manual (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.



£15.4 MILLION
INVESTMENT
GRANTS MADE

GOVERNANCE FRAMEWORK

HES is a charity and an executive non-departmental public body, established by the HES Act 2014. The 2014 Act sets out our statutory functions. We received a large part of our funding from the Scottish Government as Grant in Aid. The Board of Trustees of HES is statutorily responsible for overseeing the delivery of HES functions and for the overall performance of the organisation. The responsibilities of the Board cover the following main areas:

- Strategy, Planning and Performance Review.
- Commitment and deployment of physical, fiscal and human resources.
- Ensuring operation within the limits of statutory authority, complying with delegated authority agreed with the Scottish Government and set out in the Framework Document, and adherence to conditions relating to the use of public funds.
- Representing the interest of stakeholders and furthering relationships with them.
- Ensuring the appropriate standards of corporate conduct on the part of Trustees and staff are maintained, as laid out in the Scottish Government Civil Service Code, available at beta.gov.scot/publications/civil-service-code/Civil%20Service%20Code.pdf.

To discharge these responsibilities the Board of Trustees met eight times in the financial year of HES. At each 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 may also meet outside of the normal meeting cycle to consider specific matters such as the development of strategy.

As HES Chief Executive I am appointed by and responsible to the HES Board. The Chief Executive has chaired a Senior Management Team comprising senior staff from HES. The SMT 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 myself by the Board and to the members of the SMT are laid out in the Scheme of Internal Delegation. I am charged with responsibility for overall corporate performance, management of HES and exercise of HES' statutory powers as a regulatory body. I am 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 SMT 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 SMT.

The Senior Management Team and Accountable Officer are also supported by an Audit, Risk and Assurance Committee which provides constructive challenge on issues of risk, control and governance, and associated assurance.

Further information on the mission and aims of HES and the role of the Scottish Ministers and the Chief Executive is set out in the HES Framework Document at historicensevironment.scot/framework-document/.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The system of governance is designed to manage risk rather than eliminate all risk of failure to achieve the HES strategic priorities.

The system of governance is based on an ongoing process designed to identify the principal risks to the achievement of the HES strategic priorities; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The process within HES accords with the SPFM for the year ended 31 March 2017 and guidance from the Scottish Ministers.

RISK MANAGEMENT AND INTERNAL CONTROLS

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.

HES is committed to ensuring that risk management underpins and supports the delivery of objectives set out in the Corporate Plan and the discharge of HES statutory and regulatory duties and that efficient and effective risk management systems are in place across the organisation. The HES Board has overall responsibility for ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control.

The Board has set up an Audit, Risk and Assurance Committee, chaired by a non-executive member, to provide independent advice and assurance on the effectiveness of the internal control and risk management systems. The Audit, Risk and Assurance Committee meets on a quarterly basis to receive reports from the Acting Director of Finance, Scottish Government Internal Audit and our External Auditors on behalf of Audit Scotland (KPMG LLP Apr 16 – Dec 16 and Deloitte LLP from January 2017), 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 HES Board and the Accountable Officer on the effectiveness of the internal control environment. Membership of the Audit, Risk and Assurance Committee comprises one co-opted member and three HES Board members.

Members during the year ended 31 March 2017 were:

David McGibbon (Chair)
retired 13 October 2016

Paul Jardine (Independent)
retired 13 October 2016

Trudi Craggs (Trustee)

Andrew Holmes (Trustee)
retired 13 October 2016

Dr Coinneach Maclean (Trustee)
retired 13 October 2016

Ian Brennan (Chair, Trustee)
appointed 26 January 2017

Ian Robertson (Trustee)
appointed 26 January 2017

Wendy Ferguson (Co-opted member)
appointed 26 January 2017

HES maintains a risk register that details the most significant risks to the delivery of the Charity's strategic priorities. The risk management system is based on a hierarchical structure of risk registers from directorates and projects up to corporate level. This structure enables the escalation of risks that cannot be managed at local level. Risk registers are reviewed and updated every quarter.

A review of risk management was undertaken in early 2016 and this has resulted in a new risk management strategy, policy and guidance, based on good practice in public and third sector organisations. The revised approach provides greater clarity on roles and responsibilities and the processes which underpin the identification, assessment and management of risk.

At the beginning of the process an assessment of risk maturity was undertaken which provided a baseline against which improvements will be measured. The baseline risk maturity for HES was assessed to be a median score of 3 on a 5 point scale and helped to highlight specific areas for improvement. Key to this has been the development of an organisational culture that promotes and enables the competent management of risk at all levels in order to maintain focus on the delivery of corporate objectives.

An Information and Information Systems Governance Board collectively deals with information risk, data handling, business continuity, information, records, document management and security.

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

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

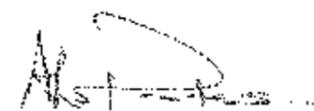
- The work of the HES Board and the strategic direction it gives to HES, in particular around governance;
- The handover, from my predecessor, Dr David Mitchell, including a governance statement;
- The managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- The work of the internal auditor, which submits to the HES Audit, Risk and Assurance Committee regular reports which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the HES systems of internal control together with recommendations for improvement;
- The Audit, Risk and Assurance Committee which oversees the work of the internal auditors; and
- Comments made by the external auditor in its management letter and other reports.

SIGNIFICANT ISSUES

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.

I also recognise that improvement is possible and to this end we have recently recruited for the new post of Head of Internal Audit and Business Improvement. I will be working with the new Head and current Internal Auditor to develop an internal audit plan to provide further assurance on areas I have identified, which are:

- Our compliance with statutory and regulatory obligations at our properties in care;
- Business continuity planning; and
- Re-tendering of contracts.



26 October 2017

Alex Paterson
Chief Executive and
Accountable Officer

THE ORGANISATION

HES is a public body created under The Historic Environment Scotland Act 2014. On 1 October 2015, the staff, functions, assets and liabilities of Historic Scotland and RCAHMS transferred to HES. These financial statements are for the first full year of HES' operation, from 1 April 2016 to 31 March 2017.

HES is a non-departmental public body sponsored by the Directorate for Culture, Tourism and Major Events in Scottish Government. HES was registered as a Scottish Charity (SC045925) on 20 August 2015 with the following charitable purposes:

- The advancement of education.
- The advancement of the arts, heritage, culture or science.
- The advancement of environmental protection or improvement.

RELATED PARTIES

HES wholly owns two subsidiaries: Historic Environment Scotland Enterprises Limited (HESe) and Scran Ltd. HESe commenced trading on 1 April 2016 and its results for the year to 31 March 2017 are consolidated in the Group's accounts. HESe Ltd carries out non-core trading activity, including retail sales of Historic Environment Scotland merchandise and catering facilities and the commercial on-line sale of images.

The results of Scran Ltd from acquisition on 22 February 2016 to 31 March 2016 are consolidated with HES in the Group's comparative figures for 2015-16. Scran Ltd ceased trading on the 31 March 2016. Scran Ltd's main resource is an online educational resource which currently contains

some 490,000 digital images illustrating Scotland's shared culture and history from over 300 museums, galleries and archives. All images and media can be downloaded freely for educational, community or personal use with 3.7 million pages viewed in 2016-17, and in addition to this 610 licences were issued during 2016-17 for commercial use of imagery generating income which is recognised in HESe's financial statement and incorporated in the Groups results for the year to 31 March 2017.

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.

BOARD OF TRUSTEES

HES is governed by a Board of Trustees appointed by the Cabinet Secretary for Culture, Tourism and External Affairs, in accordance with the Code of Practice for Ministerial Public Appointments in Scotland. The Board is accountable to Scottish Ministers and the Scottish Parliament, and is responsible for setting the organisation's vision and strategic direction and for monitoring progress to achieve these, while complying with their duties as charity Trustees. The Board is also responsible for holding the Chief Executive to account and ensuring that the organisation is managed effectively and efficiently.

HES relationship with Scottish Ministers and our sponsor in Scottish Government is detailed in a Framework Document, and the Cabinet Secretary for Culture, Tourism and External Affairs also issues a Letter of Guidance setting out the Government's expectations in the wider context of the Government's strategic priorities. In addition, a unique feature of HES governance is the Schemes of Delegation from Scottish Ministers setting out the requirements for the management of properties and collections in HES care.

The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 *'The Financial Reporting Standard applicable in the UK and Republic of Ireland'*.

The law applicable to charities in Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in

the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

When Trustees 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 trustees.

The HES Board, including the chair, can consist of up to 15 non-executive members. The membership of the Board of Trustees during the year 2016-17 was as follows.

Chair:

Jane Ryder OBE

Board Chair Jane Ryder is a specialist in corporate governance and regulation. She was formerly Chief Executive of the Scottish Museums Council and from 2003-2011 the first Chief Executive of the Office of the Scottish Charity Regulator. She is a Board member of Revenue Scotland. Her appointment as Chair of HES is from 19 January 2015 to 18 January 2019.



Dr Janet Brennan

Dr Janet Brennan is Chair of the Scottish Castles Association, and a conservationist and author. Dr Brennan's appointment was from 19 January 2015 to 18 January 2017. She has been reappointed from 19 January 2017 to 18 January 2021.



Ian Brennan

Ian Brennan is Director of Finance and Risk at the Scottish Housing Regulator. He was a member of the Board of Cardonald College for eight years, serving as Vice Chair for two years. He also chaired the Audit Committee, the Remuneration Committee and the Organisational Development Committee. His appointment is from 1 November 2016 to 31 October 2020.



Alan Clarke

Alan Clarke is the former CEO of the Northern Ireland Tourist Board, and has more than 40 years' experience in tourism, leisure and marketing. He retired from this role in September 2014. Mr Clarke's appointment was from 19 January 2015 until he stood down, effective 18 January 2017.



Trudi Craggs

Trudi Craggs is qualified as a solicitor in Scotland and is highly regarded as a specialist in planning and transport as well as in governance and public law. She is a member of the Tayside and Central Scotland Regional Transport Partnership and a member of the board of management of Forth Valley College. Her appointment is from 19 January 2015 to 18 January 2019.



Professor David Gaimster

Professor David Gaimster was previously Director of The Hunterian at the University of Glasgow from 2010 until 2017. Professor Gaimster's appointment was from 19 January 2015 until he stood down effective 18 February 2017, to take up position as Director of Auckland War Memorial Museum, New Zealand.



Andrew Holmes

Andrew Holmes is a qualified civil engineer and former Director of City Development for the City of Edinburgh Council. He retired in 2008. Mr Holmes' appointment to our Board is from 19 January 2015 to 18 January 2019.



Dr Coinneach Maclean

Dr Coinneach Maclean is an archaeologist and former Deputy Chief Executive of the National Trust for Scotland. He is a Gaelic speaker, brought up on the island of South Uist. Dr Maclean's appointment is from 19 January 2015 to 18 January 2018.



Dr Fiona McLean

Dr Fiona McLean is Vice Chair of the Board of Governors for the University of the Highlands and Islands. Dr McLean's appointment is from 19 January 2015 to 18 January 2018.



Dr Paul Stollard

Dr Paul Stollard is an architect who has specialised in the fire safety of buildings for more than 30 years. Dr Stollard's appointment is from 19 January 2015 to 18 January 2019.



Dr Ken Thomson

Dr Ken Thomson became Principal of Forth Valley College in August 2013, following six years as Depute Principal. He took a lead role in the merger of two colleges in 2005 to form the fifth largest college in Scotland. Dr Thomson's appointment was from 19 January 2015 to 18 January 2017. He has been reappointed from 19 January 2017 to 18 January 2021.



Ian Robertson

Ian Robertson is a Fellow of the Chartered Institute of Management Accountants and former Chief Financial Officer and Executive Vice President for Royal Dutch Shell's global downstream business. He retired in 2014. His appointment is from 1 November 2016 to 31 October 2020.



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 historicenvironment.scot/board-papers.

SENIOR MANAGEMENT TEAM

The Chief Executive/Accountable Officer

David Mitchell

1 April 2016 to 11 September 2016

Alex Paterson

12 September 2016 to present

A Senior Management Team manages the operations of the organisation. The Senior Management Team in 2016-17 was made up of:

Paul Smart

1 October 2015 to 15 April 2016

Jo McCoy

1 October 2015 to 10 May 2016

Adam Jackson

1 October 2015 to 30 August 2016

Diana Murray

1 October 2015 to 30 August 2016

Jennie Smith

1 October 2015 to 21 August 2017

David Mitchell

1 October 2015 to present

Stephen Duncan

1 October 2015 to present

Gary Love

1 October 2015 to present

Lisa McGraith

1 October 2015 to present

Barbara Cummins

1 October 2015 to present

Donella Steel

21 August 2017 to present



172,678 MEMBERS
(UP FROM 162,764
IN 2015-16)



REMUNERATION AND STAFF REPORT

AITHISG CO-DHIOLADH IS LUCHD-OBRACH

REMUNERATION POLICY

HES Chief Executive's remuneration is set by the HES Board and is approved by the Scottish Government Remuneration Group.

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

Pay is reviewed annually and pay settlements are negotiated within the pay remit agreed with the Scottish Government and are approved by the HES Board following advice from the Staffing Committee.

The Board in approving the pay award has regard to the following considerations:

- 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.

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.

PENSION PROVISION

Pension benefits are provided through the Civil Service pension arrangements. Staff may be in one of five defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos or alpha). 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. Members 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 3% and 8.05% of pensionable earnings for classic and 4.6% and 8.05% for 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 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 and alpha, 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 Pension Increase legislation. 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 three 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 and 65 for member of nuvos. You can take your alpha benefits from your alpha Normal Pension Age (NPA) without any early payment reduction. In alpha, NPA is the later of age 65, or your State Pension age.

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

DISCLOSURE OF REMUNERATION AND EXPENSES

This section of the Remuneration Report is subject to audit.

The Key Management Personnel include the Board of Trustees of HES and its Senior Management Team.

No Trustees received any remuneration from HES (2015-16: nil). Expenses relating to accommodation and travel and subsistence claimed by or paid on behalf of twelve (2015-16: six) Trustees is £22,609 (2015-16: £2,640).

The total amount of employee pay and benefits paid to the Senior Management Team in the year was £670,620 (1 October 2015 – 31 March 2016: £580,358).

The salary and pension entitlement earned during the year by HES Senior Management Team in the roles noted are shown in the tables that follow.



£95 MILLION
TOTAL INCOME
(UP FROM £91 MILLION)

	Full Year Equivalent Figures						Actual reported in accounts
	2016-17			2015-16			2015-16
	SALARY	PENSION BENEFITS	TOTAL	SALARY	PENSION BENEFITS	TOTAL	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Chief Executive							
David Middleton	-	-	-	110-115	44	155-160	55-60
Dr David Mitchell ¹	45-50	47	90-95	-	-	-	-
Alex Paterson ²	65-70	25	90-95	-	-	-	-
Directors							
Barbara Cummins	65-70	27	95-100	65-70	27	95-100	40-45
Stephen Duncan	65-70	27	95-100	65-70	27	95-100	40-45
Gary Love	65-70	15	80-85	65-70	30	95-100	40-45
Lisa McGraith	65-70	27	95-100	65-70	25	90-95	40-45
Dr David Mitchell ¹	40-45	41	80-85	65-70	20	85-90	40-45
Jennie Smith ³	55-60	35	90-95	50-55	28	80-85	30-35
Other Key Management Personnel							
Rebecca Bailey ⁴	-	-	-	50-55	30	80-85	30-35
Lesley Ferguson ⁴	-	-	-	50-55	24	78-80	30-35
Adam Jackson ⁵	20-25	11	30-35	65-70	22	90-95	30-35
Jo McCoy ⁶	5-10	2	5-10	45-50	22	65-70	25-30
Diana Murray ⁵	25-30	19	45-50	65-70	37	100-105	40-45
Paul Smart ⁷	0-5	1	0-5	65-70	20	85-90	40-45
Graham Turnbull ⁴	-	-	-	65-70	22	90-95	35-40
Robin Turner ⁴	-	-	-	50-55	35	85-90	30-35

'Salary' includes gross salary, performance pay and overtime. The amounts for 2016-17 relate to HES employment for the period that the employee was part of the Senior Management Team.

- 1 Dr David Mitchell was promoted to Chief Executive for the period 1 April 2016 to 11 September 2016. His pension benefit has been apportioned for the year based on his salary received for each post.
- 2 Alex Paterson was appointed on 12 September 2016.
- 3 Jennie Smith was promoted to acting Director of Finance from 1 April 2016.
- 4 Employee's position on the Senior Management team ended on 8 December 2015.
- 5 Employee's position on the Senior Management Team ended on 30 August 2016.
- 6 Employee's position on the Senior Management Team ended on 10 May 2016.
- 7 Paul Smart was seconded from the Scottish Government. His secondment ended on 15 April 2016.

PAY MEDIAN

As at 31 March 2017 the pay median for all staff was £21,723 (2015-16: £21,323).

The banded remuneration of the highest paid director in HES in the financial year 2016-17 was £115,000-£120,000 (2015-16: £110,000-£115,000). This was 5.41 (2015-16: 5.25) times the median remuneration of the workforce of £21,723 (2015-16: £21,323).

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.

BONUSES

There were no bonuses paid during the year (2015-16: nil).

COMPENSATION FOR LOSS OF OFFICE

No director or member of the senior management team received compensation for loss of office during the year (2015-16: nil).

PENSION BENEFITS

The pension entitlements earned during the year by HES Senior Management Team in the roles noted are as follows:

	Real increase in pension and related lump sum at pension age	Accrued pension at pension age at 31 March 2017 and related lump sum	CETV at 31 March 2016	CETV at 31 March 2017	Real increase in CETV
	£000	£000	£000	£000	£000
Chief Executive					
Alex Paterson	0-2.5	0-5	-	18	13
Directors					
Barbara Cummins	0-2.5	10-15	123	144	13
Stephen Duncan	0-2.5	25-30	328	355	15
Gary Love	0-2.5 Lump sum 2.5-5	30-35 Lump sum 95-100	587	627	12
Lisa McGraith	0-2.5	10-15	87	101	7
Dr David Mitchell	2.5-5	20-25	252	321	53
Jennie Smith	0-2.5	10-15	130	159	20
Other Key Management Personnel					
Adam Jackson	0-2.5	10-15	150	162	5
Jo McCoy	0-2.5	10-15	176	177	1
Diana Murray	0-2.5 Lump sum 2.5-5	30-35 Lump sum 100-105	717	740	18
Paul Smart	0-2.5 Lump sum 0-2.5	25-30 Lump sum 75-80	577	579	1

	Real increase in pension and related lump sum at pension age	Accrued pension at pension age at 31 March 2016 and related lump sum	CETV at 31 March 2015	CETV at 31 March 2016	Real increase in CETV
	£000	£000	£000	£000	£000
Chief Executive					
David Middleton	0-2.5 Lump sum 5-10	50-55 Lump sum 160-165	-	1,246	43
Directors					
Barbara Cummins	0-2.5	5-10	95	122	11
Stephen Duncan	0-2.5	20-25	311	329	9
Gary Love	0-2.5 Lump sum 2.5-5	30-35 Lump sum 90-95	516	587	24
Lisa McGraith	0-2.5	5-10	66	87	5
Dr David Mitchell	0-2.5	15-20	220	252	5
Jennie Smith	0-2.5	5-10	102	130	14
Other Key Management Personnel					
Rebecca Bailey	0-2.5 Lump sum 0-2.5	15-20 Lump sum 10-15	193	252	14
Lesley Ferguson	0-2.5 Lump sum 0-2.5	20-25 Lump sum 35-40	402	456	20
Adam Jackson	0-2.5	10-15	118	149	15
Jo McCoy	0-2.5	10-15	149	176	9
Diana Murray	0-2.5 Lump sum 5-10	30-35 Lump sum 100-105	696	717	34
Paul Smart	0-2.5 Lump sum 2.5-5	25-30 Lump sum 75-80	516	577	20
Graham Turnbull	0-2.5	5-10	128	158	17
Robin Turner	0-2.5	15-20	470	527	26

No payments were made to Partnership Pension Accounts. Details of pensions and Cash Equivalent Transfer Values are disclosed based on information supplied by the Department for Works and Pensions.

STAFF REPORT

Staff costs

	2017 £000	2016* £000
Staff costs comprise:		
Wages and salaries	30,377	14,994
Social security costs	2,741	989
Employer's contributions to pension schemes	5,863	2,813
Early departure costs	26	531
Agency temporary staff costs	792	448
Total employment costs	39,799	19,775
Less: Recoveries in respect of outward secondments	(28)	(101)
Total net costs	39,771	19,674

* 2016 represent staff costs from the commencement of trading on 1 October 2015 to 31 March 2016.

Employees receiving benefits, excluding pension costs of more than £60,000:	2017	2016*
Banding		
£60,000 - 69,999	5	8
£80,000 - 89,999	1	-
£110,000 - 119,999	-	1
Total number of staff	6	9

* 2016 represents the number of employees based on annualised benefits.

Staff numbers

The number of staff by band in the year ended 31 March 2017 were:

Band	Number of Staff	Male	Female
Senior Posts:			
Chief Executive	1	1	-
Director	6	3	3
Band F	32	17	15
Bands A - E	1,160	655	505

The average number of staff employed in the year ended 31 March 2017 (2015-16: 1 October 2015 - 31 March 2016), were:

	2017	2016
Full time	1,003	967
Part time	261	218
Total number of employees	1,264	1,185

The average number of full time equivalent staff employed in the year ended 31 March 2017 (2015-16: 1 October 2015 - 31 March 2016), by occupational group, were:

	2017	2016
Conservation	397	405
Commercial & Tourism	449	375
Central services staff	135	138
Heritage Management	84	87
Survey & Recording	37	36
Collections	30	21
Agency/temporary staff	23	19
Education & Outreach	12	11
Senior management	8	15
Average full time equivalent employees	1,175	1,107

STAFF REPORT (continued)

Sickness absence

In 2016-17, the sickness absence average was 9.12 including leavers (2015-16: 8.51) and 10,413.6 total days (2015-16: 9,492.9 days) were lost due to sickness absence. This is split 3.54 (2015-16: 3.70) short term absences and 5.58 (2015-16: 4.81) long term absences.

Employees with disabilities

Historic Environment Scotland is committed to equality of opportunity 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 and we operate a guaranteed interview scheme for any applicants meeting the essential requirements of the job. Where an employee becomes disabled, Historic Environment Scotland will re-train and re-deploy wherever applicable. The number of staff declaring a disability in the year ended 31 March 2017 was 30 (2015-16: 28).

Equal opportunities and diversity

As a new Public Body, Historic Environment Scotland has never undertaken an equal pay audit however independently Historic Scotland undertook an audit in March 2013 while the Royal Commission on Ancient and Historical Monuments undertook an audit in August 2011. Our Equality Outcomes and Mainstreaming Report was published in April 2017, and is available at historicenvironment.scot/hes-equality-outcomes.

Expenditure on consultancy

Expenditure on consultancy for the year ended 31 March 2017 was £312,514 (2015-16: 1 October 2015 - 31 March 2016 £566,005).

Exit packages

Cost band	Compulsory redundancies	Other departures agreed	2017		2016	
			Total by cost band	Compulsory redundancies	Other departures agreed	Total by cost band
£000	Number	Number	Number	Number	Number	Number
< £10	-	-	-	-	3	3
£10 - £25	-	-	-	-	3	3
£25 - £50	-	-	-	-	4	4
£50 - £100	-	-	-	-	4	4
£100 - £150	-	-	-	-	-	-
£150 - £200	-	-	-	-	-	-
Total number	-	-	-	-	14	14
Total net costs	-	-	-	-	530,834	530,834

There were no exit packages during 2016-17.

HES operated a voluntary early release scheme for its staff during 2015-16 (1 October 2015 - 31 March 2016). All departure costs in association with this scheme were accounted for and paid in full in the year of departure.



26 October 2017

Alex Paterson
Chief Executive and
Accountable Officer

REFERENCE AND ADMINISTRATIVE DETAIL TUAIRISGEUL AIR FIOSRACHADH RIANACHAIL

Principal Office and Registered Address

Longmore House
Salisbury Place
Edinburgh EH9 1SH

Charity Number SC045925

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

Auditors

External:

Deloitte LLP
110 Queen Street
Glasgow G1 3BX

Internal:

Scottish Government
Internal Audit
St Andrew's House
Regent Road
Edinburgh EH1 3DG

EXEMPTIONS RUDAN FA-LETH

There are no exemptions
applicable to HES.

FUNDS HELD ON BEHALF OF OTHERS MAOIN AIR A CHUMAIL AS LETH BUIDHNEAN IS DAOINE EILE

HES does not hold any funds on behalf of others.

REPORT AND FINANCIAL STATEMENTS Year ended: 31 March 2017

AITHISG IS CUNNTASAN BLIADHNAIL Bliadhna crìochnaichte: 31 Màirt 2017

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

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 approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion on financial statements

We have audited the financial statements in the annual report of Historic Environment Scotland and its group for the year ended 31 March 2017 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 Statement of Financial Activities, the Consolidated and Charity Balance Sheet, the Consolidated Cashflow Statement 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 and its group as at 31 March 2017 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 of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 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 Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of HES and Chief Executive's 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.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements.

Our objectives are to achieve 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&I) 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.

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements 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, in accordance with ISAs (UK&I), our responsibility is to read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

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 other prescribed matters

We are required by the Auditor General for Scotland to express an opinion on the following matters.

In our opinion, the auditable 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:

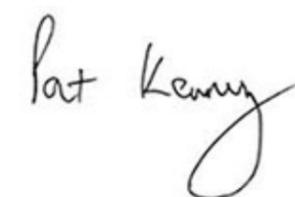
- the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Historic Environment Scotland Act 2014 and directions made thereunder by the 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 auditable 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; or
- The Governance Statement does not comply with guidance from the Scottish Ministers.

We have nothing to report in respect of these matters.



26 October 2017

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2017

CUNNTASAN BLIADHNAIL AIRSON A' BHLIADHNA CRÌOCHNAICHTE 31 MÀIRT 2017

Consolidated Statement of Financial Activity for the year ended 31 March 2017

	Note	Unrestricted	Restricted	2017		2016	
		£000	£000	Total	Unrestricted	Restricted	Total
		£000	£000	£000	£000	£000	£000
Income from:							
Government Grant in Aid		41,124	-	41,124	36,019	-	36,019
Charitable Activities	3	31,171	3,061	34,232	8,595	2,693	11,288
Other Grants and Donations	4	3,761	1,281	5,042	1,816	261	2,077
Trading Activities	5	14,373	-	14,373	4,064	-	4,064
Other Income		175	-	175	183	-	183
Total		90,604	4,342	94,946	50,677	2,954	53,631
Expenditure on:							
Raising Funds	6	31,433	-	31,433	15,084	-	15,084
Charitable Activities	7	40,358	1,344	41,702	21,374	541	21,915
Grants distributed	8	11,896	-	11,896	1,658	-	1,658
Loss on sale of fixed assets		-	-	-	18	-	18
Total		83,687	1,344	85,031	38,134	541	38,675
Net income		6,917	2,998	9,915	12,543	2,413	14,956
Total deficits transferred in	12, 29	-	-	-	(10,285)	(73)	(10,358)
Transfers between funds	12	(283)	283	-	1,396	(1,396)	-
Gain on revaluation of fixed assets	28	1,048	-	1,048	414	-	414
Net movement in funds		7,682	3,281	10,963	4,068	944	5,012
Reconciliation of funds							
Total funds brought forward		4,068	944	5,012	-	-	-
Total funds carried forward	12	11,750	4,225	15,975	4,068	944	5,012

There were no other recognised gains or losses other than those listed above and the net income for the year. All income and expenditure derives from continuing activities.

As HES commenced operating on 1 October 2015, when it took over the activities of the two predecessor bodies, the figures for 2016 represent six months from that date.

The notes on pages 56 to 89 form part of these financial statements.

Consolidated and Charity Balance Sheet as at 31 March 2017

	Note	2017 Group £000	2017 Charity £000	2016 Group £000	2016 Charity £000
Fixed Assets:					
Intangible assets	16	581	581	211	211
Tangible assets	17	41,233	41,233	35,907	35,907
Heritage assets	18	361	361	361	361
Investments	19	-	1,157	-	1,152
Total fixed assets		42,175	43,332	36,479	37,631
Current Assets:					
Stock	20	2,087	359	1,379	1,350
Debtors	21	5,137	8,465	4,941	4,790
Cash at bank and in hand		5,416	5,307	5,966	5,721
Total current assets		12,640	14,131	12,286	11,861
Liabilities:					
Creditors: Amounts falling due within one year	22	(29,827)	(32,488)	(31,571)	(32,300)
Net current liabilities		(17,187)	(18,357)	(19,285)	(20,439)
Total assets less current liabilities		24,988	24,975	17,194	17,192
Creditors: Amounts falling due after more than one year	23	(6,925)	(6,912)	(11,264)	(11,262)
Provisions for liabilities	25	(2,088)	(2,088)	(918)	(918)
Total net assets		15,975	15,975	5,012	5,012
The funds of the charity:					
Restricted income funds	12	4,225	4,225	944	944
Unrestricted funds	12	(6,825)	(6,825)	(13,470)	(13,470)
Revaluation reserve	12, 28	18,575	18,575	17,538	17,538
Total unrestricted funds		11,750	11,750	4,068	4,068
Total charity funds		15,975	15,975	5,012	5,012

These financial statements of Historic Environment Scotland, registered charity number SC045925, were approved by the Board of Trustees and authorised for index on 26 October 2017.

They were signed on its behalf by



26 October 2017

Alex Paterson
Chief Executive and Accountable Officer



26 October 2017

Jane Ryder OBE
Chair of Trustees

Consolidated Cashflow Statement for the year ended 31 March 2017

	Note	2017 £000	2016 £000
Reconciliation of net income to net cash flow from operating activities			
Net income for the year ended 31 March 2017		9,915	14,956
Adjustments for			
Depreciation charges and amortisation	16, 17	1,950	1,022
Loss on disposal of fixed assets		250	18
Acquisition of Scran Trust and Scran Ltd	4	-	(352)
Increase in provisions	25, 29	1,170	213
(Increase)/Decrease in stock	20	(708)	32
(Increase) in debtors	21	(196)	(2,113)
(Decrease) in creditors	22, 23	(6,083)	(9,703)
Net cash provided by operating activities		6,298	4,073
Cashflows from investing activities			
Purchase of tangible fixed assets		(6,877)	(4,869)
Proceeds on disposal of tangible fixed assets		29	-
Net cash transferred in from predecessor bodies		-	6,456
Net cash acquired from acquisitions		-	306
Net cash used in investing activities		(6,848)	1,893
Change in cash and cash equivalents in the reporting period			
Cash and cash equivalents at 1 April		5,966	-
Cash and cash equivalents as at 31 March		5,416	5,966

The notes on pages 56 to 89 form part of these financial statements.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

a) Basis of Preparation

Historic Environment Scotland (HES), a public benefit entity, is a non-departmental public body (NDPB), formed under the Historic Environment Scotland Act 2014 on 1 October 2015. HES is the result of a merger between Historic Scotland and the Royal Commission on the Ancient and Historical Monuments of Scotland and became a registered charity on 20 August 2015. The accounts have been prepared for the financial year 2016-17. Comparatives are shown for the period from 1 October 2015 to 31 March 2016 as Historic Environment Scotland only commenced operations on 1 October 2015.

These accounts have been prepared under the historical cost convention modified to account for the revaluation of tangible fixed assets and, where material, current asset investments and inventories to fair value as determined by the relevant accounting standard. The presentation currency of these financial statements is sterling. All amounts have been rounded to the nearest £1,000. The accounts have been prepared in accordance with the Accounts Direction given by Scottish Ministers in accordance with paragraph 13 of Schedule 1 of the Historic Environment Scotland Act 2014, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. The Accounts Direction has been reproduced as an appendix to

these accounts. In accordance with the Accounts Direction, these accounts have been produced in compliance with the edition of the Government Financial Reporting Manual (FRm), which is in force for the year in which the statement of accounts is prepared. As a charitable NDPB, the accounts are prepared under Financial Reporting Standard (FRS) 102 and the Charities Statement of Recommended Practice (SORP) FRS 102.

Historic Environment Scotland meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemption available to it in respect of its separate financial statements in relation to presentation of a cashflow statement.

b) Going Concern Basis

The accounts have been prepared on the going concern basis.

Government grant is receivable and accounted for on the basis of need, operationally HES must commit to grants on a longer term basis to allow appropriate planning by recipients, there is therefore a disparity between grant income receivable and the investment grants payable. The anticipated income from government grant and self-generated income will be sufficient to meet the ongoing expenses and the grant payments of Historic Environment Scotland.

There are no material uncertainties about the charity's ability to continue as a going concern.

c) Basis of Consolidation

The consolidated financial statements include the financial statements of the Charity and its subsidiary undertakings made up to 31 March 2017. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the Consolidated Statement of Financial Activity from the date that control commences until the date that control ceases. Control is established when the Charity has the power to govern the operating and financial policies of an entity to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. Scran Trust, a former subsidiary of the Royal Commission on the Ancient and Historical Monuments of Scotland (RCAHMS), transferred all of its assets, liabilities and undertakings, including its wholly owned subsidiary Scran Limited, company number SC163518, to HES on 22 February 2016. These accounts consolidate those of HES, HES Enterprises Ltd and Scran Ltd on a line-by-line basis for assets and liabilities.

HES Enterprises Ltd was incorporated on 16 July 2015 and commenced trading on 1 April 2016.

In the parent financial statements, investments in subsidiaries are carried at fair value.

d) Foreign currency

Transactions in foreign currencies are translated to the Group functional currency at the foreign exchange rate ruling at the date of the transaction.

e) Income

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

Income that includes receipts from visitor admission charges, rent, event income, retail sales and subscriptions is accounted for net of Value Added Tax. Admission charges and events income received in advance is recorded as deferred income until the event has taken place. Income from the Friends of Historic Scotland (membership) is accounted for on a cash basis net of Value Added Tax.

HES is awarded an annual Grant in Aid allocation by the Scottish Government which is drawn down on the basis of need. This money is available for running costs, costs of maintaining properties in care and collection purposes.

Entitlement to grant income, which is subject to performance conditions, is recognised as the performance conditions are met. All other grant income is recorded when it is receivable.

f) 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. All expenditure is accounted for on an accruals basis. 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.

g) Fund Accounting

Unrestricted funds are available to spend on activities, which further any of the purposes of the charity. Restricted funds must be used in accordance with the wishes of the donor or grantor. Total unrestricted and restricted funds are shown on the face of the Consolidated Statement of Financial Activity. Surpluses arising from restricted activities are shown separately within Restricted Reserves on the Balance Sheet.

h) Grants Payable

Grants are paid to individuals and bodies by HES in accordance with its statutory powers and duties. Grants are accounted for within the Consolidated Statement of Financial Activity when they are committed. A number of grants are payable over a number of years and these are represented in creditors due within and after one year.

i) Tangible Fixed Assets and Depreciation

Land, Buildings and Dwellings

All of the feuhold property comprising the non-monument estate is the subject of a 5-year rolling programme of professional valuations in accordance with the SORP. Approximately 20% of the estate is valued each year by District Valuers (DV) of the Valuation Office acting in the capacity of External Valuers. For this report, valuations have been prepared by DVs as at 31 March 2017 on the undernoted basis in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

These valuations are updated annually by Historic Environment Scotland 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.

With four exceptions, all of the non-monument properties are regarded by Historic Environment Scotland as operational and have been stated at fair value based on the Market Value for existing use, on the assumption that the property is sold as part of the continuing enterprise in occupation. Three assets have been defined as specialised properties and have been valued on the basis of Depreciated Replacement Cost. One asset is leased to a third party and has been valued on the basis of Open Market Value. Residential properties have been valued on the assumption that they are subject to assured tenancies in terms of the Housing (Scotland) Act 1988.

The sources of information and assumptions made in producing the various valuations are set out in the Valuation Certificate, which is not published in the Financial Statements.

The valuation figures incorporated in the Financial Statements are the aggregate of separate valuations of parts of the portfolio, not a valuation or apportioned valuation of the portfolio valued as a whole.

The feuhold property comprising of the monument estate is not included in the rolling programme

1. ACCOUNTING POLICIES CONTINUED

of valuations as it would be impossible to obtain a reliable valuation for these, and Historic Environment Scotland has included these at nil value.

Expenditure of a capital nature incurred in pursuance of the Charity'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.

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

Motor Vehicles and Plant and Equipment

Depreciated historic cost has been used as a proxy for the current value of motor vehicles and plant and machinery. All of the assets in these categories have:

1. Low values and short useful economic lives which realistically reflect the life of the asset; and
2. A depreciation charge which provides a realistic reflection of consumption.

Computer Equipment

Computer equipment is stated at depreciated historic cost. Multiple purchases of identical assets may be grouped to meet the capitalisation threshold.

Antiques and Works of Art

Works of art, which are new works and have only recently been completed, have been included at cost. Once the assets reach more than five years of age, they will be subject to professional valuation and their value amended accordingly.

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 Consolidated Statement of Financial Activity during the financial year in which they are incurred.

The capitalisation thresholds for the principal categories of assets are:

Land	£10,000
Buildings and dwellings	£10,000
Plant and equipment	£5,000
Motor vehicles	£5,000
Computer equipment	£1,000
Development costs	£5,000
Antiques and works of art	£5,000 (non-heritage)

j) Depreciation

Depreciation is provided on tangible fixed assets, excluding historical assets and archives, on a straight line basis at rates sufficient to write down their cost over their estimated useful lives. The depreciation periods for the principal categories of assets are:

Land	Not depreciated
Buildings and dwellings	on an individual basis not exceeding 60 years
Plant and equipment	5 years
Motor vehicles	5 years
Computer equipment	3 years
Development costs	on an individual basis not exceeding 10 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. Archives, which comprise maps, plans, photographs and books, are not depreciated, as the annual costs incurred in their maintenance and updating are sufficient to maintain their value.

Additions to historic collections are not depreciated as the length of their anticipated useful economic life is such that depreciation is not considered to be material.

k) Donated Assets

Donated property, plant and equipment assets are capitalised at their fair value on receipt. The funding element is recognised as income and taken to the Consolidated Statement of Financial Activity. Subsequent revaluations are taken to the revaluation reserve.

l) Intangible Assets

In accordance with FRS 102, HES recognises an intangible asset when it is probable the asset will bring future economic benefits, and where costs can be measured reliably. Intangible assets are valued initially at cost and amortised over their useful life on an individual basis not exceeding 10 years.

m) Heritage 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. Historic Environment Scotland does not have legal ownership of the majority of the heritage assets it cares for however, in the opinion of the Accountable Officer these assets are integral to the operation and being of Historic Environment Scotland and following guidance from Scottish Ministers are included within these financial statements. The ability to value these assets is noted below.

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 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 that are recorded at their historical cost on the Balance Sheet (Note 18).

Heritage Assets in the guardianship of Scottish Ministers

HES is responsible for 336 archaeological and historic sites across Scotland in the care of Scottish Ministers. The majority of these are treated as non-operational heritage assets in that they are held primarily for the maintenance of the nation's heritage, these assets are in the guardianship of the Scottish Ministers and on the advice of Scottish Ministers are included as assets within these financial statements.

Crown Properties

There are thirty-five Crown properties, of which eight are buildings in good condition with the structure essentially complete. Examples within this category include:

Edinburgh Castle, Stirling Castle, Argyll's Lodging, Blackness Castle, Linlithgow Palace, Fort Charlotte, Dunblane Cathedral and Glasgow Cathedral.

It is the opinion of the Accountable Officer that owing to the incomparable nature of the monuments that the valuation of these sites lack reliability and involves cost that are likely to be onerous on Historic Environment Scotland. HES does not therefore recognise these assets on its Balance Sheet.

Other Properties

The remaining properties include ruined or partially ruined castles, ecclesiastical buildings, industrial and archaeological sites and many different types of field monuments dating from early prehistory to the present day.

1. ACCOUNTING POLICIES (CONTINUED)

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.

It is the opinion of the Accountable Officer that owing to the incomparable nature of the monuments that the valuation of these sites lack reliability. HES does not therefore recognise these assets on its 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 Consolidated Statement of Financial Activity when it is incurred.

n) Realised element on depreciation of revaluation reserve

Depreciation is charged to the Consolidated 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 the unrestricted reserves.

o) Investments

Investment in HES Enterprises Ltd is carried on the balance sheet at cost. Investment in Scran Ltd is carried at net asset value, which in the opinion of the Accountable Officer equates to the fair value of the investment.

p) Stock

Stock is valued at the lower of cost and net realisable value.

q) Pension costs

Past and present employees of HES are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), a multi-employer defined benefit scheme which is described in the staff costs note (note 13). HES is unable to identify its share of the assets and liabilities and it accounts for the scheme as a defined contribution scheme. Full superannuation costs are an expense of HES at rates determined by HM Treasury.

r) Early departure costs

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

During the 2015-16 financial year, HES staff were given the opportunity to leave under the Voluntary Exit Scheme (VES). Costs were fully met by HES and are included in staff costs.

s) Leases

Where substantially all the risks and rewards of ownership of a leased property are borne by the entity, it is recorded as a fixed asset and a corresponding creditor recorded in respect of debt due to the lessor, with the interest element of the finance lease payment charged to the Consolidated Statement of Financial Activity.

Rentals payable in respect of operating leases are charged to the Consolidated Statement of Financial Activity on a straight-line basis over the term of the lease.

t) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discount due.

u) Creditors and Provisions

Creditors and provisions are recognised where the charity 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. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discount due.

v) Allocation of Support Costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include Finance, Communications, IT, Human Relations, Payroll and Governance costs that support the activities of HES. These costs have been allocated between the costs of raising funds and expenditure on charitable activities. The bases on which support costs have been allocated are set out in note 9.

w) Financial Instruments

The financial assets and liabilities held by HES qualify as basic financial instruments as described in Section 11 of FRS 102. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value. Cash is held on deposit in NatWest Government Banking Service account, the Royal Bank of Scotland and the Bank of Scotland and is available on demand.

Trade debtors and trade creditors consist of balances outstanding at the financial year-end.

x) Taxation

The parent company is a registered charity and has no liability to corporation tax on its charitable activities under the Corporation Tax Act 2010 (chapters 2 and 3 of part ii, section 466 onwards) or section 256 of the Taxation for Chargeable Gains Act 1992, to the extent surpluses are applied to its charitable purposes.

Current tax for the subsidiary company, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements, which arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 1, the Trustees 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 estimates and associated assumptions are based on historical experience and other

factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that

period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Trustees do not consider there are any critical judgements or sources of estimation uncertainty requiring disclosure beyond the accounting policies listed above.

3. INCOME FROM CHARITABLE ACTIVITIES – GROUP

	2017		2016	
	Unrestricted	Restricted	Unrestricted	Restricted
	£000	£000	£000	£000
Admissions	31,081	-	31,081	8,595
Heritage Lottery Funding and ERDF	-	2,618	2,618	-
Partnership Funding	-	443	443	76
Other	90	-	90	-
	31,171	3,061	34,232	8,595
				2,693
				11,288

4. INCOME FROM DONATIONS – GROUP

	2017		2016	
	Unrestricted	Restricted	Unrestricted	Restricted
	£000	£000	£000	£000
Membership	3,712	-	3,712	1,397
Scran Trust Transfer (see below)	-	-	-	352
Other	49	1,281	1,330	67
	3,761	1,281	5,042	1,816
				261
				2,077

The Scran Trust and Scran Limited were acquired by HES on 22nd February 2016, the fair value of its assets and liabilities were as follows:

	£000
Fixed Assets:	
Intangible assets	54
Tangible assets	2
Total fixed assets	56
Current Assets:	
Stock	24
Debtors	176
Cash at bank and in hand	306
Total current assets	506
Liabilities:	
Creditors: Amounts falling due within one year	(108)
Inter company account with HES	(102)
Net current assets	296
Total net assets	352

Scran Trust and Scran Limited hold over 500 licence agreements allowing the exploitation of digital records, many of which were created following grant funding from the organisations. Royalties are payable to the contributors if the licences are exploited for commercial purposes. The cost of exploiting the licences is such that the fair value of the licences is nil.

Cashflow statement impact:	2017	2016
Cost of acquisition	-	-
Net cash acquired	-	306
	-	306

5. INCOME FROM TRADING ACTIVITIES – GROUP

	2017	2016
	Unrestricted	Unrestricted
	£000	£000
Trading Activities		
Retail	12,265	2,620
Events	1,471	657
Consultancy and third party services	226	653
Rent and car park	411	134
Total	14,373	4,064

6. EXPENDITURE ON RAISING FUNDS – GROUP

	2017			2017
	Commercial & Tourism	Enterprises	Collections	Total
	£000	£000	£000	£000
Direct salaries	12,729	-	706	13,435
Direct costs	10,511	-	271	10,782
Support costs	6,828	-	305	7,133
Governance costs	80	-	3	83
	30,148	-	1,285	31,433

	2016			2016
	Commercial & Tourism	Enterprises	Collections	Total
	£000	£000	£000	£000
Direct salaries	5,468	147	355	5,970
Direct costs	4,704	21	189	4,914
Support costs	3,842	57	191	4,090
Governance costs	103	2	5	110
	14,117	227	740	15,084

7. EXPENDITURE ON CHARITABLE ACTIVITIES – GROUP

							2017
	Conservation	Heritage Management	Survey & Recording	Collections	Education & Outreach	Commercial, Tourism & Enterprise	Total
	£000	£000	£000	£000	£000	£000	£000
Direct salaries	13,637	3,452	1,718	470	466	-	19,743
Direct costs	10,775	1,016	222	182	149	-	12,344
Support costs	7,157	1,191	519	204	164	271	9,506
Governance costs	83	15	7	2	2	-	109
	31,652	5,674	2,466	858	781	271	41,702
Unrestricted	31,288	5,518	2,156	843	553	-	40,358
Restricted	364	156	310	15	228	271	1,344
	31,652	5,674	2,466	858	781	271	41,702

							2016
	Conservation	Heritage Management	Survey & Recording	Collections	Education & Outreach	Commercial, Tourism & Enterprise	Total
	£000	£000	£000	£000	£000	£000	£000
Direct salaries	6,059	1,766	850	187	246	37	9,145
Direct costs	5,780	499	110	175	35	31	6,630
Support costs	4,440	894	379	127	112	26	5,978
Governance costs	120	24	10	4	3	1	162
	16,399	3,183	1,349	493	396	95	21,915
Unrestricted	16,118	3,159	1,345	471	279	2	21,374
Restricted	281	24	4	22	117	93	541
	16,399	3,183	1,349	493	396	95	21,915

8. EXPENDITURE ON GRANT DISTRIBUTION – GROUP

	Note	2017 £000	2016 £000
Grants payable	11	11,230	1,358
Direct Salaries		348	155
Direct costs		136	81
Support costs		180	62
Governance costs		2	2
		11,896	1,658

Grants payable are net of £125,000 (2015-16: £152,000) returned to HES. The amount returned in 2015-16 had originally been paid by Historic Scotland.

9. SUPPORT COSTS – GROUP

			2017			2016
	Support costs	Governance	Total	Support costs	Governance	Total
	£000	£000	£000	£000	£000	£000
HR	1,693	-	1,693	2,534	-	2,534
Communications	980	-	980	2,351	-	2,351
Chief Executive office	591	-	591	2,087	169	2,256
Information Systems	4,068	-	4,068	1,740	-	1,740
Finance	2,170	172	2,342	916	96	1,012
Office running costs	7,003	-	7,003	521	-	521
Board	-	23	23	-	8	8
	16,505	195	16,700	10,149	273	10,422

HR costs are allocated to activities on the basis of the average number of employees, the remainder of Support and Governance Costs are allocated on the basis of expenditure by activity excluding grants payable.

10. GOVERNANCE COSTS – GROUP

	2017 £000	2016 £000
Strategic management	-	169
External audit fee	114	96
Internal audit fee	58	-
Board costs	23	8
	195	273

The external audit fee of Historic Environment Scotland Enterprises Ltd is £10,000. Scran Limited is £2,400 (2015-16: £9,000).

11. INVESTMENT GRANTS – GROUP AND CHARITY

	2017	2016
	£000	£000
Balance transferred from business combination on 1 October 2015	-	38,037
Grants commitment at 1 April	33,154	-
Net of new grants committed and lapsed charged to Consolidated Statement of Financial Activity	10,754	1,358
Grants recovered in year	125	152
Retentions released	137	253
Grants paid in year	(16,154)	(6,646)
	28,016	33,154

During the year to 31 March 2017 HES paid out £16,154,000 of investment grants (1 October 2015 – 31 March 2016: £6,646,000). This was made up of:

	2017		2016		2016	
	Grants to Institutions	Grants to Individuals	Total	Grants to Institutions	Grants to Individuals	Total
	£000	£000	£000	£000	£000	£000
Building Repairs	4,076	16	4,092	1,634	113	1,747
Grants City Heritage Trust	-	-	-	1,402	-	1,402
Grants Con Area Reg Scheme	3,495	-	3,495	816	-	816
Places of Worship	1,485	-	1,485	616	-	616
Grants Archaeology	655	10	665	468	74	542
Voluntary Sector	995	-	995	520	-	520
HES Organisation Support Fund	2,120	-	2,120	454	-	454
Grants Recurring Commitment	3,002	-	3,002	239	-	239
Grants Ancient Monuments	197	-	197	195	-	195
CDDV	-	-	-	76	-	76
Grants Thatching	29	14	43	16	6	22
Grants HE Supp Fund	55	5	60	15	2	17
	16,109	45	16,154	6,451	195	6,646

Historic Environment Repair Grant Scheme

Financial help is available to owners to meet the cost of high quality repairs to their building structure or scheduled site, to deliver a sustainable future for the building, enhanced public access and a level of local economic benefit.

City Heritage Trusts

Funding is available to independent organisations within the 7 Scottish Cities to promote city wide cultural heritage and historic environment programmes of work.

Conservation Area Regeneration Scheme (CARS)

Integrated regeneration of historic urban centres is driven by revitalising the built heritage, engaging local communities and introducing new economic activity.

Places of Worship

HES and HLF (Heritage Lottery Fund) jointly provide grant assistance for repairs to Places of Worship considered to be of outstanding architectural or historic interest.

Archaeology Programme Grants

The main purpose is to mitigate destruction of archaeological sites through funding of projects involving survey, excavation, advice, training and education.

Voluntary Sector

Funding is provided to support the valuable contribution of voluntary sector organisations to Scotland's historic environment.

HES Organisational Support Fund

Financial support is provided to organisations responsible for the operation, management or safeguarding of historic environment assets.

Ancient Monuments

Financial assistance is available to help preserve and maintain monuments, assisting their presentation to the public.

Thatched Building Maintenance Grant Scheme

Financial assistance is available to owners of historic traditional thatched properties towards the cost of maintaining roof structures including complete re-thatching, repairs to roofing divots and minor repairs to roof timbers.

Historic Environment Support Fund

Support is provided to various non-recurring heritage related events throughout the year such as published works, conferences and events.

The Historic Environment Scotland website provides further information on the different grants funded and lists new grants approved since October 2015. The website can be accessed at: historicenvironment.scot/grants-awarded/.

11. INVESTMENT GRANTS – GROUP AND CHARITY (continued)

This table lists grants paid out during the year to 31 March 2017 with a value of £50,000 or more paid to the following institutions:

Institution	£000	Institution	£000
Glasgow City Heritage Trust	1,330	The Kirkmichael Trust	107
Argyll and Bute Council	806	Renfrewshire Council	103
The Architectural Heritage Fund	772	North Ayrshire Council	103
New Lanark Trust	704	Glasgow University	100
The National Trust for Scotland	590	East Lothian Council	100
The Highland Council	585	Moray Council	95
Scottish Historic Buildings Trust	512	RCDM St Brides	95
Blairs Farm Steading	443	Helensburgh Parish Church	94
Falkirk Council	426	The Queen Elizabeth Castle of Mey Trust	89
Edinburgh World Heritage Trust	375	Comhairle Nan Eilean Siar	88
Historic Scotland Foundation	350	Auchterderran Kinglassie Church	87
Dundee Historic Env Trust (Revenue)	327	Mauchline Parish Church	86
Perth & Kinross Heritage Trust	271	Giffnock South Parish Church	81
Glasgow Building Preservation Trust	254	New Laigh Kirk	78
West Dunbartonshire Council	250	Augustine United Church	72
East Ayrshire Council	231	South Kintyre Development Trust	68
Aberdeenshire Council	207	Theatre Royal (Dumfries)	67
Archaeology Scotland	207	Largo & Newburn Parish Church	62
Angus Council	206	University of Bradford	62
Orkney Island Council	202	Scottish Redundant Churches Trust	60
Aberdeen City Heritage Trust	201	St Mary's Cathedral	58
Glasgow City Council	192	Clan MacKenzie Charitable Trust	58
Cambo Heritage Trust	188	AOC (Scotland) Ltd	53
Fife Historic Buildings Trust	187	Friends of St Johns	53
Stirling City Heritage Trust	185	Tranent Conservation Area Regeneration	51
Scottish Waterways Trust	184	WSREC	50
Society of Antiquaries of Scotland	179	St Ann's Dunbar	50
Duart Castle Partnership	164	Various grants below £50,000	1,720
East Dunbartonshire Council	163		
Stirling CHT Traditional Buildings	163		
The Scape Trust	163		
Built Environment Forum Scotland	160		
War Memorials Trust	159		
Borders Council	156		
Inverness City Heritage Trust	153		
Dunoon Burgh Hall Trust	126		
Auchindrain Trust	126		
Scottish Civic Trust	120		
Langstane Housing Association	118		
Shetland Islands Council	117		
Inchture & Kinnaird Church	112		
	cont. >>		16,154

11. INVESTMENT GRANTS – GROUP AND CHARITY (continued)

This table lists grants paid out during October 2015 to March 2016 with a value of £50,000 or more paid to the following institutions:

Institution	£000
Glasgow City Heritage Trust	757
The Highland Council	444
National Trust for Scotland	323
Renfrewshire Council	298
War Memorials Trust	256
Perth and Kinross Heritage Trust	184
Scottish Historic Buildings Trust	172
Edinburgh World Heritage Trust	163
Stirling City Heritage Trust	160
The Great Steward of Scotland's Dumfries House Trust	157
Kilmahew St Peters Limited	144
Midlothian Council	119
Scottish Borders Council	110
Kirkcudbright Parish Church	110
Highland Council	109
Fife Council	103
Aberdeen City Heritage Trust	103
Moray Council	102
Campbeltown Community Business Limited	102
The Queen Elizabeth Castle of Mey Trust	94
Mannofield Church of Scotland	91
University of Bradford	90
Architectural Heritage Fund	88
Dunollie Projects Limited	85
University of Glasgow	80
Argyll & Bute Council	75
Publication reports	75
St Marys Cathedral Workshop Limited	71
Society of Antiquaries of Scotland	70
Duart Castle Partnership	68
SCAPE Trust	67
CDDV	64
Built Environment Forum Scotland	64
St Ninian's Episcopal Church Glen Urquhart	61
Archaeology Scotland	61
Holy Trinity Coatbridge	60
Glasgow Evangelical Church	58
Melville Housing Association	57
Shetland Amenity Trust	52
Slamannan Parish Church	52
St Matthews Parish Church	51
Various grants below £50,000	1,196
	6,646

12. ANALYSIS OF FUNDS AND NET ASSETS – GROUP AND CHARITY

	As at 31 March 2016 £000	Incoming £000	Expenditure £000	Transfer between reserves £000	As at 31 March 2017 £000
Restricted reserves – Group and Charity					
Charitable Activities – Engine Shed capital spend					
Heritage Lottery Fund	932	2,191	(5)	-	3,118
Charitable Activities					
Travel subsidy	-	186	(193)	7	-
Antonine web	-	39	(65)	26	-
Heritage Lottery Fund Scotland's Urban Past	-	245	(295)	50	-
Heritage Lottery Fund – Skills	-	182	(207)	25	-
GIS Medin	5	3	(5)	-	3
Scotland's Places	1	24	(10)	-	15
Adapt Northern Heritage Board	-	17	(3)	-	14
Archaeology	-	5	(5)	-	-
Education Resources	-	10	(8)	-	2
EFFESSUS	-	61	(61)	-	-
Events	-	20	(39)	19	-
Inner Forth Development	-	32	(48)	16	-
Planning, Review & Research	-	45	(40)	6	11
Scottish Ten	-	1	(24)	23	-
Donations					
Edinburgh Rockfall	-	27	(72)	45	-
Mavisbank	-	2	(16)	14	-
Dumbarton Castle	-	20	(68)	48	-
Trinity House	-	25	(25)	-	-
Orkney Rangers	-	4	(4)	-	-
Glaif	6	2	(12)	4	-
Rock Art	-	807	(70)	-	737
Romantic Scotland	-	382	(57)	-	325
Antonine Site Development	-	12	(12)	-	-
	944	4,342	(1,344)	283	4,225
Unrestricted reserves – Group					
Unrestricted reserves	(13,470)	90,604	(83,687)	(272)	(6,825)
Revaluation reserve	17,538	1,048	-	(11)	18,575
	4,068	91,652	(83,687)	(283)	11,750
Unrestricted reserves – Charity					
Unrestricted reserves	(13,470)	85,955	(79,038)	(272)	(6,825)
Revaluation reserve	17,538	1,048	-	(11)	18,575
	4,068	87,003	(79,038)	(283)	11,750
All Funds – Group	5,012	95,994	(85,031)	-	15,975
All Funds – Charity	5,012	91,345	(80,382)	-	15,975

12. ANALYSIS OF FUNDS AND NET ASSETS – GROUP AND CHARITY (continued)

	Transferred in 1 October 2015	Incoming	Expenditure	Transfer between reserves	As at 31 March 2016
	£000	£000	£000	£000	£000
Restricted reserves – Group and Charity					
Charitable Activities – Engine Shed capital spend					
ERDF	-	1,471	-	(1,471)	-
Heritage Lottery Fund	-	932	-	-	932
Charitable Activities					
Heritage Lottery Fund Traditional Skills	(84)	114	(35)	5	-
Travel subsidy	-	38	(73)	35	-
Antonine web	-	13	(23)	10	-
Heritage Lottery Fund Scotland's Urban Past	-	57	(70)	13	-
Heritage Lottery Fund – Skills	-	42	(47)	5	-
GIS Medin	-	5	-	-	5
Dig Arch Top	-	1	(1)	-	-
Donations					
Water Tower	-	26	(26)	-	-
Elgin Stones	-	211	(211)	-	-
Trinity House	-	9	(9)	-	-
Orkney Rangers	-	14	(14)	-	-
Glaif	6	-	-	-	6
Carrier Bags	-	1	(6)	5	-
RCAHMS Restricted Funds Partnership – Defining Scotland's Places	3	20	(22)	-	1
Pastmap GSI Oracle Project	2	-	(4)	2	-
	(73)	2,954	(541)	(1,396)	944
Unrestricted reserves – Group					
Unrestricted reserves	(27,427)	50,677	(38,134)	1,414	(13,470)
Revaluation reserve	17,142	421	(7)	(18)	17,538
	(10,285)	51,098	(38,141)	1,396	4,068
Unrestricted reserves – Charity					
Unrestricted reserves	(27,427)	50,659	(38,116)	1,414	(13,470)
Revaluation reserve	17,142	421	(7)	(18)	17,538
	(10,285)	51,080	(38,123)	1,396	4,068
All Funds – Group	(10,358)	54,052	(38,682)	-	5,012
All Funds – Charity	(10,358)	54,034	(38,664)	-	5,012

The European Regional Development Fund (ERDF) and the Heritage Lottery Fund have provided grant funding to invest into creating Scotland's first dedicated building construction centre, the Engine Shed, a project sensitively restoring a historic former military building, creating office, laboratory and learning facilities in the process. The conditions of the ERDF grant have been fulfilled and transferred to unrestricted reserves.

	Fixed assets	Cash	Other net current liabilities	Creditors falling outside one year	Provisions	Total
	£000	£000	£000	£000	£000	£000
2017						
Net Assets						
Group						
Unrestricted funds	20,482	4,309	(22,603)	(6,925)	(2,088)	(6,825)
Restricted funds	3,118	1,107	-	-	-	4,225
Revaluation reserve	18,575	-	-	-	-	18,575
Total funds	42,175	5,416	(22,603)	(6,925)	(2,088)	15,975
Charity						
Unrestricted funds	21,639	4,200	(23,664)	(6,912)	(2,088)	(6,825)
Restricted funds	3,118	1,107	-	-	-	4,225
Revaluation reserve	18,575	-	-	-	-	18,575
Total funds	43,332	5,307	(23,664)	(6,912)	(2,088)	15,975
2016						
Net Assets						
Group						
Unrestricted funds	18,009	5,954	(25,251)	(11,264)	(918)	(13,470)
Restricted funds	932	12	-	-	-	944
Revaluation reserve	17,538	-	-	-	-	17,538
Total funds	36,479	5,966	(25,251)	(11,264)	(918)	5,012
Charity						
Unrestricted funds	19,161	5,709	(26,160)	(11,262)	(918)	(13,470)
Restricted funds	932	12	-	-	-	944
Revaluation reserve	17,538	-	-	-	-	17,538
Total funds	37,631	5,721	(26,160)	(11,262)	(918)	5,012

13. STAFF COSTS

	2017	2016
	£000	£000
Wages and salaries	30,377	14,994
Social security costs	2,741	989
Employer's contributions to pension schemes	5,863	2,813
Early departure costs	26	531
Agency temporary staff costs	792	448
Total employment costs	39,799	19,775
Less Recoveries in respect of Outward Secondments	(28)	(101)
Total Net Costs	39,771	19,674

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 Historic Environment Scotland is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2016-17, employers’ contributions of £5,719,675 (2015-16: £2,756,955) 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 2016-17 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 £138,732 (2015-16: £58,198) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 8% to 14.75% of pensionable earnings. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £4,602 (2015-16: £2,159) 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 £8,161 (2015-16: £10,712). No contributions were prepaid at that date (2015-16: £nil). Key management personnel and trustee remuneration is disclosed in the Remuneration and Staff report on pages 36 to 45.

14. AUDITOR'S REMUNERATION

The auditor's remuneration for 2016-17 consisted of a total audit fee of £91,646 (2015-16: £105,627).

An internal audit is carried out by the Scottish Government Internal Audit, the fee for this service is £43,000 plus VAT (2015-16: £nil).

15. RELATED PARTIES – GROUP AND CHARITY

Historic Environment Scotland Enterprises (HESe)

HESe, a wholly owned subsidiary of Historic Environment Scotland (HES) was set up as the trading arm of HES with the purpose of carrying out non-primary commercial business for HES.

During the year HES entered into transactions with HESe through the provision of personnel and overheads support services and the sale of retail stock on the 1 April 2016 at the value shown in HES accounts at 31 March 2016 which was cost less a provision of £525,000.

Transactions undertaken with HESe during the year were:

	Sale of stock	Supply of Personnel/ Support services
	2017	2017
	£	£
Historic Environment Scotland Enterprises (HESe)	1,109,919	4,868,177
Amount receivable from/due to:		
	Debtors receivable	Creditors outstanding
	2017	2017
	£	£
Historic Environment Scotland Enterprises (HESe)	3,865,391	1,952,983

Scran Limited (Scran)

Scran, formerly a wholly owned subsidiary of Scran Trust but became a subsidiary of HES on 22 February 2016. Scran ceased trading on 31 March 2016. On 1 April 2016 Scran transferred its net assets to HES. The value of the net assets was £165,189. Within HES' accounts there is an intercompany creditor balance with Scran amounting to £1,101,852.

	2017	2016
	£	£
Net assets transferred from Scran	165,189	-
Amount receivable from/due to:		
	Debtors receivable	Creditors outstanding
	2017	2016
	£	£
Scran	-	93,908
		1,101,852
		855,035

The value of the net assets transferred to Historic Environment Scotland is included in the creditors' outstanding balance as at 31 March 2017.

All transactions between HES, HESe and Scran are eliminated on consolidation.

15. RELATED PARTIES – GROUP AND CHARITY (continued)

Historic Scotland Foundation (HSF)

The HSF is an independent charitable trust established in 2001 to accept donations, gifts and legacies for the work of Historic Scotland or any successor body.

In the year to 31 March 2016, HSF awarded HES with grants totalling £369,141. The full amount was paid during 2016-17. During 2016-17, HSF awarded HES with a grant of £24,859 for Trinity House Education. This grant was outstanding as at 31 March 2017 and subsequently paid in April 2017.

Centre for Digital Documentation and Visualisation (CDDV) LLP

During 2009-10 Historic Scotland entered into a Limited Liability Partnership with Glasgow School of Art to form the 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 has continued with Historic Environment Scotland. In 2016-17 payments totalling £169,717 were made to CDDV for project work undertaken. A further £49,980 of work accrued during 2016-17 and was paid in April 2017.

Scottish Waterways Trust

Dr Diana Murray is a trustee of the Scottish Waterways Trust and was a senior manager of HES until 30 August 2016. HES gave grants totalling £184,006 to the Scottish Waterways Trust during 2016-17.

The Society of Antiquaries of Scotland

Dr Rebecca Jones, Head of Archaeology Strategy at HES, is the spouse of Dr Simon Gilmour, Director of Society of Antiquaries of Scotland.

During 2015-16 HES gave grants to the Society of Antiquaries of Scotland for 2 projects – Dig it 2015! and the Scottish Archaeological Research Framework.

Grants totalling £239,810 were allocated over a 3 year period from 2015-16 to 2017-18 for Dig it 2015!, a joint project with Archaeology Scotland. As at 31 March 2016, £176,161 of these grants were outstanding. A further £57,774 was paid to the Society during 2016-17 with £118,387 of the 3 year allocation remaining outstanding as at 31 March 2017.

Grants amounting to £114,000 were allocated to the Scottish Archaeological Research Framework by the Voluntary Sector Panel in 2015-16 and covered a 3 year period from 2015-16 to 2017-18. As at 31 March 2016, £105,204 was outstanding. A further £56,953 was paid during 2016-17. As at 31 March 2017, £48,251 was outstanding.

The Society of Antiquaries of Scotland have also received funding to enable them to publish various excavation reports and monographs. During 2016-17 they were given £70,584 of grants of which £67,584 was paid during year with the outstanding balance of £3,000 paid in June 2017.

16. INTANGIBLE ASSETS – GROUP AND CHARITY

	Archive rights £000	Computer & Software licences £000	Total £000
Cost			
As at 1 April 2016	54	1,494	1,548
Additions	-	45	45
Transfers	-	414	414
As at 31 March 2017	54	1,953	2,007
Accumulated amortisation			
As at 1 April 2016	(1)	(1,336)	(1,337)
Charge for the year	(7)	(82)	(89)
As at 31 March 2017	(8)	(1,418)	(1,426)
Net book value			
As at 31 March 2017	46	535	581
As at 31 March 2016	53	158	211

	Archive rights £000	Computer & Software licences £000	Total £000
Cost			
As at 1 April 2015	-	-	-
Balances transferred from business combination on 1 October 2015	-	1,558	1,558
Additions	54	-	54
Disposals	-	(64)	(64)
As at 31 March 2016	54	1,494	1,548
Accumulated amortisation			
As at 1 April 2016	-	-	-
Balances transferred from business combination on 1 October 2015	-	(1,359)	(1,359)
Charge for the year	(1)	(41)	(42)
Eliminated on disposal	-	64	64
As at 31 March 2016	(1)	(1,336)	(1,337)
Net book value			
As at 31 March 2016	53	158	211

Amortisation of Archive rights is included within Charitable Activities within the Consolidated Statement of Financial Activity. The Computer and software licence amortisation costs are included with IS support costs and are allocated as described in note 9 above.

17. TANGIBLE FIXED ASSETS – GROUP AND CHARITY

	Land	Buildings	Dwellings	Motor Vehicles	Computer Equipment	Plant & Equipment	Antiques & works of art	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost									
As at 1 April 2016	2,466	20,958	3,423	2,883	5,168	6,545	2,331	6,018	49,792
Additions	-	69	-	429	753	260	-	5,320	6,831
Transfers	-	815	-	-	-	-	-	(1,229)	(414)
Indexation	49	442	58	-	-	-	-	-	549
Disposals	-	-	-	(182)	(1)	-	-	(276)	(459)
Revaluation	1	87	49	-	-	-	-	-	137
As at 31 March 2017	2,516	22,371	3,530	3,130	5,920	6,805	2,331	9,833	56,436
Accumulated Depreciation									
As at 1 April 2016	-	(1,274)	(252)	(2,319)	(3,809)	(5,679)	(552)	-	(13,885)
Charge for the year	-	(753)	(119)	(208)	(454)	(294)	(77)	-	(1,905)
Eliminated on disposal	-	-	-	180	1	-	-	-	181
Revaluation	-	285	121	-	-	-	-	-	406
As at 31 March 2017	-	(1,742)	(250)	(2,347)	(4,262)	(5,973)	(629)	-	(15,203)
Net Book Value									
As at 31 March 2017	2,516	20,629	3,280	783	1,658	832	1,702	9,833	41,233
As at 31 March 2016	2,466	19,684	3,171	564	1,359	866	1,779	6,018	35,907
Historic Cost									
As at 31 March 2017	1,171	7,496	-	783	1,658	832	1,702	9,833	23,475
As at 31 March 2016	1,171	6,612	-	564	1,359	866	1,779	6,018	18,369

Any historic cost value of dwellings purchased over 12 years ago will be included within the buildings category. Three tapestries at Stirling Castle were partially donated by the Historic Scotland Foundation. The net book value of the donated assets held in Antiques & works of art at 31 March 2017 was £615,847 (2015-16: £630,178).

17. TANGIBLE FIXED ASSETS – GROUP AND CHARITY (continued)

	Land	Buildings	Dwellings	Motor Vehicles	Computer Equipment	Plant & Equipment	Antiques & works of art	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost									
As at 1 April 2015	-	-	-	-	-	-	-	-	-
Balances transferred from business combination on 1 October 2015	2,465	21,373	3,404	2,870	4,868	6,596	2,331	2,064	45,971
Additions	-	-	-	110	707	98	-	3,954	4,869
Indexation	9	77	13	-	-	-	-	-	99
Disposals	-	-	-	(97)	(407)	(149)	-	-	(653)
Revaluation	(8)	(492)	6	-	-	-	-	-	(494)
As at 31 March 2016	2,466	20,958	3,423	2,883	5,168	6,545	2,331	6,018	49,792
Accumulated Depreciation									
As at 1 April 2015	-	-	-	-	-	-	-	-	-
Balances transferred from business combination on 1 October 2015	-	(1,669)	(270)	(2,286)	(3,970)	(5,640)	(514)	-	(14,349)
Charge for the year	-	(346)	(57)	(130)	(228)	(188)	(38)	-	(987)
Eliminated on disposal	-	-	-	97	389	149	-	-	635
Revaluation	-	741	75	-	-	-	-	-	816
As at 31 March 2016	-	(1,274)	(252)	(2,319)	(3,809)	(5,679)	(552)	-	(13,885)
Net Book Value									
As at 31 March 2016	2,466	19,684	3,171	564	1,359	866	1,779	6,018	35,907
As at 31 March 2015	-	-	-	-	-	-	-	-	-
Historic Cost									
As at 31 March 2016	1,171	6,612	-	564	1,359	866	1,779	6,018	18,369
As at 31 March 2015	-	-	-	-	-	-	-	-	-

18. HERITAGE ASSETS – GROUP AND CHARITY

Collections

	2017	2016
	£000	£000
As at 1 April	361	-
Balances transferred from business combination on October 1 2015	-	361
As at 31 March	361	361

The valuation above solely relates to a collection of seven paintings purchased by Historic Scotland in 2005-06.

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

Historic Environment Scotland does not have legal ownership of the majority of the heritage assets it cares for; however, in the opinion of the Accountable Officer these assets are integral to the operation and being of Historic Environment Scotland and are therefore included within these financial statements. A description of the assets and consideration of their value is set out in accounting policy 1m, which forms part of these financial statements.

19. INVESTMENT – CHARITY

HESe has issued share capital of £1 which is owned by HES. HESe is carried on the balance sheet at cost of £1. HESe donates its taxable profits to HES annually.

The value of Historic Environment Scotland's investment in the subsidiary Scran Ltd is carried at the net asset value:

	2017	2016
	£000	£000
Total current assets	1,166	1,374
Creditors: Amounts falling due within one year	(9)	(220)
Net current assets or liabilities	1,157	1,154
Creditors: Amounts falling due outside one year	-	(2)
Total net assets	1,157	1,152
Capital and reserves		
Share capital	1,908	1,908
Accumulated losses	(751)	(756)
	1,157	1,152

The results of the subsidiary for the year ended 31 March 2017 (2016: period of ownership, 22 February 2016 to 31 March 2016) were:

	2017	2016
	£000	£000
Turnover	-	182
Expenditure	5	(72)
Profit	5	110

20. STOCKS

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

	2017	2017	2016	2016
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Retail stocks net of obsolescence provision	1,728	-	1,139	1,110
Work stocks - raw materials and consumables	359	359	240	240
	2,087	359	1,379	1,350

Retail stocks included as cost of sales amounted to £3,955,000 (2015-16: £5,076,000) in the year. Retail stocks are written down to net realisable value by £106,000 (2015-16: £526,000) and this is included in cost of sales.

Work stocks are used in the upkeep of historic properties and are recorded as direct costs within Charitable Activities.

21. DEBTORS

	2017	2017	2016	2016
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Trade debtors	839	432	1,438	1,245
Amounts owed by group undertakings	-	3,865	-	94
Taxes and social security	205	206	32	-
Prepayments	1,124	1,116	897	897
Accrued income	2,853	2,767	2,485	2,465
Other debtors	116	79	89	89
	5,137	8,465	4,941	4,790

22. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2017	2016	2016
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Accrual for grants payable	23,120	23,120	23,333	23,333
Trade payables	2	2	209	197
Amounts owing to group undertakings	-	3,055	-	855
Other taxation and social security	656	656	1,319	1,319
Other payables	615	609	656	606
Accruals and deferred income	5,434	5,046	6,054	5,990
	29,827	32,488	31,571	32,300

23. CREDITORS – AMOUNTS FALLING DUE OUTSIDE ONE YEAR

	2017	2017	2016	2016
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Accruals and deferred income	6,925	6,912	11,264	11,262
	6,925	6,912	11,264	11,262

24. DEFERRED INCOME

	2017	2017	2016	2016
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Balance at 1 April	420	365	-	-
Balance transferred from business combination on 1 October 2015	-	-	171	171
Balance transferred on creation of HESe	-	(131)	-	-
Income released in the year	(414)	(234)	(170)	(163)
Income deferred in the year	292	161	419	357
Balance at 31 March	298	161	420	365

Deferred income relates to advance ticket sales, events, weddings and facilities paid in advance.

25. PROVISION FOR LIABILITIES – GROUP AND CHARITY

	Pension costs	Compensation payments	Waste water	Holiday pay	Dilapidations	Total
	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2016	86	208	53	92	479	918
Raising Funds						
Provisions made in the year	-	22	-	-	-	22
Provisions used during the year	(12)	(12)	-	-	-	(24)
Charitable Activities						
Accruals and deferred income	-	-	-	-	-	-
Provision made in the year	-	30	-	-	1,168	1,198
Provisions used during the year	(16)	(16)	-	-	-	(32)
Grants distributed						
Provisions made in the year	-	11	-	-	-	11
Provision used during the year	-	(5)	-	-	-	(5)
Balance as at 31 March 2017	58	238	53	92	1,647	2,088

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 2019-20.

Compensation payments relate to claims for accidents to staff of Historic Environment Scotland and visitors to the monuments. The estimate is based on information received about the progress of claims and likelihood of any potential liability, which includes £36k in relation to the re-imburement of expenses. The final outcome and date of any settlement for these claims is unknown at this stage.

The provision for wastewater 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.

A holiday pay provision has been established to cover an expected pay out to staff following a recent EU ruling on changes to how overtime for holiday pay should be assessed. Work is ongoing and the timing of the expected settlement is not known at this stage.

A dilapidations provision covers identified dilapidations work at HES head office buildings. It is expected that final settlement will be made upon termination of each lease. The current termination date of the lease for Longmore House is October 2019 with John Sinclair House having a lease break option in October 2022.

26. LEASING – GROUP AND CHARITY

Total payments for operating leases in the year ended 31 March 2017 are £1,745,637 (2015-16: £768,975).

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

	2017		2016	
	Land & Buildings	Equipment	Land & Buildings	Equipment
	£000	£000	£000	£000
Not later than one year	1,730	2	1,732	4
Later than one year and not later than five years	4,164	3	4,167	5
Later than five years	5,002	-	5,002	-
	10,896	5	10,901	9

27. LOSSES STATEMENT

Losses resulting from unpaid direct debits, cash losses and bad debts recorded during the year total £27,741 (2015-16: £44,707).

28. REVALUATION RESERVE

	2017	2016
	£000	£000
As at 1 April	17,538	-
Balances transferred from business combination on 1 October 2015	-	17,142
Revaluation of assets	541	322
Indexation	550	99
Backlog depreciation	(43)	(7)
Transfer of realised element of Revaluation Reserve to unusable reserves	(11)	(18)
As at 31 March	18,575	17,538

29. TRANSFERS IN FROM HISTORIC SCOTLAND AND RCAHMS ON 1 OCTOBER 2015

Current Assets:	Note	Historic Scotland	RCAHMS	FRS102 transition	Total
	£000	£000	£000	£000	£000
Fixed Assets:					
Intangible assets	17	199	-	-	199
Tangible assets	18	30,969	653	-	31,622
Heritage assets	19	361	-	-	361
Total fixed assets		31,529	653	-	32,182
Current Assets:					
Stock		1,387	-	-	1,387
Debtors		2,300	329	-	2,629
Intercompany account		-	22	-	22
Cash at bank and in hand		5,955	501	-	6,456
Total current assets		9,642	852	-	10,494
Liabilities:					
Creditors: Amounts falling due within one year		(20,160)	(586)	(12,610)	(33,356)
Net current assets or liabilities		(10,518)	266	(12,610)	(22,862)
Total assets less current liabilities		21,011	919	(12,610)	9,320
Creditors: Amounts falling due after more than one year		(7)	-	(18,966)	(18,973)
Provisions for liabilities		(226)	(479)	-	(705)
Total net assets/(liabilities)		20,778	440	(31,576)	(10,358)
The funds of the charity:					
Restricted income funds	11	78	(5)	-	73
Unrestricted funds	11	(3,714)	(435)	31,576	27,427
Revaluation reserve	11, 27	(17,142)	-	-	(17,142)
Total charity (funds)/deficit		(20,778)	(440)	31,576	10,358

There was no requirement to report financial results of Historic Scotland and RCAHMS using the Charity SORP (FRS102). The adjustment column shows the effect of the restatement on the basis of the Charities SORP (FRS102) which requires the award of a grant to be recognised as a liability when the criteria for a constructive obligation is met, payment is probable, it can be measured reliably and there are no conditions attaching to its payment that limit recognition.

30. FINANCIAL COMMITMENTS

Historic Environment Scotland 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 Historic Environment Scotland faces.

As at 31 March, indicative authorisations under the Historic Buildings Repair Grants Scheme totalled:

	2017	2016
	£000	£000
Commitments due in:		
Less than one year	4,823	8,143
More than one year and less than five years	6,094	10,555
More than five years	-	-
Total	10,917	18,698

In addition to financial commitments under the Historic Buildings Repair Grants Scheme, HES has capital commitments in respect of building works on properties in its care. As at 31 March, these commitments totalled:

	2017	2016
	£000	£000
Rockfall project at Edinburgh Castle	-	43
The Engine Shed, Stirling	150	3,589
Total	150	3,632

31. FINANCIAL INSTRUMENTS

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

	2017	2017	2016	2016
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Assets measured at amortised costs	6,576	9,889	7,525	7,149
Liabilities measured at amortised costs	36,454	39,239	42,416	43,197

32. POST BALANCE SHEET EVENTS

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



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, 2016, 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



SUSTAINABILITY REPORT AITHISG SO-SHEASMHAICH

INTRODUCTION

In a drive towards a low carbon economy, the Scottish Government has set world-leading climate change targets, to slash Scotland's carbon emissions by 80% by 2050, with an interim reduction of 42% by 2020. These targets present Scotland with significant social and economic opportunities and challenges, requiring a range of actions.

Since its creation Historic Environment Scotland (HES) has made a conscious effort to reduce its operational greenhouse gas (GHG) emissions. Our Corporate Plan for 2016-19, *For All Our Futures*, has embedded our leadership role in climate change in its objectives by setting Key Performance Indicators (KPIs) to which we will work and report over the coming years.

Our new Carbon Management Plan sets out our intention to reduce GHG emissions through HES' operations, in line with national targets, by 2050. It takes an innovative approach to carbon management, through a series of five-year periods, each

of which is allocated a specific carbon budget. In practice, the current plan requires a progressive decrease in carbon emissions of between 2.2% and 2.4% each year to 2020, leading to an overall 11% reduction for the period 2015-2020. This ambitious target requires a transformational change in the way we factor carbon into our business operations.

This sustainability report highlights HES' high level performance for the financial year 2016-17 in a number of key areas: GHG emissions, from energy, waste management, business travel, water consumption, action on biodiversity, sustainable procurement and adaptation. The purpose of this reporting is to improve performance management in relation to sustainability, through greater accountability and transparency.

We will continue to publish a high-level sustainability report within our Annual Report and Financial Statements, in addition to submitting a Mandatory Public Bodies Climate Change Duties Report via the Sustainable Scotland Network portal.

Note on Conversion Factors

Emissions have been calculated using the UK Government GHG Conversion Factors, published by the Department for Environment, Food and Rural Affairs. The previous financial year's data has been amended using these conversion factors, following advice to public bodies under the Climate Change (Scotland) Act 2009. HES previously used conversion factors from Zero Waste Scotland that took into consideration the whole life-cycle of waste, therefore reported emissions from waste have reduced significantly.

2016-17 Performance Summary

AREA	ACTUAL PERFORMANCE	TARGET	STATUS
Total GHG Emissions	6,565 tCO ₂ e	-2.2%	-3.9%
Total Energy Consumption	17,889,444 kWh		-3%
Total Waste Disposal	1,036 tonnes		
Recycle Rate	42 %		
Total Water Consumption	86,686 m ³		
Total Energy Expenditure	£ 1,298,261		
Total Waste Expenditure	£ 147,122		
Total Business Travel Expenditure	£ 813,596		
Total Water Expenditure	£ 187,589		

GHG EMISSIONS OVERVIEW

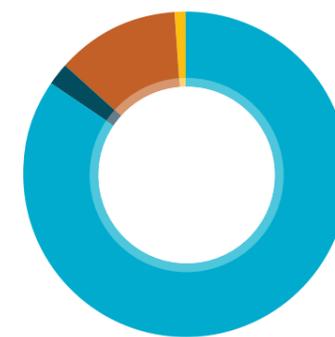
	2014-15	2015-16	2016-17	Annual Change	Change Against Baseline
Grand total	6,986	6,616	6,565	-0.8%	-6.0%
Energy	6,036	5,729	5,557	-3.0%	-7.9%
Waste	90	136	146	7.4%	62.2%
Business travel	811	693	799	15.4%	-1.4%
Water	48	59	62	6.1%	30.2%

TOTAL GHG EMISSIONS BUDGET

	Target HES GHG Emissions		Actual HES GHG Emissions			Difference Against GHG Emissions budget	
	Annual Emissions Budget (tCO ₂ e)	Year-on-Year Change	Actual Emissions (tCO ₂ e)	Change Against Budget	Change Against Previous Year	Difference (%)	Difference (tCO ₂ e)
Baseline	6,986	-	6,986	-	-	-	-
2015-16	6,832	-2.2%	6,616	-5.3%	-5.3%	-3.1%	-370
2016-17	6,679	-2.2%	6,565	-3.9%	-0.8%	-1.7%	-267
2017-18	6,525	-2.3%	-	N/A	N/A	N/A	N/A
2018-19	6,371	-2.4%	-	N/A	N/A	N/A	N/A
2019-20	6,218	-2.4%	-	N/A	N/A	N/A	N/A
Total	39,611	11.0%	20,167	-9.2%	-6.1%	-4.8%	-637

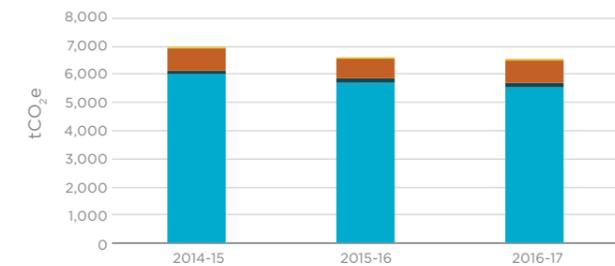
GRAPHICAL ANALYSIS

2016-17 Carbon Footprint

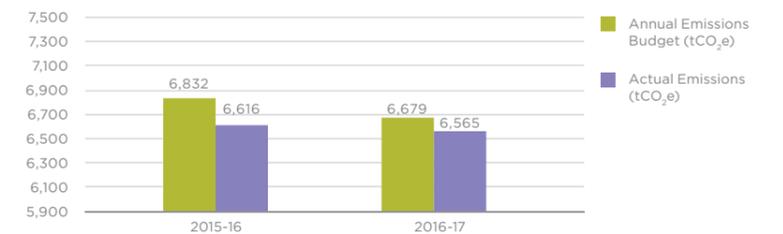


- 84.6% Energy
- 2.2% Waste
- 12.2% Business travel
- 1.0% Water

Annual Carbon Performance



Budget v Annual Emissions (tCO₂e)



TARGETS AND COMMENTARY

New Carbon Management Plan and baseline

We launched our new Carbon Management Plan (CMP) 2020 on 31 March 2017. We have set a new 2014-15 baseline, aligning our emission targets with the Scottish Government national targets. Calculated by aggregating emissions data from Historic Scotland (HS) and the Royal Commission on the Ancient and Historical Monuments of Scotland (RCAHMS) prior to the formation of Historic Environment Scotland (HES) in October 2015, we set this baseline because it represents the final year of our previous CMP and is the most complete and accurate data set available. We used this baseline to develop our 2050 target and to calculate carbon budgets across the period. The baseline also serves to highlight our carbon footprint, which is essential for understanding the range of operational emissions and determining (and communicating) our carbon reduction strategy going forward.

Our target

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.

Therefore we have set a long-term GHG emissions reduction target, from April 2015 and concluding in March 2050, over a period of 35 years. This approach not only serves to highlight the long-term nature of climate change and the need for sustained commitment, but also sets out the longer term corporate commitment of HES beyond the duration of the Corporate Plan and the average period of appointment of the Board, Chief Executive and Senior Management Team, thus aiming for a degree of continuity. For each period, HES has set a five-year carbon budget (published as a new CMP) that correlates directly with the national Scottish Government 2050 target. The total carbon budget for each period represents a milestone in meeting the final 2050 target, and performance reported against these milestones will provide clear indication as to whether the organisation is on track to achieve this. This approach should help to make the long-term target more tangible for HES. It also provides natural review points at which to reassess performance, governance etc., and to produce a revised CMP if necessary. Period 1 (this current period) covers the period from April 2015 to end-March 2020. The total carbon budget allowed for HES operations over this period is 32,620 tCO₂e, calculated to match the Scottish Government's 42% reduction target for 2020. This requires an annual reduction of 2.2 to 2.4%, and an overall reduction of 11% over this period.

Our current GHG emissions

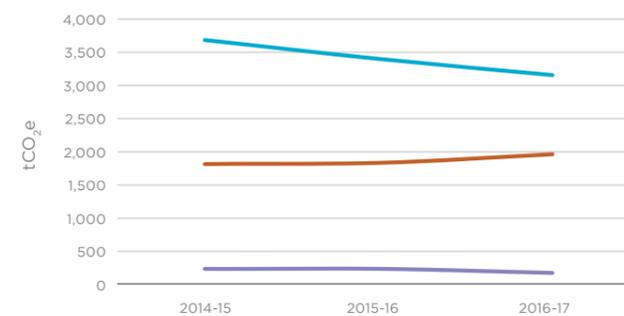
During 2016-17 we emitted a total of 6,565 tCO₂e GHG emissions in comparison to our 6,679 tCO₂e annual budget for 2016-17, meaning that we have made an additional reduction of 114 tCO₂e. This means that we have made a total reduction in GHG emissions of 3.9% in comparison to our annual target of 2.2% for 2016-17, which is an additional reduction of 1.7% beyond target. Overall (from 2014-15 to 2016-17) we have emitted 20,167 tCO₂e and made a saving of 9.2%. This consists of a 3% reduction in energy emissions against the previous year, a 7.4% increase in waste emissions, a 15.4% increase in business travel emissions and a 6.1% increase in water emissions. The sustained reduction in energy emissions indicates that we continue to reap the benefits of investment in energy efficiency measures made in previous years, having a positive influence on the overall emissions from HES regardless of the increase from other sources.

ENERGY OVERVIEW

	2014-15	2015-16	2016-17	Annual Change	Change Against Baseline
GHG emissions (tCO₂e)					
Electricity	3,680	3,394	3,150	-7.2%	-14.4%
Electricity (T&D)	322	280	285	1.7%	-11.4%
Natural gas	1,814	1,826	1,955	7.1%	7.8%
Other fuels	221	228	166	-27.1%	-24.6%
Actual consumption (kWh)					
Total Energy	18,146,957	18,134,375	17,889,444	-1.4%	-1.4%
Electricity	7,444,933	7,344,074	7,645,643	4.1%	2.7%
Natural gas	9,808,991	9,871,990	9,564,716	-3.1%	-2.5%
Other fuels	893,033	918,311	679,085	-26.1%	-24.0%
Financial indicators					
Total Energy	£1,312,506	£1,280,984	£1,298,261	1.3%	-1.1%
Electricity	£922,463	£945,620	£1,011,041	6.9%	9.6%
Natural gas	£356,444	£324,481	£254,134	-21.7%	-28.7%
Other fuels	£33,599	£10,883	£33,086	204.0%	-1.5%
3rd party re-charge: Electricity	-£98,217	-£28,780	-£106,311	269.4%	8.2%
3rd party re-charge: Natural gas	-£60,964	-£29,855	-£84,352	182.5%	38.4%

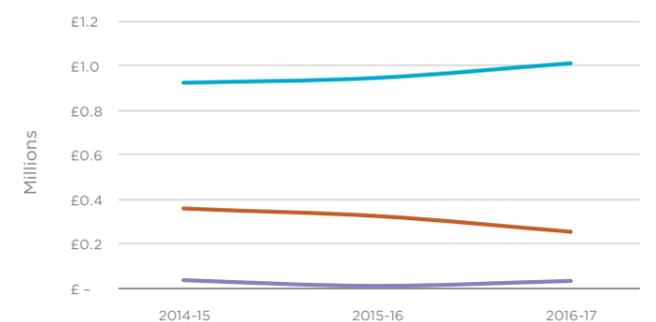
GRAPHICAL ANALYSIS

GHG Emissions: Energy



Electricity
Natural gas
Other fuels

Expenditure: Energy



TARGETS AND COMMENTARY

Energy use in our buildings represents 84.6% of our overall carbon footprint. At Stirling Castle, where we achieved a reduction of 6%, a programme of energy improvements has been ongoing from 2015-16 to 2016-17. We have draught proofed, replaced and double glazed windows across the castle and replaced older light fittings with more energy efficiency LED alternatives. All these initiatives have enabled Stirling Castle to function in a more energy efficient and sustainable way. In 2016-17 we also invested in additional improvements to Edinburgh Castle, which achieved a reduction of 5%; these included secondary glazing, insulation and LED lighting upgrades and this is reflected in the reductions we have since been able to make.

To reduce overall emissions from energy we have managed to make the following changes across the HES Estate: a 3.1% decrease in natural gas consumption against the previous year, a 26.1% decrease in other fuels (i.e. burning oil, LPG and gas oil) and a 4.1% increase in electricity consumption. Setting this aside, our reductions can be

attributed to the ongoing fabric and technological improvements throughout the HES estate, the impact of Climate Change Awareness Training to staff, the reinvigoration and rapid growth of our network of Green Champions (currently at 140) and mild weather. It must also be noted that the considerable decrease in other fuels can partly be attributed to two occurrences of late invoices for gas oil at Urquhart Castle and burning oil at Blackness Castle falling just beyond the 16-17 financial year (April 2017).

Energy used in buildings remains a priority in determining project funding. Projects will continue to be supported in areas of energy efficiency improvements, energy management and control, staff behaviour change, and the introduction of low-carbon and renewable technologies. Electricity must remain a top priority because it is the main heating source at most properties, and has both high associated emissions and cost. This is closely followed by the use of natural gas, while other fuels form a much lower proportion of the overall GHG emissions and are lower priority.

DIRECT BUSINESS IMPACTS

Management Plan 2020 – ‘Carbon Management Hierarchy’. Reducing our energy consumption plays a pivotal role in meeting our carbon targets. It also produces cost savings, in terms of both direct energy costs and the Climate Change Levy (CCL), a tax on energy for non-domestic customers.

INDIRECT BUSINESS IMPACTS

Reducing energy consumption across our large and technically challenging estate plays a role in meeting national climate change targets and our Corporate KPIs, as set out in our Corporate Plan 2016-19. Also, through our range of publications, borne from technical research and our own experiences, we continue to disseminate information to a range of audiences on improving energy efficiency in traditional and historic buildings.

WASTE

	2014-15	2015-16	2016-17	Annual Change	Change Against Baseline
GHG emissions (tCO₂e)					
Total waste	90	136	146	7.4%	62.2%
Landfill	77	127	139	9.4%	79.9%
Recycled	10	8	6	-27.1%	-44.6%
Energy from waste	2	1	2	33.6%	-34.9%
Composting	0.38	0.33	0.23	-30.0%	-39.3%
Actual output (tonnes)					
Total waste	1,291	1,078	1,036	-3.9%	-19.7%
Landfill	342	424	495	16.7%	44.7%
Recycled	774	543	430	-20.7%	-44.4%
Energy from Waste	112	57	73	27.3%	-35.2%
Composted	63	54	38	-28.8%	-38.9%
Financial indicators					
Total waste disposal	£155,630	£164,945	£147,122	-10.81%	-5.47%
Non-hazardous waste	£155,630	£164,945	£147,122	-10.81%	-5.47%
Hazardous waste	-	-	-	N/A	N/A

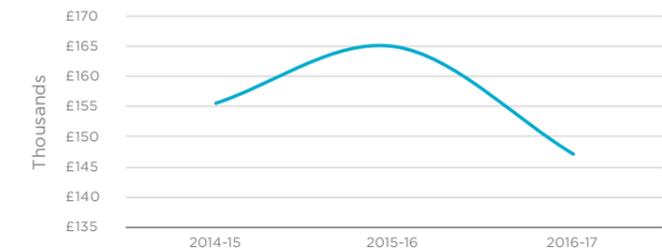
GRAPHICAL ANALYSIS

Waste Composition



- 47.8% Landfill
- 41.5% Recycled
- 7.0% Energy from waste
- 3.7% Composted

Expenditure: Waste Disposal



TARGETS AND COMMENTARY

Overview and CMP targets

Waste represents around 2.2% of our overall carbon footprint. HES has not set any specific waste reduction targets. However, the new HES Carbon Management Plan has included waste in its overall target and 'project prioritisation' to reduce operational GHG emissions. Waste is a significant source of emissions for the organisation (146.37 tCO₂e), although financial costs are relatively higher. Despite the publication of a Waste Prevention and Reuse Plan for Historic Scotland in 2013, waste remains a particular challenge, in part resulting from the diversity and geographical spread of HES operations. Priority needs to be given to improving waste management and assigning total actual costs against each of our waste streams (i.e. landfill, recycling, combustion and composting). Factoring in the true cost of waste to our operations (e.g. retail, events etc.) will improve accountability and stimulate action. Other priority areas for waste are:

- Working to improve waste segregation and avoid contamination in order to increase recycling rates and reduce the amount of waste sent to landfill. This will significantly reduce overall waste emissions and costs;

- Waste combustion represents approximately 7% of HES total waste tonnage, but a fairly high cost per tonne. Reducing this will help to reduce overall waste costs, though in some remote locations (e.g. Orkney) this may not be possible;
- Waste prevention through improved procurement practice (i.e. factoring waste into procurement processes) will have a fundamental impact on reducing waste. Reuse and redistribution of materials and equipment within and beyond HES have significant potential to contribute to the circular economy and reduce emissions and costs through avoiding the need to purchase new products;
- Improved communications and influencing behavioural change is a key aspect – every visitor and member of staff produces waste and can make a direct contribution.

The data above shows an overall 3.9% decrease in waste tonnage against the previous year of 2015-16. This is only a slightly lower tonnage overall, however it shows an increase in emissions (7.4%) due to changes in the conversion factors.

Overall, HES has a recycle rate of 41.5%. This is significantly worse than the previous year (50%) and indicates issues with quality of data provided by our many waste contractors as well as the technical challenges in rolling out full recycling facilities across a vast and complex Estate and a need for further staff and visitor behavioural change.

Financial indicators demonstrate a cost reduction of 10.8% against the previous year. This reduced cost can be attributed to our charitable status which means that we now qualify for free council run waste collections at some sites. It should be noted that cost figures include direct costs of waste disposal and collection only, not additional internal costs of waste management such as HES staff time and purchase of recycling bins.

Projects

Waste reduction initiatives have taken place throughout the year, including the sale of re-usable cups at the Longmore House Café. We ran a staff awareness campaign in March 2017 which focused on reuse and recycling. We continued with pilot visitor recycling at Linlithgow Palace, Stirling Castle and Edinburgh Castle.

During this year, HES contracted an environmental consultant to carry out a Corporate Waste Strategy Review. They visited and audited a total of 12 sites (in most cases including a physical audit of waste composition) and conducted telephone survey of a further 6 sites using the Baseline Survey questionnaire. The results of the review will inform strategic recommendations in relation to Waste Policy; functional guidance on waste management practices; advice on contracts and contract specifications; resourcing and staff awareness and engagement; infrastructure; and monitoring.

Future Improvements

Most of the weight data for the waste has been estimated using average bin fill assumptions and the SEPA density conversion factors. To provide more accurate results would necessitate waste contractors weighing the waste they collect; however this is not yet available through the majority of our waste contractors.

These figures only show the waste disposed of through landfill, combustion, composting and recycling and do not specify waste which is reused. Donating to charities or returning waste to suppliers for redistribution is becoming a preferred disposal method for reusable items. In 2016-17 we donated hard hats to play schemes, collected electrical items for Zero Waste Scotland during Pass it on Week and donated other items to charities.

DIRECT BUSINESS IMPACTS

HES produces a large amount of waste through a number of different operations, such as visitors, offices and construction. The organisation produces waste at approximately 150 sites, with collections from 25 contractors. Reducing our waste output, diverting the remainder from landfill and streamlining our waste management has the potential to significantly reduce our environmental impact and deliver both financial and management efficiencies.

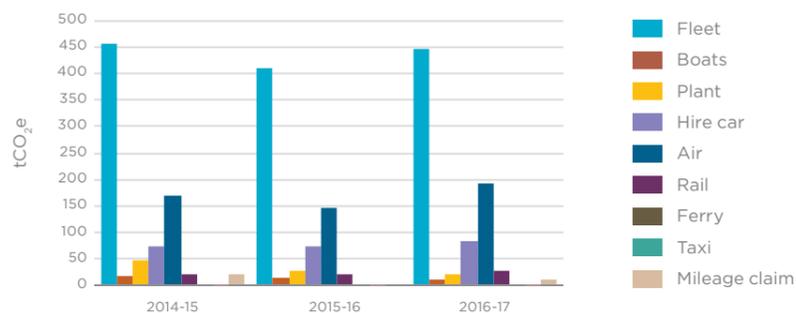
INDIRECT BUSINESS IMPACTS

HES is able to place certain requirements on waste and other contractors in terms of waste disposal performance. We are also in a position to influence visitors and staff members through the provision of recycling facilities and visible signage at our sites.

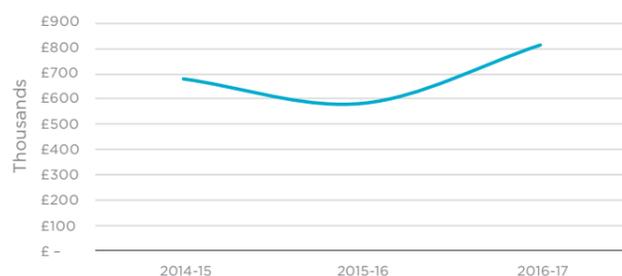
BUSINESS TRAVEL		2014-15	2015-16	2016-17	Annual Change	Change Against Baseline
GHG emissions (tCO ₂ e)	Total business travel	811	693	799	15.4%	-1.4%
	Fleet	457	409	446	8.9%	-2.5%
	Boats	18	13	12	-6.3%	-30.4%
	Plant	47	27	23	-15.2%	-51.4%
	Hire car	73	73	85	15.2%	16.3%
	Air	171	146	194	32.5%	13.2%
	Rail	20	21	26	27.8%	33.2%
	Ferry	3	-	1	4817.2%	-49.5%
	Taxi	3	1	2	211.7%	-36.5%
	Mileage claim	20	2	11	339.3%	-46.8%
Financial indicators	Total business travel	£679,310	£582,985	£813,596	39.6%	19.8%

GRAPHICAL ANALYSIS

GHG Emissions: Business Travel



Expenditure: Business Travel



TARGETS AND COMMENTARY

Business travel represents 12.2% of our overall carbon footprint. We have not set any specific business travel reduction targets; however, since business travel is the second-highest contributor to HES' emissions, it is still considered a priority.

HES fleet is a priority for action because we have direct control of it. Reducing emissions in this area will be delivered via a reduction in vehicle use through use of alternatives such as videoconferencing and more efficient use of vehicles through improved journey planning, monitoring and reporting. Further initiatives will be implemented such as supporting and implementing sustainable travel alternatives (cycling, walking, and public transport), plus fleet rationalisation and transfer to lower emission vehicles. Other significant areas of business travel such as air travel and hire cars would benefit from improved management and monitoring. Taxi use, while low in terms of proportional carbon emissions, is highly visible to the public, and addressing it will signal a transformational approach to business travel. Promotion of the Business Travel Policy and alternative modes for short journeys would support the above initiatives.

We are a large and geographically spread organisation with a range of business functions and staff travel is essential to carry out day to day business objectives. Part of our mission is to share and celebrate our cultural heritage with the world and our "Lead" strategic theme states that we

will fulfil a leading and enabling role through our activities and by supporting empowering and collaborating with others. In many circumstances, fulfilment of these may require us to travel outwith Scotland, to other parts of the UK or abroad and this is reflected in 2016-17 in the rise of emissions from air and rail travel against the previous year.

Overall, business travel emissions have increased by 15.4% when compared with the previous year. Emissions from our fleet have increased by 8.9% against the previous year and this is by far the largest source of emissions for HES business travel. This may be partly due to considerable improvements since the introduction of a Fleet Management Service. Emissions from hire cars show a 15.2% increase against the previous year. The increase in air travel emissions, a 32.5% increase on the previous year, is a result of more international travel, which included travel to international conferences and for meetings relating to developing collaborative projects with other countries.

Business travel expenditure has increased by 39.6% against the previous year. This increase is partially caused by increased air travel for networking internationally, but may also be due to improvements on data quality and cost code structuring from our Finance Team. To help reduce emissions, we currently have a Fleet Management Service agreement with Scottish Natural Heritage, which is enabling us to implement continuous improvements to management

and data quality. Our Senior Management Team approved a new Fleet and Driver Policy and associated guidance in November 2016. This will help us deliver fleet efficiencies, led by our Fleet Management Team.

DIRECT BUSINESS IMPACTS

Reducing staff travel and switching to lower carbon modes will help to reduce HES carbon footprint, though this is a relatively small proportion of our overall emissions compared to energy. The greatest impacts will be a reduction in both direct and indirect costs. Encouraging employees to choose healthier forms of travel for short journeys, such as walking or cycling, can help to improve staff well-being and increase productivity.

INDIRECT BUSINESS IMPACTS

Reducing emissions from business travel will play a part towards achieving national climate change targets and demonstrating exemplary behaviours. We are also in a position to influence staff members, third party organisations and visitors in choosing more sustainable forms of transport. For instance, we include links to Traveline Scotland and the National Cycle Network on our website to help visitors plan visits to our sites in a sustainable way. We are a Cycle Friendly Employer and have bicycle racks available for staff and visitors at our headquarters and at some of our sites (currently under review), including Stirling Castle. We have a salary advance scheme available to staff for the purchase of bicycles and season tickets for public transport.

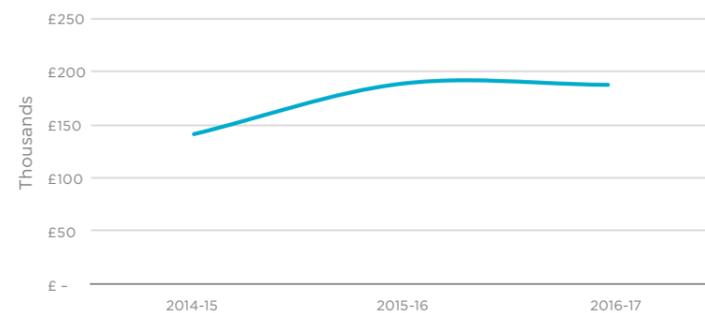
WATER		2014-15	2015-16	2016-17	Annual Change	Total Change
GHG emissions (tCO ₂ e)	Total water emissions	48	59	62	6.1%	30%
	Supply	16	20	25	25.5%	58%
	Waste	32	39	37	-3.9%	16%
Actual consumption (m ³)	Metered supplies	46,401	58,319	73,202	25.5%	58%
	Unmetered supplies (estimate)	11,048	12,408	13,485	8.7%	22%
Financial indicators	Water supply	£141,199	£188,595	£187,589	-0.5%	33%
	3rd party re-charge: Water	-£34,225	-	-	N/A	N/A

GRAPHICAL ANALYSIS

GHG Emissions: Water



EXPENDITURE: WATER SUPPLY



TARGETS AND COMMENTARY

Water represents around 1% of our overall carbon footprint. We have not set any specific water reduction targets but believe that there are still emission and cost savings to be made from water consumption reduction measures. However, improved monitoring and data acquisition forms part of our actions to reduce emissions through increased implementation of smart meters across our estate.

The data demonstrates that metered water consumption has increased by 25.5% when compared with the previous year. This could partially be caused by improved monitoring and data acquisition from sites due to an increase of 20 Automated Meter Reading (AMR) device installations against the previous year. It is also likely to be linked to the record-breaking visitor numbers at some of our flagship properties, such as Edinburgh Castle. Water expenditure has reduced by 0.5%.

Because water emissions form a small proportion of HES carbon footprint, we have not prioritised water efficiency to the same level as energy and waste. However, there is still potential for savings through reduced and more efficient consumption and this will be promoted through the Green Champions network.

DIRECT BUSINESS IMPACTS

Reducing water consumption across our Estate would help to reduce costs and carbon emissions. However, given the small proportion that water consumption represents, this must be carefully considered on a cost/benefit basis.

INDIRECT BUSINESS IMPACTS

The processing, pumping and sanitation of fresh water is an energy intensive process, contributing 4% to the UK's national CO₂ emissions. Reducing water consumption and improving efficiency can play a vital role in meeting national targets.

BIODIVERSITY

TARGETS AND COMMENTARY

Biodiversity report

The management of properties in care has opportunities for supporting biodiversity improvement and understanding. Properties in care can be special for biodiversity, many have been protected from development, particularly agricultural improvement, which has allowed the preservation of local habitats and species. Many sites therefore support populations of rare birds, bats, amphibians and many invertebrates as well as providing important wildlife corridors which allow plants and animals to migrate as part of normal activity and to spread as a result of pressure from development and climate change.

Ranger activities

During 2016-17 our Ranger Service has undertaken a number of activities to promote and support biodiversity. These include:

1. Education and outreach

- Undertaking a programme of education focusing on the conservation of the natural and historic environment to 124 education groups, totalling to 2,132 children and students.
- Raising awareness to the wider public and encouraging participation through delivering 44 guided walks

and activities involving 746 participants. Activities this year have included Toad Week. The week involved 60 volunteers helping the migrating toads to cross park roads safely allowing them to complete their migration to spawn.

- Updating interpretation at our sites to include information on biodiversity. This year panels have been updated at Linlithgow, Dryburgh, Inchcolm, Inchmahome, Caerlaverock, Dumbarton and Threave.

2. Volunteer Programme

- Continuing to run our volunteer programme to provide opportunities for those with an interest in nature and conservation to get involved in the conservation, monitoring and protection of our natural landscapes. This year saw 12 new Volunteer Rangers recruited alongside a continued programme for wildlife survey volunteers.
- Working with volunteers to carry out 117.5 hours of surveys for 5 different species: adder's-tongue fern, Himalayan balsam, wood sage plume moth, maiden pink and sticky catchfly.
- Providing opportunities to 10 young people to get involved in nature conservation through the Junior Ranger Scheme.

3. Research and Conservation

- Undertaking 310.5 hours of survey work (117.5 Volunteer hours, 183 Ranger hours) for 7 different species and groups of species (Himalayan balsam, adder's-tongue fern, maiden pink, plume moth, sticky catchfly, bumblebees and butterflies). 2017 saw an estimated 90% reduction in the population of Himalayan balsam.
- Surveying rare and scarce mosses during winter, including the *Grimmia anodon* which is thought to occur nowhere else in the British Isles except on a single rock in Holyrood Park.
- Continued monitoring of the sticky catchfly reintroduction and maiden pink translocations in Holyrood Park.
- Completing 41 Statements of Natural Importance as part of an ongoing program to cover all of the 324 properties managed by HES, with 292 reports now completed. These report on key species with importance to biodiversity, as well as helping to inform the management of the site to help boost biodiversity.
- Protecting rare species and habitats.

4. Site management for biodiversity

- Implementing meadow management and altering grass cutting regimes at sites including the Ring of Brodgar.
- Erecting bat and bird boxes throughout our estate.
- Timing works to avoid conflict with wildlife, for example roosting bats and nesting birds.
- Tree and hedge planting and maintaining were appropriate.

5. Partnership Working

- Supporting local and national Biodiversity Action Plans such as the Edinburgh City Biodiversity Action Plan with 17 out of 17 actions either completed or on course for completion in stated timeframe. This included 3 new wildflower meadows created in Holyrood Park, along with 5 rare plant and 4 rare insects surveyed.
- Working on development of the Edinburgh Adapts Action Plan on Natural Environment and Greenspace Actions including ensuring our sites continue to act as corridors for species to migrate through, altering grass cutting regimes and meadow management.
- Working with Scottish Natural Heritage and the National Trust for Scotland to protect a newly nesting pair of peregrine falcons at Threave Castle. Parts of the castle

and island were closed to visitors to avoid disturbance, and site staff monitored bird behaviour closely.

- We partnered with the NTS Osprey viewing facility to raise awareness to visitors of the nesting birds.
- Supporting the Royal Society for the Protection of Birds, Inner Forth project aimed at increasing opportunities for birds around the Forth Estuary. The RSPB carried out bird survey at a number of HES sites, including Clackmannan Tower, Culross Abbey, Linlithgow Palace and Blackness Castle. As a result of the project a number of conservation projects were undertaken, including hedge planting at Blackness Castle by RSPB volunteers.

6. Statutory duties

- Integrating natural designation screening in the Scheduled Monument Consent process. Assessing the impact of any proposed works on European protected species, sites of special scientific interest, special protection areas and special areas of conservation.
- Promoting the requirement of applicants to seek specialist advice and provide ecological surveys or licences to support applications.

DIRECT BUSINESS IMPACTS

Through improved biodiversity, HES has an opportunity to enhance visitor experience at sites, through public engagement. This provides strong reputational and revenue drivers, to ensure we can continue to protect, conserve and manage the historic environment for generations to come.

INDIRECT BUSINESS IMPACTS

Protection and promotion of biodiversity will not only play an important role in enhancing Historic Environment Scotland sites, but will also safeguard native species. Through interpretive media, our public outreach will help to raise awareness and carry this important message to both national and international communities.

SUSTAINABLE PROCUREMENT

TARGETS AND COMMENTARY

HES has a dedicated Sustainable Procurement Policy that aims to apply the principles set out in the Scottish Ministers' Sustainable Procurement Action Plan. This Policy provides staff with purchase guidance in a number of key business areas, including access, interpretation and visitor management works; facilities management and office services; janitorial and cleaning, waste management and recycling; catering; grounds and land management; publications and research; and ICT.

We attend 'Meet the Buyer' events to engage with existing and potential suppliers, advising them on our procurement processes and providing contact details of teams within the organisation to encourage suppliers to get in touch with our business areas to identify opportunities.

In line with best practice guidance, we have included the evaluation of employment practices and 'workforce matters' in the pre-selection documents for larger projects. This is seen as a key driver of service quality and contract delivery.

We use 'Sustainability Tests' for larger contracts to ensure that we build sustainable criteria into the specification of the product/

services where possible and also link this to evaluation criteria. We will, where applicable, use the Sustainable Procurement Tools currently being constructed by the Scottish Government in response to the sustainable procurement duty included in the Procurement Reform (Scotland) Act 2014.

We continue to promote the use of Supported Businesses and related organisations within HES with the result that several contracts have been placed with businesses who have a social and environmental purpose and those who are committed to giving people with disabilities the opportunity to be involved in a work environment.

We require, for relevant contracts, confirmation that goods have been procured in line with fair and ethical requirements e.g. procurement of timber goods with regard to Scottish Government Timber procurement policy. Included in the procurement of uniform items is a requirement that all goods are produced in line with the employment legislation of the country of origin and in accordance with all International Labour Organisation (ILO) conventions that have been ratified by the country of origin. Suppliers are asked to provide evidence of responsible sourcing and supply chain monitoring.

DIRECT BUSINESS IMPACTS

Through sustainable procurement, HES has an opportunity to act as an exemplar in supporting local communities, jobs and skills. With effective management, this will provide many reputational benefits.

INDIRECT BUSINESS IMPACTS

The use of sustainability criteria in the tender evaluation process creates a demand for sustainable business, promoting wider competition and encouraging businesses to be more socially and environmentally responsible in providing their services. Through sustainable procurement and with our wide geographical coverage, HES can assist in supporting local skills and jobs, subject to the overarching Procurement Regulations requirements.

CLIMATE CHANGE ADAPTATION

Climate Ready Scotland: Scottish Climate Change Adaptation Programme sets out the government's aims to prepare Scotland for climate change. In this, Historic Scotland was mandated to research the impacts of climate change on traditional buildings, disseminate knowledge, skills and tools to manage these, and work to increase the resilience of Scotland's built heritage and historic environment. These objectives transferred to HES and are a focus for us, with annual progress being reported here. These obligations reaffirmed our approach to climate change adaptation as set out in our Climate Change Action Plan 2012-2017.

The impacts of climate change on the historic environment are wide ranging and potentially devastating. However, the climate change agenda is a significant opportunity for the historic environment sector. By recognising its inherent sustainability, its resilience and longevity, and acknowledging the fact that it has always changed over time, the historic environment should be in a positive position to deal with the challenges ahead.

Climate Change Risk Assessment (CCRA)

In partnership with the Scottish Environment Protection Agency (SEPA) and the British Geological Survey (BGS), we have undertaken a comprehensive analysis of natural hazard risk, to our properties in care. This has resulted in the development

of: (i) a current climate risk register for the HES estate, and (ii) a methodology for assessing the impacts of climate change on heritage assets in the wider historic environment.

Our CCRA was a desk based, Geographic Information Systems (GIS) analysis of natural hazard risk to our 336 PICs that involved overlaying spatial boundary data for our PICs with natural hazard datasets supplied by the BGS and SEPA. We then used the vulnerability to natural hazards, such as flooding and coastal erosion, as indicators of susceptibility to the changing climate, allowing us to identify what sites we believe to be most at risk from climate change.

In developing our approach, we benefited from membership of the Adaptation Learning Exchange Risk Task Group; facilitated by Adaptation Scotland, which enabled us to share experience with other public bodies undertaking similar risk assessment, namely NHS Scotland, Scottish Water and Aberdeen City Council. Adaptation Scotland also published a case study on our project, in October 2016, which is available to download at www.adaptationscotland.org.uk/how-adapt/case-studies/screening-natural-hazards-inform-climate-change-risk-assessm. Initial analysis of the results, published in our Annual Conservation Report in January 2017, indicated that out of the sites investigated, 89% are exposed to high, or very high levels of risk. When we then consider the mitigating factors and controls already in place,

such as routine maintenance and ongoing conservation work, the number of sites classified as 'at risk' is reduced to 53%. With this new information, we can now conduct a more in-depth analysis of climate change risk at the high-risk sites identified in the baseline study. This evaluation of climate change risk will provide improved evidence-based decision-making in order to prioritise ongoing investment through our conservation and maintenance programmes, thus ensuring the long-term survival of the properties in our care.

During this year, we also worked closely with Adaptation Scotland on a Climate Ready Scotland exhibit to form the focal point of exhibition space at the next European Climate Change Adaptation Conference, to be held in Glasgow in June 2017. This exhibit will include our CCRA project as one of the key case studies.

During the financial year 2016-17, the Climate Change team began to develop an approach to internal engagement for the CCRA. This included: (1) Working with colleagues in the Collections Team to highlight the flood risk at Duff House and to build our CCRA data into their collection salvage plans. This included presenting at a Salvage Training Day at Duff House, to an audience which included National Galleries of Scotland, Scottish Fire and Rescue Service, the HES staff, and our salvage contractor. (2) Holding our annual Green Champions conference, with part of the day dedicated to talking about the work the Climate Change Team have undertaken

on risk assessment. (3) Holding workshops with Conservation Directorate managers at their bi-annual training and development day. With the creation of a new and permanent Climate Change Scientist post, due to be filled early in the next financial year (2017-18), there will be increased capacity within the team to build on this work.

The Engine Shed

Construction and fitting out of the Engine Shed continued at pace throughout 2016-17, with doors due to open to the public in July 2017. The Engine Shed is Scotland's first dedicated building conservation centre, as well as a free visitor attraction. Located in Stirling, the centre will help to increase the understanding of traditional building materials and skills among the public and professionals alike, and will raise standards in conservation for traditional buildings. This resource of skills and knowledge will play a vital role in the adaptation of the historic environment to climate change, and is the platform through which we will publish our technical research and guidance.

Technical Research and Guidance

Our technical research, often carried out in partnership with others, has been disseminated through events, training and publications. In October 2016 we published a Short Guide on 'Climate Change Adaptation for Traditional Buildings'. This free guide describes key aspects of the external envelope of a traditional building that provide

protection against the elements, and considers how these can be improved or adapted to increase a buildings resilience to extreme weather events. It also considers the internal environment within older buildings, and how this can be best managed to cope with changing environmental conditions.

Complementing the adaptation Short Guide, our Technical Research Team produced a further seven Refurbishment Case Studies, including one on Haa of Sand, Shetland. This case study described work carried out to an exposed gable of a listed building in Shetland, which had been subject to ongoing wind-driven water ingress. The measures carried out increase this building's resilience to the changing climate.

National Coastal Change Assessment (NCCA)

We are on the Steering Committee for Scottish Government's Dynamic Coast: National Coastal Change Assessment, a major Scottish Government research project collating information on coastal change, resilience and susceptibility to future coastal erosion. The NCCA aims to inform existing strategic planning (Shoreline Management Plans, Flood Risk Management Planning, Strategic and Local Plans, National and Regional Marine Planning etc.) and to identify those areas which may remain susceptible in the coming decades and require supplementary support. The identification of susceptible assets will enable the development of future management policies

and adaptation plans robustly based on a strategic and objective evidence base. The results of this project are due to be formally launched in August 2017 and webmaps and reports can be viewed at www.dynamiccoast.com.

Edinburgh Adapts

We sit on the Steering Committee for Edinburgh Adapts, a project to develop the city's first climate change action plan to help the city prepare for, and adapt to, the impacts of climate change. As one of the main partner organisations for this project, we helped to develop an action plan that will help achieve the vision for an adapted Edinburgh by 2050. As part of this plan, we have specific actions, many of which will be achieved in partnership with other organisation such as Edinburgh World Heritage. These actions include producing guidance on building maintenance and adaptation, tailored to Edinburgh's rich and diverse built heritage. The plan was formally launched in December 2016 by Roseanna Cunningham, Cabinet Secretary for Environment, Climate Change and Land Reform, at an event hosted by us at Holyrood Park Education Centre in Edinburgh.

SCAPE

HES grant-aids the work of SCAPE (Scottish Coastal Archaeology and the Problem of Coastal Erosion), including SCHARP (Scotland's Coastal Heritage at Risk Project), enabling a deep understanding of the impact of coastal erosion on archaeology.



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

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