

## Response ID ANON-FYWG-P4XJ-3

Submitted to **Call for Views: Advisory Group on Economic Recovery**

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### Questions

#### **Significant macroeconomic and fiscal implications will change the economic context for the foreseeable future**

##### **What will be the shape and form of the recovery from the crisis and the what will be the implications for the future growth and structure of the economy?:**

As the lead body for the historic environment in Scotland, we are Scotland's largest visitor attraction operator, managing over 300 properties of national importance of which we run 70 of these commercially (e.g. - Edinburgh Castle, Urquhart Castle). We have a statutory role in the planning system, designating building and monuments, advising on planning and development proposals and undertaking environmental impact assessments. We have a statutory responsibility to investigate, care for and promote Scotland's historic environment (under the Historic Environment Scotland Act 2014) and we work nationally and internationally to advance education, skills and research in heritage.

Scotland's Historic Environment Audit (SHEA) demonstrates that the historic environment generated £4.2 billion for Scotland's economy in 2018/2019. It supported 66,000 full time-equivalent jobs (direct and induced) and attracted 18 million visitors in 2018. In addition to forming a cornerstone of our tourism economy, the historic environment plays a critical role in supporting the quality of our places and the wellbeing of our communities, as recognised by the 'Place Principle' which Scottish Government and COSLA have adopted. With pre-1919 buildings making up 19% of Scotland's building stock and with 80% of scheduled monuments being on agricultural land, environmental protection and traditional building and conservation skills are major components of our sector and ensure that there is a large representation of sole traders and partnerships within it.

We have contributed our thoughts to the Scottish Tourism Alliance's response to this very call for evidence and endorse their response for the anticipated tourism recovery. As a sector similarly dependent on availability of skills and demand for repair/maintenance of buildings, we expect some of our conservation and traditional skills partners to see a quicker recovery of revenue than others as construction returns. However, we are aware from our sector survey results some of these partners are at high risk of not surviving the short-term impact of COVID-19 and so may not be around to see any pickup. As such, we are anticipating job losses and business closures across all parts of the sector although not sure to which magnitude this will be seen.

We are also mindful that heritage skills and services are seen to be outside of mainstream construction and so the effects of any direct and immediate investment into the industry to kickstart wider recovery may not be felt as quickly amongst our sector partners. This will especially be true if greater emphasis is placed on provision for the new build market. We would, therefore, want to see any target investment for construction include, or stipulate for, heritage-led development and regeneration in their programmes.

Due to the diverse nature of the historic environment sector and how its businesses and organisations feed into multiple larger industries, we are anticipating an uneven and potentially imbalanced recovery with some sectors (construction) picking up before others (international tourism, a few years away). There is also the potential to be regional differences in recovery due to varying demands from tourists and cash available to spend on repair and maintenance of buildings. This will be at a time where greater demands are placed on the sector with many businesses likely to be shedding their office properties combined with the accelerated decline of the High Street, leaving many 'stranded assets' as has been forecasted by economists, and with the sector tasked with helping find viable solutions for them.

In the longer term, however, we are seeing the crisis as an opportunity to advance quicker Scottish Government's commitments to becoming a wellbeing economy and to fulfil the values and purpose at the centre of the National Performance Framework. We believe the historic environment, as a pre-existing and publicly valued resource, makes a deep contribution to this transition. This approach is endorsed by the Infrastructure Commission for Scotland Report (January 2020) which recommended prioritising investment in the utilisation, maintenance and enhancement of our already existing assets, which is also the most sustainable way to achieve net-zero carbon. HES along with partners such as Built Environment Forum Scotland will be working together on a medium to long-term recovery response to better formulate the role the sector will play in this process of national recovery and renewal.

To further add to this, the historic environment sector across the UK have been discussing and investigating the value of heritage to the public and increasing its recognition as a public good. This is an approach to heritage increasingly advocated by the European Union and its funding workstreams; whilst we are seeing concepts of value becoming more entrenched in statute law and policy development with the emphasis on the current UK Agricultural Bill being "public money for public goods". As a public good, we continue to see a required need for funding for the sector to maintain heritage, although this should come through a multitude of public and private sources.

In terms of the funding position for the historic environment, it is currently a mixture of private and public, but predominantly private or spend on non-heritage public services which includes maintaining heritage buildings because of needing their functionality to continue. We would refer you to Page 9 of the attached Built Heritage Plan (<https://www.befs.org.uk/policy-topics/prioritisation/>) which has the best summary estimate we have of how the funding is split across various parts of the sector and where public money is going in. Under pre-COVID-19 estimate, the plan estimated a reduction in public funding across the board, and increased reliance on private/3rd sector to bridge the gap.

Public funding directly into the historic environment sector has fallen year-on-year even though GDP and government spending have grown over that time period. The pre-COVID-19 forecasts were for reduced growth due to Brexit. COVID-19 has pushed us into a recession for an uncertain period, but likely prolonged. Thus, the situation was already difficult for the historic environment sector before the current crisis. A further cut is likely unless there is a special intervention – but we note this would have to cover issues that pre-date COVID-19.

Private funding to the sector is split between tourism attractions and private individuals predominantly spending on their house. The tourism outlook is poor for at least the short-medium term, so we consider that income source is not going to compensate the anticipated public sector reduction. HES has endorsed STA's recommendations for special support for tourism, as being a sensible catalyst for the sector. Unemployment forecasts are set to increase suggesting private individuals will have less to spend on their properties (though the anticipated increase in home working could have an offsetting effect).

Trusts are a major funder but are predominantly investing the profits from their investment portfolios. Global stock markets are currently performing poorly, as is the UK currency. Prior to COVID-19, heritage trusts were reporting difficulties maintaining funding for these reasons, so again COVID-19 will have put further and potentially longer-term pressure on this existing issue.

Further to this, it is important to note that degradation and loss already occurring to our historic buildings and places, and accelerated by changing climate conditions, is having a pronounced effect on the overall health of our historic environment and the resultant quality of our places. This is clear from the thousands of buildings included on the Buildings at Risk Register for Scotland and evidence from the most recent housing condition survey (Scottish Government, 2018) demonstrating that 75% of all Scotland's dwellings have some degree of disrepair, with 30% of dwellings requiring urgent repair.

We therefore believe that investment in our historic environment is not only necessary to sustain and revive our tourism industry following the COVID-19 crisis, but also as preventative spend to ensure that our existing infrastructure and historic environment assets are as resilient as possible. The upgrading and adaptation of our historic buildings and places can help to meet our on-going requirements including our current needs for quality housing, flexible work spaces and creating attractive places to live and work as well as being an integral part of a Green Recovery. We believe that an approach focused on collaboration between all stakeholders - public, private and third – is required for comprehensive economic recovery which addresses, and works towards resolving, big issues which existed before COVID-19, such as housing delivery, and those accelerated by COVID-19, such as the number of 'stranded assets' anticipated from increased home working and the decline of the Highstreet.

We support the recommendations of the Infrastructure Commission who have concluded that most of the infrastructure that will be used in 30 years already exists today. They also found that the proper maintenance of existing assets will ensure that they perform more effectively during their lifetime – and that rebuilding is not always the best option.

Research undertaken by Historic England has highlighted that buildings contribute to global warming over their whole lives: when we build, maintain, use and demolish them. Buildings are the third largest greenhouse gas (GHG) emitting sector after surface transport and industry (CCC, 2019). However, a lot of carbon is embodied in existing historic and traditional buildings in Scotland. The report concluded that that up to one third of the total carbon emitted from a new home is released during the construction and demolition process.

Current carbon accounting methods do not acknowledge the carbon costs for construction and retrofit. The use and reuse of historic and traditional buildings, whether they are tenements or warehouses, has huge potential to contribute to reducing GHG from the construction industry. It also reduces waste and extraction of new building materials. The 2019 report from the UK Committee on Climate Change has identified retrofitting existing homes as one of five priorities for government action.

It will be important to continue to take a long-term view which advocates the right development in the right places, using Scotland's plan-led system to inform that and embeds collaborative working and consultation between partners and stakeholders. As more people choose to work at home, local environments will be more important and sensitive adaptation and upgrading of our historic and traditional buildings can allow for climate, demographic and lifestyle changes.

We consider for the historic environment that relaxing planning regulations to stimulate growth would not generate sustainable outcomes. There have been significant planning modernisation programmes over the last decade that have seen increased efficiencies. Relaxing regulations could cause significant harm to the historic and natural environments, at a time when both are increasingly threatened. Our Historic Environment Policy for Scotland (<https://www.historicenvironment.scot/advice-and-support/planning-and-guidance/historic-environment-policy-for-scotland-heps/>) provides a framework for making decisions about the historic environment.

We do note two areas, however, where reconsideration of regulations can have a beneficial impact on the historic environment – VAT and business rates. Nationally, the issue of Value Added Tax can have a huge effect on historic areas like town centres. There is a 20% rate on the repair, maintenance and refurbishment of existing buildings. New build developments are tax free.

This is a disincentive to owners and developers undertaking repairs, maintenance and most forms of adaptation and refurbishment work in town centres. The 20% rate also plays against wider priorities for ensuring resource efficiency and environmental sustainability.

Development within town centres may already have additional costs and restrictions over and above greenfield development. They might have restrictions on access, noise and construction hours. The additional VAT payable on the repair and refurbishment of town centre buildings gives them an extra disadvantage.

Lack of tax incentives to increase funding for conservation has been the case in several other European nations, including Italy – in the latter case, graduated tax relief and other fiscal benefits (under the 'Arts Bonus' tax scheme) are granted to private sector corporations funding the conservation of historic buildings. This relief has been reviewed by the European Union and is not classified as State Aid.

We strongly recommend that tax structures are reviewed. They should give parity for the use and adaptation of our existing building stock. Already in the UK there are reduced rates of VAT (payable at 5%) for certain works, including the installation of energy efficiency products, refurbishing long-empty homes, and the residential conversion of certain property types. A zero or reduced rate for works to town centre buildings would certainly assist the town centre first principle. Ultimately, we would like to see a reduced rate for all works of repair and maintenance to existing buildings.

Further, the cost of business rates for town centre properties is also a major issue. There are currently opportunities to offer reductions, including the Fresh Start scheme, which offers a rates holiday for previously long-term unoccupied buildings and those with lower rental values. There are also reduced rates for empty buildings and unused listed buildings currently have 100% relief from rates.

Unfortunately, when buildings are left empty there is often less motivation for owners to repair and maintain them. This can make their eventual repair and reuse more expensive and more complicated. Reduced rates should therefore not support buildings being left empty for long periods of time.

An extension of rate assistance schemes specifically for properties in town centre locations could assist town centre investment. This would be most effective

alongside new incentives for the repair and reuse of existing buildings that are standing empty. These could include reduced rates of VAT and grants for repair and enhancement.

In this context, we would support the reuse and refurbishment of existing building stock. We note the EU Commission is likely to recommend that existing building renovation is key to a green recovery from the Covid-19 crisis. Oxford University Study (published May 2020) international economic survey (includes learning from the 2008 financial crisis) found that green projects create more jobs, deliver higher short-term returns per dollar/pound spend and lead to increased long-term cost savings, by comparison with traditional fiscal stimulus.

<http://www.ox.ac.uk/news/2020-05-05-building-back-better-net-zero-emissions-recovery-green-covid-19-recovery-packages>

We have already co-sponsored a request with the Construction COVID Forum, of Construction Scotland Innovation Centre to come up with a multiplier for Repair & Maintenance (R&M) investment, split across the Housing Condition Survey divisions. Repair and maintenance is inherently less productive than new build, and whilst this in usual business terms this is seen as 'negative', it can mean more people required to do less, increasing employment and as the research and maintenance skills base is less transient and more local, the multiplier effect should be greater, as more investment appears as wages in more local people's pockets.

We consider that sustainable procurement from public sector spend (and others including grant giving bodies) can derive greater benefit for local business and supply chains. Grant giving bodies such as HES can focus more strongly on procurement to maximise the support to the economic recovery of Scotland; including green recovery projects such as repair, maintenance, energy efficiency, retrofit, low carbon projects, and support climate justice agenda i.e. how to maximise the benefits of grants to those most in need? For example, grants programmes could be used to subsidise or reduce costs of training or supply of materials, therefore lessening labour cost and generating local employment, rather than be used to subsidise overall 'project costs'.

Thus, the economic recovery should look to be aligned with circular economic principals to increase resilience to future risks. Prioritising local businesses and sustainable procurement makes us all more resilient in the future to mitigate supply chain issues (as a result of pandemic, climate or other disruption) and helps support these suppliers and business with the transition to a net-carbon economy. Within the construction sector, we consider there should be a focus on investment in skills for working with historic buildings to ensure that repairs, maintenance, retrofits etc. are appropriate, long lasting and high quality and don't cause more damage than good (maladaptation).

### **Different sectors and businesses will be impacted in different ways.**

#### **What are the medium- to long-term consequences of the lockdown on businesses, including loss of employees, debt overhang, loss of markets, reduced investment and unemployment?:**

Historic Environment Scotland is an executive non-departmental body set up under The Historic Environment Scotland Act 2014 and is sponsored by the Directorate for Culture, Tourism and Major Events in Scottish Government. We have the statutory responsibility for investigating, caring for and promoting Scotland's historic environment. We are a Key Agency under the Key Agencies Group set up by Scottish Government for planning reform and with the overarching purpose of creating a more successful country through increasing sustainable economic growth.

Along with our regulatory role in the planning system, we are responsible for over 300 properties of national importance, including Edinburgh Castle and Skara Brae, which we look after on behalf of Scottish Ministers. We are also a charity and operate not for profit in the running of these properties, which make up most of our yearly income with around 40% funding coming from Scottish Government.

As the lead body for the historic environment in Scotland, our work reflects the multiple arms which the historic environment sector operates within and highlights the two main larger industries it feeds into: tourism and construction. Our partners and stakeholders in the sector include visitor attractions and event providers, city development and civic trusts, traditional skills practitioners and conservators, museums, community and voluntary groups, built heritage specialists, and large estate owners, such as the Church of Scotland, Historic Houses Association and National Trust for Scotland.

We recently issued a survey to the historic environment sector in Scotland and gained a robust sample, reflective of the different parts of our sector, different sizes of organisation and from all across Scotland. In total, the responses related to organisations/groups/ businesses employing 2,749 FTEs and involving 11,015 volunteers.

By 30 April, 82% of our sector reported high or moderate risk to the long-term viability of their organisation. 78% were experiencing loss of revenue. All organisation types face difficulties, with sole traders/partnerships the worst affected (34% at high risk). They explained lack of cashflow and lack of new projects in the pipeline put them at risk of folding.

At the time of the survey only 4% had made staff redundant, whilst 31% had furloughed staff. In their comments many sector enterprises explained they predicted redundancies later in the year. Highest risk by employee size was for those employing between 50 and 249 Full Time Equivalent (FTE) staff (40% reported at high risk). One Cultural Trust explained: "We are a £2m turnover organisation, which is losing all our spring/ summer money- this keeps us solvent during the loss-making winter months. We are facing a £500k cash shortage after using our reserves. We will run out of cash in the autumn and won't be able to fund our winter. Redundancies currently seem inevitable. We employ 59 staff."

The period of lock down has coincided with the season which many of our enterprises rely upon to generate their annual income. Despite many applying for UK and Scottish level schemes, eligibility was proving a barrier. A historic visitor attraction explained: "many of the schemes are not accessible to this organisation; due to seasonal staff, high rateable value and our sole trader status."

It is clear tourism, hospitality, and many cultural activities, are at huge risk from the continued implications of COVID-19, while traditional retail and manufacturing were already experiencing downwards trends which have only accelerated during this time. From our survey results and from information sharing across the UK with other heritage bodies, it seems that there will be scarring to our sector caused by the effects of shrink in other sectors we rely on and through job losses and business closures in our sector. As much as possible, we consider the recovery strategy should focus on identifying success areas based on expected long-term trends, coupled with the need for a green and fair recovery which we hope should reinstate jobs which may be lost in the immediate impact of the recession.

The historic environment sector is made up of many small to medium size enterprises, comprising of third sector and community-based social enterprises, with no

core funding. Even when they can reopen, social distancing will make it impossible for many organisations to viably reopen. From our understanding of the issue with community sector partners, many smaller-scale heritage organisations, who operate as visitor attractions, will be forced to 'go dark' and focus on protecting collections and keeping sites safe, but will have no income as they will be unable to open to the public until social distancing measures are withdrawn. With partners across the sector such as the National Lottery Heritage Fund, we are surveying to understand the scale and scope of this issue but recognise that these organisations will need to be supported through to a sustainable reopening and long-term viability.

We are hoping that some of the immediate consequences from lockdown will be that restarting can occur with some previous key commitments in the sector being realised and worked into action plans. The tourism sector has the potential to act as an agent for change, triggering impacts on and beyond the sector – but only if it is well managed. As Scotland's largest operator of visitor attractions and caring for fragile, historic, irreplaceable assets, we have made a commitment through our Corporate Plan and Climate Action Plan to promote and practice sustainable tourism. We are already working on making our sites sustainable places to visit, which reflect and account for the needs of local communities, as well as the needs of our visitors and other stakeholders.

A good example of responsible tourism is the 2019 winner of the HES Conservation and Climate Change Award, the Borders Distillery in Hawick. The project repaired and reused an empty listed building in Hawick's town centre. As well as targeting zero waste in operations, the building provided no restaurant or café facilities, ensuring visitors dispersed and extended their visit to use the town's facilities and businesses.

In another case, Doune Castle, which is managed by HES, has seen a dramatic increase in visitor numbers as a result of featuring in several successful TV series, including as a main filming location in *Outlander*. We have been working in partnership with Stirling Council and Kilmadock Development Trust to find ways to encourage visitors to explore the wider village, and ensuring local businesses benefit more from greater footfall to the area. As part of this, the partnerships have secured an award from the Rural Tourism Infrastructure Fund to help deliver improved paths and facilities.

Based on our experience with tourism projects like this, we are keen to see a more strategic, joined up approach to planning for tourism – working in partnership with local authorities, communities and other relevant parties – become embedded.

At a regional level, we support and welcome the current partnerships emerging from the City and Region Growth Deals which we had been engaging with before COVID-19. While there are issues with the process of the Deals, as noted in the recent Audit Scotland reports, we consider they provide a good framework for public and private sector to focus on regional economic issues. Considering COVID-19, we see these partnerships as becoming more important as we work towards recovery.

Within the context of current decline of High Streets and rise in online shopping, we note that the shift in retail patterns are likely to become permanent. This means High Street policies should be urgently reviewed to actively support and encourage the changing use of historic buildings, which make up many high streets, to promote 'sustainable' future and repopulation of town centres. There is an opportunity here to help address the housing crisis and practice Circular Economy principles to promote the reuse of existing building stock and prevent the emissions, resource use and waste created from new builds. Reuse of buildings can bring communities back to the historic centres of towns and cities which in turn create demand for local goods and services.

Throughout the pandemic people have become more aware of the needs of their local places and communities. They also have a better understanding of how their local places function and what they may need moving forward. Therefore, there may be resulting pressure on local authorities to provide the local infrastructure that people need. This presents a significant opportunity to harness the sudden significant progress in achieving longer term goals, e.g. reduction in traffic, increase in homeworking, reduction in people's carbon footprint etc. rather than returning to 'business as usual'.

Where public sector funding is most effective it can unlock the potential of local economies in many places around Scotland. Funding from HES's Conservation Area Regeneration Scheme (CARS) has been an important asset for many of Scotland's towns and cities. CARS can act as a catalyst for tourism and additional continued investment in the repair and restoration of our towns' historic buildings which brings with it the demand for skilled trades in conservation, repair and maintenance.

The cessation and probable ongoing reduction in international visitor travel allows a refocus on local visitors learning from sustainable tourism practice i.e. maximising local socio-economic benefits whilst not relying on high emission travel. This results in increased resilience for tourist industry (less vulnerable to international disruption such as pandemic, volcanic ash cloud, and disruptive weather events) and strengthening of local economies including remote rural areas.

One fundamental issue which will affect HES and our partners who operate heritage visitor attractions will be the increase in car journeys and the lack of confidence to return to public transport and group travel. Heritage sites are not well placed to receive an increase in car parking. This will impact on local communities especially in rural areas. However, the return to the car will see increased flexibility in how long people stay at destinations and this may increase the potential for people to stay longer in one place if there is a broader offer. As a short-term solution to recovery in the tourist side, car parking incentives to support longer stays may be helpful.

The education sector will have to manage long-term consequences of having to deliver a socially distanced teaching mode and potential reduction in international students, resulting in income loss. For the historic environment sector, this could see the loss of specialist heritage focused courses, as they become uneconomic for a purely domestic market.

Furthermore, we expect employer training to fall initially, leading to skills gaps, loss of productivity, project delays and higher costs. There will be a substantial time lag until educational provision catches up again, with investment then required to provide facilities etc. This could be prevented by Government intervening to smooth supply and encourage demand but must be targeted to the wider public benefit rather than to institutional interests.

Digital provision has become vitally important for communicating and interacting with customers/audiences but lack of digital knowledge by partners and the ability to innovate is hindering organisations in the sector. Current online models mainly replicate physical offers and don't provide an income source in their current form.

A lack of access to the skills and support needed in rural areas leaves rural organisations struggling to access the skills they need. This is compounded by a difficulty in accessing heritage skills through mainstream skills provision, outwith the historic environment sector, because they are seen as niche.

Overall, we consider for the historic environment much of the infrastructure that will be needed to realise long-term aspirations of economic recovery plans already exists. Planning and economic recovery strategies should set the framework for its ongoing care and maintenance. This approach is supported by the findings of the Infrastructure Commission who found that we should be making the best of existing historic infrastructure, supporting the skills and technologies that will facilitate this and challenging perceptions that replacement is often preferable to reuse.

From 2017, HES and partners have developed a long-term Infrastructure Investment Plan for restoring, enhancing and conserving our built heritage and to support our tourism industry to continue to provide a world-class experience for visitors. (<https://www.befs.org.uk/policy-topics/prioritisation/>) This work continues and, in cooperation with sector partners, will seek to align to economic recovery planning in response to the COVID-19 crisis. The report outlined a range of key challenges and issues to address. Considering COVID-19, there are two issues to highlight that may be accelerated by the crisis.

One: Pressure on local authorities' resources may result in lack of funding to exercise existing enforcement roles available to local authorities such as Repairs and Urgent Works notices and Compulsory Purchase Orders. There is also potential for the introduction of Compulsory Sale Orders to be introduced as a further tool for tackling vacant and abandoned properties.

Two: There is currently a lack of appropriate professional, construction and management skills in the mainstream construction sector. Works involving repairs or alterations to our built heritage, that would have been routine fifty years ago, are now often seen as specialist 'conservation' activity, with only a few companies able to provide the services required to an appropriate standard of workmanship. We consider this problem will be exacerbated by COVID-19 with more buildings becoming vacant and greater demand for their services to renovate them to resale standard, or to entirely convert them for new uses.

To address these existing challenges and sustain economic growth, in line with Scottish Government's A Culture Strategy for Scotland, we would support continued investment and strategic approaches to our cultural infrastructure, which encompasses the arts, creative industries and the historic environment. Current Scottish Government forecasts significantly less money available for the Budget over the next 3 years. Sector awareness, skills development, planning and resilience to any and all changes to the finance available within the sector is key to a flourishing future. This means exploring creative solutions to investment and funding and recognising that our built heritage is an asset that delivers towards cross cutting national outcomes.

**The crisis will impact differently on different groups in society, and on different parts of the labour market; and, has already revealed some thorny issues about relative wages across key occupations.**

**What will the implications of the recovery be for different groups, unemployment and on the nature of work? How is the recovery likely to impact on socio-economic inequality as a whole?:**

Strategies for economic recovery which prioritise the on-going use, adaptation and upgrading of our historic environment assets will bring widespread benefits to different socio-economic groups across Scotland. We consider that investment in the maintenance and upgrading of our historic environment assets will stimulate the demand for traditional materials and skills development across all of Scotland. The Cultural Heritage Counts for Europe provides robust evidence of the clear benefits of heritage investment for the regeneration of cities and regions, both on individual and community levels (<https://www.europanostra.org/our-work/policy/cultural-heritage-counts-europe/>).

Inter-generational fairness will become a major issue throughout the recovery and beyond. Evidence suggests that those who enter the labour market during a depression/recession face barriers to work and social mobility that they may never overcome, as has been looked at in Scottish Government reviews for both young people (July 2017) and older people (August 2017). Finding ways for young people to enter the workplace in constructive, beneficial ways should be a priority, as too will be retraining/upskilling those at risk in declining sectors like oil and gas.

The heritage sector has been working hard to diversify its workforce by offering a range of paid traineeships, apprenticeships and internships to individuals from underrepresented communities. The crisis will impact on this work by impacting on the ability for organisations to offer these opportunities because of loss of staff and skills. Some programmes have been cancelled and others have been put on hold indefinitely. Current recruitment freezes and redundancies will make it difficult for those who have recently completed their work-based learning placement to take the next step and secure employment.

Nevertheless, the crisis has provided people with the opportunity to work and volunteer remotely. This will provide a significant opportunity going forward for organisations (particularly rural) who have problems recruiting staff to access talent and knowledge, provided we have the infrastructure and skills to make the most of remote working.

There is the risk, however, of digital poverty in the heritage sector with individuals and organisations that do not have the skills, confidence and infrastructure to make the most of digital opportunities. This crisis will widen this divide if left unchecked. The historic environment has a Skills Investment Plan (<https://www.skillsdevelopmentscotland.co.uk/media/45467/historic-environment-sip.pdf>) which was published March 2019 after consultation with the sector and external partners. This plan has been reviewed and updated in relation to this crisis and is an organic framework for collaborative action overseen by the Skills & Expertise Group made up of employers and stakeholders from the sector.

The underlying socio-economic picture for Scotland will not change with an aging population and workforce, and loss of migrant labour in the UK due to Brexit. Parts of our sector are already experiencing skills shortages that will be exacerbated by recession and slow recovery. If recovery in other parts of the UK comes quicker than in Scotland, the skilled labour in all fields will move to those areas. Our sector already needed to grasp these long-term underlying issues, as well as a need to consider what the historic built environment and heritage response to Industry 4.0 was going to be. The historic environment Skills Investment Plan was relatively advanced in starting to think through these issues, but we consider the need to find solutions will be accelerated by this crisis.

Within the historic environment sector there is a lack of parity when it comes to accessing skills both regionally and on a sector basis. Due to the perception that heritage skills are a niche market it is very difficult to access mainstream provision outwith the university sector, and heritage skills are not mainstreamed into related sector provision e.g. traditional building skills are not covered in mainstream construction courses. With anticipated impacts to these sectors, we are concerned that employment-based training will be hit in the short term and there is a gap here for public sector to provide support. However, structural funding changes are probably required to make this more efficient and equitable. This is needed to access skills which otherwise create huge skills gaps which impact on the viability of our organisations, or we see the loss of specialist craft skills in Scotland.

Nevertheless, jobs in heritage conservation can be well-paying. In urban regeneration works, we would highlight the significance and opportunities for the range of conservation specialists. While there are a range of planning, environmental and cultural outcomes in such regeneration works, in this section we want to not only highlight the initial production of good well-paying jobs but also the long-term economic impact in retention of these jobs in the productive use of existing building stock across Scotland.

In this regard, harnessing existing climate change initiatives will be required, such as the Just Transition Commission which has key aims under Scotland's Economic Strategy to create a more cohesive and resilient economy that improves the opportunities, life chances, and wellbeing of citizens. Areas such as the retrofit of existing buildings to support net-zero targets are recognised as significant opportunities in challenging inequalities through opportunities for training and jobs; and more-so in the post-COVID-19 recovery period. Climate justice and just transition principals should be considered to help reduce impacts on poorest in society and those least equipped to cope.

We recognise that there is as-yet unexplored issue of implications of increased homeworking. Already we note companies are divesting of big, expensive HQs in favour of smaller buildings where staff can meet to work only when necessary. While the move to homeworking/hotdesking is currently popular and part of a long-term trend, there are hidden implications. Reduced travel costs may be balanced by increased electricity and other bills. Homeworking might also create new castes of workers, with those working from home less likely to find promotion or personal development opportunities available to them. This could entrench inequalities faced by women and minorities, and those with caring responsibilities.

For the historic environment, the move away from such offices could be a double-edged sword – we might find companies trying to divest themselves of historic buildings, or we might see more demand for them from certain sectors such as office space for small business incubators etc. While these two trends would not necessarily be contradictory, we stress the need to consider the impacts in wider infrastructure planning promoting the value of historic buildings at a national level.

For the tourism and heritage industries, it is not currently clear whether the acceleration in digital trends is going to provide long-term opportunities. Although lockdown has resulted in a significant increase in virtual traffic for museums and heritage sites, it is unclear if this interest will last beyond the crisis and whether it will result in new, income-generating content, which was mentioned in Question 2. Most content currently available is not new, and consumers have been accessing it for free throughout lockdown. Whether there will be a market for new, paid-for content is debatable, and we may well see a return to the consumer trends before lockdown which were towards authentic, immersive, human-centred experiences.

We welcome and recognise the need for development of place-based assets which act as local and national incubators for ideas and allow for new and established organisations to bring together partners from across sectors to work on common challenges e.g. heritage and digital, local heritage led tourism. There is great potential for heritage assets as community hubs to be focal points for regeneration and recovery by supporting local jobs, training etc. Similarly, we consider community wealth-building will be increasingly important and is a sphere where HES and the historic environment is already active. Many projects we fund provide opportunities across different sectors of society at community level. In line with the Place Principle, HES is beginning to work with partners to focus on public service delivery for sustainable places, both at our properties in care and in area-based programmes.

Within the tourism sector, to address anticipated job shortages and skills issues, we consider support should be given to programmes to maximise employability and focus on training. Tourism is a resilient employer and should be supported to aide recovery as other industries face losses or re-skilling under green recovery plans. There is an opportunity to create financial incentives to resume Modern Apprenticeships including online provisions to training. This will require a review of the current structure of apprenticeships to ensure it meets anticipated needs. More broadly, we support promotion of the tourism industry as a good career opportunity through government funded programmes of tourism education and training courses.

In response to the COVID-19 crisis's impact on the tourism sector, we consider it essential that training opportunities are identified that reflect the new skills needed e.g. a focus on digital provision, understanding audience behaviour, developing customer journeys – both regionally and nationally. These could include: co-operation with digital partners to provide digital skills and promote existing learning opportunities; sector organisations offering opportunities for up-skilling, training programmes and measures to promote industry standards; and developing free online training for those individuals most affected economically, e.g. seasonal workers, freelancers, consultants.

## **What can be done now to ensure the transition to a wellbeing-oriented, inclusive economy on a transition to net zero**

### **How can the wellbeing of the people of Scotland flourish and what are the environmental implications of the crisis?:**

The historic environment enhances our quality of life and is a hugely valuable social, cultural, economic and environmental resource. The Scottish Household Survey found that 89% of adults strongly agreed or tended to agree that "it is important to me that heritage buildings, monuments and places are well looked after." Good management maintains the quality of this resource and secures its benefits, making sure that nothing is lost without considering its value and exploring options for avoiding its loss.

Within our climate action plans, we consider improving energy efficiency in traditional homes and buildings as a major outcome for environmental improvements and a drive towards this research and delivery could be promoted through the recovery planning (<https://www.historicenvironment.scot/about-us/what-we-do/climate-change/climate-action-plan/>). This is through the enhancement of existing energy efficiency standard and schemes to support energy efficiency improvements in existing buildings (e.g. Regulations of Energy Efficiency in Private Sector houses) and associated training and skills through education and qualification development (e.g. current development of Insulation and Building Treatments for the National Occupation Standards).

We are seeing from drops in carbon emissions during lockdown that individual decisions are less effective than state-led intervention. For instance, reducing the use of coal as a fuel, reducing the use of concrete in building, and changing the way that land is used are all affected more by policy choices than individual consumption patterns. It demonstrates that changes at policy level are effective and public sentiment research is showing that there is public approval for governments to utilise their powers in these areas. See, for example, <https://www.opinium.co.uk/observer-climate-change-survey/>. We would like to see energy efficiency in homes as one of these policy areas Scottish Government would consider looking at to accelerate towards a Green recovery.

We consider investing in a green recovery is a key part our sustainable management of Scotland's historic environment. It is a source of rewarding jobs with a low carbon footprint. Working in the historic environment can keep traditional skills alive and support the ongoing care and maintenance of our historic assets. The COVID-19 crisis has clearly highlighted that appropriate resources to support a green recovery are required. All categories of infrastructure – whether existing or new – can and should make a positive contribution to achieving inclusive growth and the transition to a net zero carbon economy, sustainable tourism and skills development.

This form of green investment will improve Scotland's housing system. A key area of our work is supporting the reuse of empty buildings for housing delivery. This is underpinned by the Historic Environment Policy for Scotland (HEPS) which guides and inform decisions making concerning the historic environment, from decisions on grant awards to wind farm developments. Heritage and housing initiatives have also been combined through the Conservation Area Regeneration Schemes (CARS) which HES administer, to resolve and bring back into use a number of empty and poorly maintained houses. CARS funding has been used to great effect on projects in Campbeltown in Argyll and Bute. Argyll and Bute Council have promoted the reuse of homes by providing grant funding to people moving into the area for work.

We consider there is an opportunity to adopt sustainability principals across a wide range of planning areas. Growth should not be measured solely by GDP, other indicators are required such as wellbeing, health, access to housing, sense of place, carbon saving etc.

Furthermore, we consider using existing climate change mechanisms to address equalities and minorities such as Scottish Government's The Big Climate Conversation are key in this recovery for inclusive decision making, and engaging with local heritage. There is need here to reconnect people, including marginalised groups with their heritage; shift focus of "visitor attractions" to local communities, and play active role in individual and community wellbeing.

We support and encourage wellbeing to be at the heart of the agenda. As Scotland's historic environment strategy, Our Place in Time (OPiT) states the historic environment is part of our everyday lives. Scotland's historic environment is intrinsic to our sense of place and strong cultural identity. It is diverse, but it tells the story of our shared past. It is important in its own terms, providing key evidence of the lives and creativity of our forebears. It also helps to create a sense of place, identity and physical and social wellbeing, and benefits the economy, civic participation, tourism and lifelong learning. It is dynamic and ever changing and that dynamism lies at the heart of the need for sound principles of stewardship.

Arts and culture, like nature, has a significant role to play in creating and sustaining wellbeing, and the growth of social prescribing will in time present clinical evidence as to how effective such models are. We know that our historic buildings and features enrich our places and can contribute to our sense of identity and civic pride. Targeting investment toward their reuse and ongoing care can, therefore, support the wellbeing of communities. The quality of our historic environment is also a key driver for our tourism growth and can help to stimulate the regeneration of places.

We consider that the balance of wellbeing against market, conservation and other factors requires strong partnership and good governance at a local level. It takes time to consult with local communities and stakeholders, to ensure we do not rush decision making and planning, explore all options which include public/private financing and manage expectations. We note the essential role that existing mechanisms such as Community Planning Partnerships can provide in this area.

### **There will be big changes in the form, nature and interactions between different institutions.**

#### **How will the crisis change the role and relationships between the UKG/SG/LAs, business and other institutions?:**

Scottish Government has sent out a strong message asking local authorities to prioritise the planning system so that development proposals progress during lockdown. HES's planning and consents service is one of many services operating remotely and contributing to preparations for Scotland's economic recovery. This needs to be supported by a body of professional and technical expertise that has largely been lost from local authorities due to previous cuts and will be hard to replace as universities restrict their course offer, especially in the vocational roles required by our sector.

During recovery, we will continue to work in partnership with local authorities to consider schemes for the maintenance, re-use and upgrading of our historic environment assets and we see these working relationships increasing as we collectively approach the large-scale issues arising from the crisis. A well-resourced and high-performing planning system works towards delivering the development required to support economic growth for example by stimulating demand for jobs in the construction industry.

We undertake partnership working across many of our operations and we expect to see many more partnerships in future as local authorities and public bodies seek to reduce expenditure and combine to create benefits. Sharing of resources, including physical resources (buildings, materials, equipment) and skills (people, expertise) becomes even more important now to support each other and achieve increased efficiencies. This supports circular economy principals, reducing the amount of finite resources required whilst retaining functions.

This may encourage a more creative approach to resolve recovery issues outwith traditional public sector work streams. We would recommend, however, that functional mapping of service delivery be done to show where the sharing of resources can be done without losing capacity or knowledge.

As noted in previous questions, there will be increased focus on regeneration initiatives and our input at a local authority level is likely to be sought. Community Planning Partnership priorities are also likely to be reviewed, and we will need to resource the review and feedback into these plans to ensure historic environment consideration and input. Ensuring the heritage voice at a community level here will be important.

These points about sharing skills and expertise apply for heritage sector too, not just HES – but we recognise that it will not be as easy for them to shift and share resource. However, the presence of heritage at a local level, means a lot of SMEs, charities and community-led heritage attractions already work in this way.

We would favour the setting up of national/regional peer response groups to focus on collective recovery – e.g. currently HES, Museum Galleries Scotland, Association of Scottish Visitor Attractions and Scottish Tourism Alliance have a project to develop a peer response group programme for heritage and Scottish visitor attraction organisations focusing on rebuilding income streams.

We would support partnership working between public bodies to deliver wider benefits and address skills and material supply issues; in particular, partnerships

between HES and local authorities on the regeneration of historic assets with training elements and a refocus of grants and investments.

We would envisage closer working between HES and Zero Waste Scotland/Resource Efficient Scotland to promote benefits of reuse of existing built assets and drive change through best practice in refurbishment and energy efficiency retrofit.

In further education, the historic environment provision needs to align more closely with the skills, knowledge and expertise needs of employers. Sectors and organisations should be able to access mainstream provision regardless of size. There is a huge opportunity via the Skills Investment Plan for the historic environment organisations to support the delivery of skills. The Skills Investment Plan for the historic environment provides a framework and a structure for working with further education & higher education sectors to address issues of access.

Therefore, we see the need for public sector intervention in training and apprenticeships such as support training of masonry apprenticeships for construction SMEs in times of recession, which is essential to aid recovery.

## **The pandemic is a shock which will provide insights and data across a range of areas**

### **How do we ensure that we learn from the impact of the crisis and respond accordingly?:**

At this stage of the COVID-19 crisis it is very hard to know how many of the circumstances and opportunities that digital technology created by lockdown will survive beyond it. Many digital trends were already underway and have accelerated – moves towards automation, homeworking, and the gig economy for instance. It is less clear whether the current tourism trends towards immersive and authentic experiences will be less in demand when international travel resumes – and some experiences can obviously be sought domestically in the interim. We consider technology will support but not supplant trends like this – making it easier to reach and engage with audiences, and broadening experiences beyond the visit by including engagement before and after. However, this was an identified trend before lockdown.

Europe already plays a leading role in digital cultural heritage and has the potential to forge ahead with new technologies such as artificial intelligence and machine learning based on humanistic and ethical principles. There is a continued need to work together with Europe to accelerate and further improve this digital transformation, which extends beyond innovation in visitor access but also in site management survey, monitoring and training.

There is a significant emerging opportunity to look for ways of sharing knowledge and skills widely through remote events. We have an opportunity to work towards a more geographically inclusive society where voices across Scotland are routinely heard, and discrimination based on location, even if unintentional, becomes a thing of the past (an example would be the prohibitive cost of attending a training event in Edinburgh if located on one of Scotland's islands).

We hope reflection on the current crisis allows an opportunity to take a joined-up approach to rural development. Currently the community/social enterprise development aspect is largely supported separately to other forms of economic development. We would favour a more integrated approach, where community-owned assets or community benefit payments are part of a wider strategy for tourism, land use or energy generation in rural areas that could have lasting benefits.

We must ensure that we learn from the impact of the crisis and respond accordingly embedding digital in the way we work and develop opportunities for co-operation and co-ordination. These technologies have provided platforms to support co-operation with organisations where collaboration would otherwise have been difficult. It has provided opportunities to consult with communities regardless of how remote they are. An example of this is a development programme being developed as a result of a collaboration between Historic Environment Scotland, Museums Galleries Scotland and the Association of Scottish Visitor Attractions to provide an online peer support development programme for heritage organisations focusing on rebuilding income streams and innovation. In previous question, though we noted the digital poverty issues that need to be addressed to fully realise potential here.

For the historic environment sector, the importance of good resilience planning has become apparent. We can build on what we have learned during this crisis to address the climate crisis. We recognize that a climate ready/resilient historic environment sector must start with a climate ready/ resilient lead public body.

Within the tourism sector, there is a need to create crisis management mechanisms and strategies, build resilience and ensure that heritage tourism is part of national emergency mechanisms. Practical tools like the development of self-assessment tools for organisations to assess their resilience and what they need to put in place to address gaps. These tools can also be used to help organisations identify activities/funding that can support these plans.

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**Are you content for the Advisory Group on Economic Recovery to contact you again in relation to this exercise?**

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