

ANNUAL REPORT AND  
FINANCIAL STATEMENTS  
AITHISG BHLIADHNAIL  
AGUS AITHRIS IONMHAIS  
2020–21



HISTORIC  
ENVIRONMENT  
SCOTLAND

ÀRAINNEACHD  
EACHDRAIDHEIL  
ALBA





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# INTRODUCTION

## RO-RÀDH

**2020–21 has been a year of unprecedented challenges; impacting globally, throughout Scotland, and across Historic Environment Scotland. The COVID-19 pandemic called for an immediate and comprehensive response which is detailed throughout this report. But we also continued to address longer term risks and issues. The most prominent of these is climate change, a continuing challenge across all sectors and one which has a particular resonance for those of us charged with the care of the historic environment. Board approval of this report coincides with the final preparations for COP26 in Glasgow and there is no doubt that appreciating and appropriately responding to the full implications of climate change is the major challenge of the coming decade.**

**More immediately in 2020–21 the pandemic resulted in full closure of the properties in our care in March 2020. This was followed by the re-opening of over two-thirds of them last summer, only to be followed by re-closure over the long winter lockdown. Despite the fluid and fast changing context we have adapted quickly and we ended this difficult year both proud of our continued achievements in trying circumstances and optimistic about our role in Scotland's recovery.**

At the outset of the pandemic we moved swiftly to a new short-term action planning framework which

allowed us to prioritise resources while still contributing to our overarching Corporate Plan, *Heritage for All*. In place of our usual Annual Operating Plan, we instead produced two 6-month Action Plans detailing a number of key targets, of which over 97% were met across the year.

Our focus was always on the safety and wellbeing of our visitors and staff, and we worked quickly to respond to new changes and restrictions by implementing COVID-19 protection measures and, where possible, giving our teams the resources they needed to work from home. With our sites closed, we sought new ways to connect with our audiences, for example by launching our *Learn at Home* online resources for parents and educators, along with a programme of interactive online events. In other ways, we re-purposed our facilities to contribute to the national pandemic response, producing more than 50 PPE masks a week using the 3D printer at our Engine Shed facility in Stirling.

As a leader within our sector, we have responded to the crisis at a strategic level, working with our partners to ensure that Scotland's 10-year strategy for the historic environment, *Our Place in Time*, remains firmly on track for delivery by 2024. By working with the Scottish Government to facilitate a new Historic Environment Recovery Fund, we were able to rapidly provide over £1.9 million of

support to heritage organisations and businesses across Scotland. Alongside this emergency response, we continued our ongoing investment in Scotland's communities, for example through the Conservation Area Regeneration Scheme, which this year saw over £4 million invested in regenerating the built heritage of Dumfries, Dunbar, Helensburgh, and Stirling.

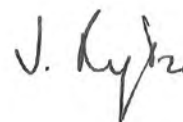
The past year has also been one of social and political change, with movements such as Black Lives Matter leading us to examine our stated commitment to *Heritage for All*. Again, despite the backdrop of the pandemic, we have worked to listen and respond to contemporary concerns. We recently established two new Youth and Equity forums to ensure that diverse voices are listened to and understood within Historic Environment Scotland. We have published our Equality Outcomes for 2021–25, a plan which aims to put the needs and expectations of diverse groups at the heart of our service delivery, as well as addressing under-representation of specific groups within our own workforce.

Throughout this period our people have shown determination, flexibility, and resilience while navigating a course through uncharted waters. We owe them our esteem and gratitude, but we also recognise that they need support. Our wellbeing offering as part of our People Strategy recognises this duty of care across the organisation.

We remain grateful for the support of the Scottish Government, which has helped fill the funding gap left by successive lockdowns with supplementary grant in aid of £37.1 million for 2020-21, and the continued support of our membership and volunteers, whose commitment plays a key role in allowing us to deliver our mission.

Our experience of 2020-21 has shown us that events can quickly combine to undermine carefully laid plans. Nevertheless, by staying true to our values and responding with an agile and listening approach, we believe we have demonstrated our ability to take a leading role in the recovery of our sector and of Scotland more broadly. Our challenge now is to plan for and contribute to

a better and more sustainable future for HES and for society as a whole. It is a challenge we look forward to meeting.



**Jane Ryder OBE**

Chair

Historic Environment Scotland



## KEY STATISTICS

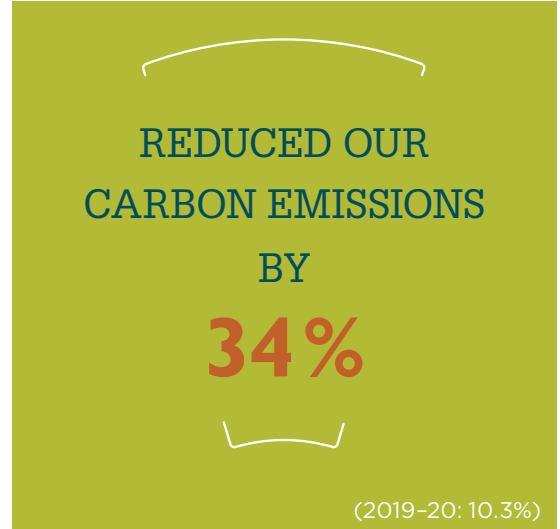
COVID-19 has had a significant impact on everyone. The historic environment and Historic Environment Scotland are no exception. 2020-21 was a challenging year: our colleagues, partners, stakeholders, visitors, members, grant recipients, planning applicants and suppliers have all been affected in many ways and the impact is clearly evident in the key statistics presented here.



**WELCOMED**  
**246,000**  
visitors to our  
staffed sites

**Be kind,  
be patient,  
be safe**  
and enjoy your visit.

(2019-20: 5.2 million, down 95%)  
Only 26 of the 73 staffed sites had footfall in 2020-21



**REDUCED OUR  
CARBON EMISSIONS  
BY  
34%**

(2019-20: 10.3%)



**28**  
VOLUNTEERS

(2019-20: 999, down 97%)



**4.2**  
**MILLION**  
users visiting  
HES websites

(2019-20: 6.5 million, down 35%)



**A TOTAL OF  
£25.3 MILLION**  
INCLUSIVE OF STAFF COSTS, WAS INVESTED IN CONSERVATION,  
MAINTENANCE, AND MANAGEMENT OF THE PROPERTIES IN CARE (PICs)

(2019-20: £37.3 million, down 32%)

**96%** of regulatory activities dealt with in stated timescales

(2019-20: 96%, stable position)

**COMMERCIAL INCOME** **£8.2 million**

(2019-20: £62.6 million, down 87%)

**186,000 MEMBERS**

(2019-20: 206,000, down 10%)

DIGITISED AND MADE AVAILABLE MORE THAN

**80,000**

images and files, bringing the total available to over

**1.1 MILLION**

(2019-20: 170,000 (1 million total), down 53%)

**INVESTED**  
**£13 MILLION**

THROUGH OUR GRANTS PROGRAMME

(2019-20: £14.5 million, down 10%)

**GENERATED**

**£16.1 MILLION**

for the Scottish economy from heritage tourism

(2019-20: £1.1 billion, down 99%)

# ANNUAL REPORT PERFORMANCE REPORT AITHISG BHLIADHNAIL AITHISG AIR DÈANADAS

## PERFORMANCE OVERVIEW

### WHO WE ARE

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

### WHAT WE DO

Through our role as lead public body for the historic environment, we work with our partners and stakeholders to ensure that the historic environment thrives and delivers economic and social benefits for the people of Scotland. Here are some examples of our valuable contribution to Scotland.

- We are at the forefront of investigating and researching the historic environment and addressing the impacts of climate change on its future.
- We help develop the knowledge, skills and materials Scotland needs to look after our heritage, particularly to respond to the changes in our climate and the impact it has on our heritage.
- We can make a strong contribution to a green recovery and a fairer, more sustainable economy through promoting the benefits of traditional forms of construction.
- We award millions of pounds each year to local communities to repair, revitalise and reuse their historic environment to foster social cohesion and a strong sense of place. For every £1 invested in 2020-21, projects funded by Historic Environment Scotland (HES) attracted a further £3.44 in additional investment.
- We enable change to our most significant heritage assets while providing the protection they need through designations and consents, ensuring this resource is available for generations to come.
- We support the conservation and reuse of the historic environment in Scotland by providing advice and technical expertise.
- We seek to grow understanding of our historic assets, the benefits they bring and the diverse stories that make up our shared histories.





- We enhance wellbeing and learning by providing access to Scotland's history and heritage through site visits and digital experiences.
- We look after over 300 sites of national importance, more than 41,000 objects in the collections and five million archives on behalf of the people of Scotland.
- We run visitor attractions at the properties in our care to support Scottish tourism and generate income for our activities.
- In every aspect of our work we strive to follow our five organisational values – we are collaborative, professional, innovative, open, and respectful.



## OUR VISION

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



## OUR PRIORITIES

Our Corporate Plan 2019 Onwards: *Heritage for All*, sets out five outcomes that we want to achieve which will help us work towards this vision:

1. The historic environment makes a real difference to people's lives.
2. The historic environment is looked after, protected and managed for the generations to come.
3. The historic environment makes a broader contribution to the economy of Scotland and its people.
4. The historic environment inspires a creative and vibrant Scotland.
5. The historic environment is cared for and championed by a high-performing organisation.

These are long-term, aspirational outcomes and will take a number of years to complete. Our priorities for 2020-21 are set out within our two six-month Action Plans for 2020-21. In response to the COVID-19 pandemic, our Board approved an Action Plan for the first six-months of 2020-21 that was published in April 2020 ([www.historicenvironment.scot/action-plan](http://www.historicenvironment.scot/action-plan)) instead of an Annual Operating Plan for 2020-21. This was kept under review and we monitored and reported progress throughout the year. In October 2020, we published HES Action Plan 2020-21 – Mid-year update ([www.historicenvironment.scot/action-plan-mid-year-update](http://www.historicenvironment.scot/action-plan-mid-year-update)) – an update covering the last six-months of 2020-21.

These two Action Plans for 2020-21, which between them cover year two of our Corporate Plan, retain the structure of the Corporate Plan and identify actions in relation to each of our five outcomes and Key Performance Indicators (KPIs). Throughout the year our activities have continued to support delivery of our three-year Corporate Plan and the National Outcomes in the Scottish Government's National Performance Framework. Both our Corporate Plan and our Action Plans can be found online at [www.historicenvironment.scot/corporate-information](http://www.historicenvironment.scot/corporate-information). This Annual Report provides information about what we have delivered in 2020-21 to support achievement of these outcomes.

Our Corporate Plan sets out 10 KPIs, which we use to measure our success in achieving outcomes. Assessment of achievement of KPIs is based on the actions and supporting indicators set out in the tables throughout our successive Annual Operating Plans (and in our two Action Plans for 2020-21) and includes an analysis of contextual data and case study highlights. We also publish a range of more detailed performance reports: *Our Place in Time*, Properties in Care of Scottish Ministers Annual Report, Planning Performance Report and Annual Procurement Report.



## SUPPORTING GOVERNMENT POLICY AND OUTCOMES

HES's plans form part of a much broader ambition to build a more successful Scotland. We support the Scottish Government's purpose 'to focus on creating a more successful country with opportunities for all of Scotland to flourish

through increased wellbeing, and sustainable and inclusive economic growth'. Our work contributed to the delivery of Protecting Scotland, Renewing Scotland: The Government's Programme for Scotland 2020-2021 ([www.gov.scot/publications/protecting-scotland-renewing-scotland-governments-programme-scotland-2020-2021](http://www.gov.scot/publications/protecting-scotland-renewing-scotland-governments-programme-scotland-2020-2021)).

We work with our partners in the public, private and voluntary sectors to deliver our strategic priorities, contributing to the achievement of the Scottish Government's strategic objectives and wellbeing outcomes – set out in the National Performance Framework ([www.nationalperformance.gov.scot](http://www.nationalperformance.gov.scot)). The table below shows our strongest contributions to these national outcomes.

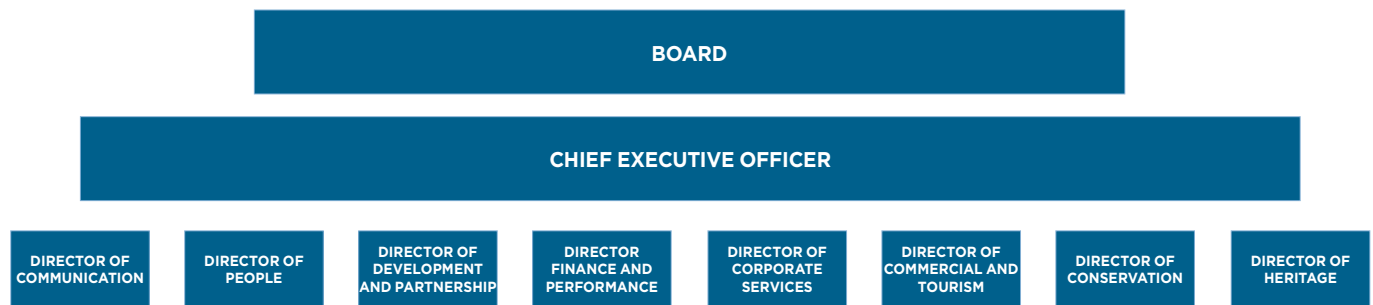
NATIONAL OUTCOMES	THE HISTORIC ENVIRONMENT MAKES A REAL DIFFERENCE TO PEOPLE'S LIVES	THE HISTORIC ENVIRONMENT IS LOOKED AFTER, PROTECTED AND MANAGED FOR THE GENERATIONS TO COME	THE HISTORIC ENVIRONMENT MAKES A BROADER CONTRIBUTION TO THE ECONOMY OF SCOTLAND AND ITS PEOPLE	THE HISTORIC ENVIRONMENT INSPIRES A CREATIVE AND VIBRANT SCOTLAND	THE HISTORIC ENVIRONMENT IS CARED FOR AND CHAMPIONED BY A HIGH-PERFORMING ORGANISATION
We have a globally competitive, entrepreneurial, inclusive and sustainable economy		★	★	★	
We are open, connected and make a positive contribution internationally			★	★	★
We tackle poverty by sharing opportunities, wealth and power more equally	★		★		★
We live in communities that are inclusive, empowered, resilient and safe	★	★		★	
We grow up loved, safe and respected so that we realise our full potential	★				
We are well educated, skilled and able to contribute positively to society	★		★	★	
We have thriving and innovative businesses, with quality jobs and fair work for everyone		★	★	★	
We are healthy and active	★	★			★
We value, enjoy, protect and enhance our environment	★	★	★	★	
We are creative and our vibrant and diverse cultures are expressed and enjoyed widely	★			★	
We respect, protect and fulfil human rights and live free from discrimination				★	★

## BUSINESS MODEL AND ENVIRONMENT

HES was established under the Historic Environment Scotland Act 2014 with the general function of investigating, caring for and promoting Scotland's historic environment. HES also has charitable status. We're governed by a Board who are appointed by Scottish Ministers.

We are funded by admission to our properties across Scotland as well as other commercial income and grant in aid from the Scottish Government.

Our organisation structure during 2020-21 (and 2019-20) was:



Plans to reshape our operating model were announced in May 2021 and further details are provided in the Our Plans For 2021 Onwards section on page 46.



## PRINCIPAL RISKS

We maintain a risk register to support the delivery of our strategic priorities. The risk register is reviewed regularly by the Senior Management Team and the Audit, Risk and Assurance Committee. Further detail on our risk management arrangements is provided in the Governance Statement on page 59.

The key risks to the delivery of our strategic priorities as identified at the close of 2020-21 are set out in the table below. While these risks remain broadly appropriate, we anticipate risks remain under review throughout the year and that by the close of 2021-22 the articulation and mitigation will have been modified in consideration of the events of 2021-22.

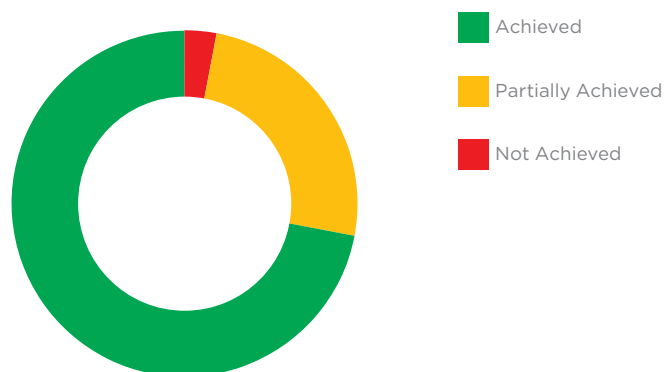
RISK	Mitigating action
<p><b>Financial sustainability (Long term Risk)</b> Financial sustainability of HES is impacted by both internal (significant proportion of fixed costs) and external factors (social, environmental, political, constitutional, economic) which could be short or long term in nature. This could result in HES being unable to meet its current obligations, to withstand shocks, and to maintain service and commitment at reasonable levels relative to both national expectations and likely future revenue and capital, while maintaining public confidence.</p>	<ol style="list-style-type: none"> <li>1. Continue to look for opportunities to diversify our income generation.</li> <li>2. Review of our long-term financial strategy based on scenario planning.</li> <li>3. Work with Scottish Government and undertake a robust planning and budgeting process each year to ensure flexibility to deal with short-term drops in funding as well as financial sustainability over the longer term.</li> </ol>
<p><b>Risk change:</b> From a revenue perspective this risk reduced from 'Very High' during 2020-21 to 'High' in Quarter 1 2021-22 as a result of the Scottish Government funding settlement and an agreed budget for 2021-22. Uncertainty remains in light of the ongoing pandemic which is likely to impact our ability to generate income this year.</p> <p><b>Assessment:</b> The assessment of this risk has been informed by financial and visitor number scenario planning.</p> <p><b>Looking ahead:</b> For 2021-22 our focus will be on dealing with the ongoing impacts of the COVID-19 pandemic on our operations and our people. We will undertake long term scenario planning including addressing the critical issue of capital availability.</p>	
RISK	Mitigating action
<p><b>Expectations (Long term Risk)</b> There is a risk that demands on HES as the lead body in the historic environment outweigh the resources available to us resulting in reputational damage, perhaps increased as a result of the COVID-19 pandemic and challenging financial situation across related sectors. Additionally, the changes we make as a result of responding to our current financial situation may affect whether our work matches expectations of us.</p>	<ol style="list-style-type: none"> <li>1. Strategic priorities are set out in our Corporate Plan 2019 onwards and our Annual Operating Plan.</li> <li>2. Regular reporting on the delivery of the sector strategy <i>Our Place in Time</i>.</li> <li>3. Regular engagement with the Scottish Government, historic environment sector and key stakeholders to understand challenges, demonstrate what HES is delivering on and manage expectations.</li> </ol>
<p><b>Risk change:</b> This risk remained 'High' over the course of 2020-21, exacerbated by the COVID-19 pandemic and the pressures on the wider historic environment.</p> <p><b>Assessment:</b> The risk assessment is informed by the findings of our corporate reputation survey and regular engagement with stakeholders.</p> <p><b>Looking ahead:</b> We continue to have regular engagement with Scottish Government and the historic environment sector, undertake a robust annual planning and budgeting process to support achievement of our Corporate Plan and deliver active stakeholder engagement through our Communications Strategy. In 2021-22 we will review the priorities and Key Performance Indicators set out in our Corporate Plan <i>Heritage for All</i>. However, resolving the issues of long term resources and resource allocation is key.</p>	

RISK	Mitigating action
<p><b>Properties in care, associated collections and archive collections (Long term risk)</b></p> <p>The impact of climate change, increased visitor pressure and lack of resources leads to unacceptable, irreversible, loss of historic fabric and associated cultural significance over time.</p> <p>In addition, non-compliance with statutory and regulatory requirements for managing the Properties in Care (PiC) estate, and ensuring the safety of staff and visitors at HES sites, exposes HES to an unacceptable level of legal, financial, and reputational risk and could result in significant legal penalties (e.g. criminal prosecution or civil action), financial loss and reputational damage.</p>	<ol style="list-style-type: none"> <li>1. Management of the assets in our care under the terms of the Scottish Ministers' Scheme of Delegation for Properties in Care and Associated Collections and detailed in our Asset Management Plan and Investment Plan.</li> <li>2. Development of a Sustainable Properties in Care Strategy.</li> <li>3. Climate Action Plan 2020–2025 to tackle the impacts of climate change on the wider historic environment and support Scotland's carbon reduction targets.</li> <li>4. Robust archive management policies, plans and procedures are in place to ensure standards of care appropriate for an Accredited Archives service.</li> <li>5. Project to develop new accommodation for archival storage, with a lease for new accommodation for the long-term storage of the archives secured.</li> <li>6. Planned high-level inspections at the properties in our care and partial closure or full closure of 22 sites where potential risks to visitors and staff from unstable masonry at high-level have been identified.</li> </ol>
<p><b>Risk change:</b> This risk remained 'High' over the course of 2020–21, exacerbated by the COVID-19 situation with lockdown curtailing inspection work at the properties in our care. This risk has increased in early 2021–22 as a result of findings from planned high-level inspections at properties in our care.</p> <p><b>Assessment:</b> The baseline risk position is set out in our monument condition index and our Climate Change Risk Assessment and is updated in light of planned high-level inspection work. The strategic importance of the archive collection and the project management of the accommodation project also informs the assessment of this risk.</p> <p><b>Looking ahead:</b> Ongoing management of assets in our care and implementation of our sector-leading Climate Action Plan 2020–2025. Work is underway to develop a sustainable Properties in Care Strategy and a project is ongoing to develop a modern, safe storage solution to ensure the long-term preservation of the archive. Arrangements have been put in place to secure the properties in our care at sites where potential risks to visitor and staff from unstable masonry at high-level have been identified in early 2021–22 while further high-level inspection work takes place. We also intend to revise our inspection protocols as set out in our Asset Management Plan in response to the evolving situation. However, the key long term mitigation lies in the ability to address capital availability, as noted under Financial sustainability</p>	
RISK	Mitigating action
<p><b>Delivering change (Long term risk)</b></p> <p>As a result of an ambitious transformation agenda comprising a mix of complex projects and the need to evolve the organisation to respond to societal and economic changes in light of the COVID-19 situation, including adopting new ways of working in response to the reimagining project, there is a risk that we are unable to achieve the desired change in the way the organisation works.</p>	<ol style="list-style-type: none"> <li>1. Vision for HES and outcomes-focussed approach to delivery and change set out in our Corporate Plan.</li> <li>2. Establishment of a Corporate Project Management Office to enable and support strategic projects.</li> <li>3. Ongoing implementation of our People Strategy to empower our people, recruit and retain the right people in the right place, develop our skills to deliver now and into the future and increase our leadership capability.</li> </ol>
<p><b>Risk change:</b> This remained 'High' over the course of 2020–21 and the definition was updated to incorporate the impacts of the pandemic on HES and wider society.</p> <p><b>Assessment:</b> The assessment of this risk has been informed by horizon scanning and analysis of the external operating context, assessment of controls in place and colleague and stakeholder engagement.</p> <p><b>Looking ahead:</b> For 2021–22 we are committed to the introduction of a new Operating Model. We will also look to the development of a strategic workforce plan. We will continue to establish and embed a Corporate Project Management Office which will improve controls at project, programme, and portfolio level. This will be in the context of an emerging post COVID landscape.</p>	

## PERFORMANCE SUMMARY 2020–21

2020–21 is the second year of our *Corporate Plan 2019 Onwards: Heritage for All*. We accomplished a great deal, despite the COVID-19 pandemic, with 97% of our Action Plans achieved or partially achieved (compared to 95% in 2019–20). Our successes over the course of the year span the full range of our functions, including how we quickly transformed the way the organisation works in response to the impact of COVID-19. Of the 60<sup>1</sup> actions in the 2020–21 Action Plans, 43 were achieved, 15 were partially achieved, and two were not achieved (2019–20: 59 deliverables, 46 achieved, 10 partially achieved and three not achieved).

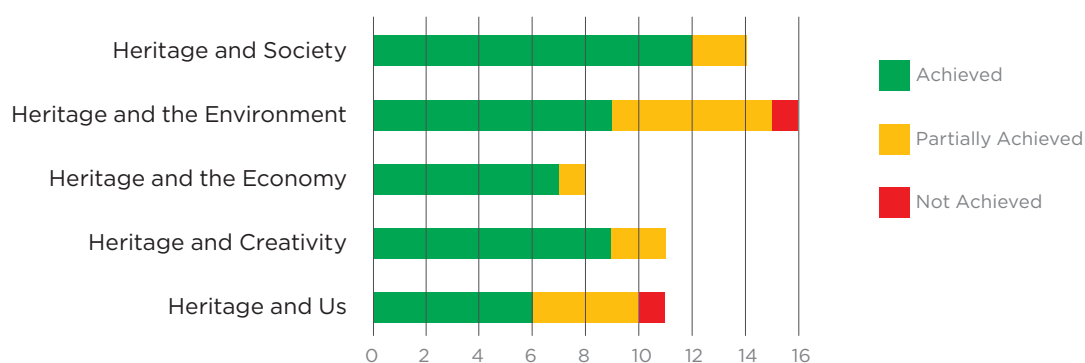
Action Plan 2020–21 — Actions



Action Plan 1 contained six statements defining how we would know if we'd been successful. We have measured these through delivery of our actions over the whole year across both Action Plan 1 and Action Plan 2:

- We are able to support our staff to stay safe and healthy at this time.
- We are able to maintain a viable financial position.
- We are able to continue operating our essential functions and resume the core activities we have had to pause in the most appropriate way to support wellbeing.
- We are able to support the historic environment and wider public sector through this time.
- We are able to provide online resources to people affected by the restrictions on movement.
- We are able to progress work on some key policy areas critical to our sector.

Action Plan 2020–21 — Performance Against Actions



<sup>1</sup> Note on year end reporting and number of reportable actions in 2020–21

There are 60 actions to report at the end of 2020–21. This is less than the sum of the actions in the two six-month Action Plans combined (98). Action Plan 1 (AP1, April to September 2020) had 58 Actions and Action Plan 2 (AP2, October 2020 to March 2021) had 40 actions. The reason for this is that:

- 37 actions were carried forward from AP1 to AP2. These are reported once on two (or more) actions.
- 21 actions were achieved in the first six-month period so were not carried forward from AP1 to AP2. These are reportable at year end.
- 9 actions are new in AP2 and are reported at year end.
- This approach was agreed by HES Board at the meeting on 23 September 2020.



## TRENDS IN PERFORMANCE STATISTICS

RAG (red, amber, green) status of KPIs over the 3-year Corporate Plan period from 2019–20 to 2021–22 at the end of Year 2 (2020–21)

OUTCOME	KPI	KEY PERFORMANCE INDICATOR (KPI)	RAG 2019–20 INDICATORS	RAG 2020–21 ACTIONS <sup>1</sup>
Heritage and Society	1	We increased wellbeing from Scotland's historic environment	Achieved 3 of 3	Achieved 3 of 4 Partially Achieved 1 of 4
Heritage and Society	2	We increased engagement with Scotland's historic environment	Achieved 7 of 8 Partially Achieved 1 of 8	Achieved 6 of 7 Partially Achieved 1 of 7
Heritage and Society	3	We enhanced communities' use of their heritage in placemaking	Achieved 2 of 2	Achieved 3 of 3
Heritage and the Environment	4	Strengthened the resilience of Scotland's Historic Environment	Achieved 7 of 11 Partially Achieved 2 of 11 Not Achieved 2 of 11	Achieved 8 of 12 Partially Achieved 3 of 12 Not Achieved 1 of 12
Heritage and the Environment	5	Increasingly lead the sector in climate change	Achieved 3 of 3	Achieved 1 of 4 Partially Achieved 3 of 4
Heritage and the Economy	6	Increase economic benefits from Scotland's historic environment	Achieved 7 of 12 Partially Achieved 4 of 12 Not Achieved 1 of 12	Achieved 7 of 8 Partially Achieved 1 of 8
Heritage and Creativity	7	Increasingly inspire creativity and innovation	Achieved 5 of 6 Partially Achieved 1 of 6	Achieved 4 of 6 Partially Achieved 2 of 6
Heritage and Creativity	8	Increase international recognition of the quality of Scotland's historic environment	Achieved 1 of 2 Partially Achieved 1 of 2	Achieved 5 of 5
Heritage and Us	9	Grow trust and Confidence in HES	Achieved 5 of 5	Achieved 2 of 2
Heritage and Us	10	Enhance the sustainability of HES	Achieved 6 of 7 Partially Achieved 1 of 7	Achieved 4 of 9 Partially Achieved 4 of 9 Not Achieved 1 of 9
<b>TOTALS</b>		<b>Overall delivery of KPIs</b>	<b>56 of 59 (95%) are Achieved or Partially Achieved</b>	<b>58 of 60 (97%) are Achieved or Partially Achieved</b>

Key: RAG status of KPIs over the 3-year Corporate Plan period from 2019–20 to 2021–22 at the end of Year 2 (2020–21)

Note that KPIs are multi-year. 2020–21 is year 2 of the three-year period that the KPIs span (2019–22). So, for 2019–20 and 2020–21, KPIs are assessed as being On Track (green), At Risk (amber) or Not Achieved (red). At the period end at 31 March 2022 the KPIs will be assessed at Achieved (green), Partially Achieved (amber) or Not Achieved (red).

On Track = 50% or more of actions achieved and remaining actions partially achieved. No actions not achieved.

At Risk = 50% or more of actions achieved or partially achieved. Fewer than 50% of actions not achieved.

Not Achieved = 50% or more of actions not achieved

<sup>1</sup> In 2019–20 individual deliverables in the Annual Operating Plan were referred to as indicators and in 2020–21 they were referred to as actions.

## FINANCIAL SUMMARY

The COVID-19 pandemic and associated restrictions have had a major impact on our finances. Commercial income has decreased 87% between 2019-20 and 2020-21. This decrease was partly supplemented by additional Scottish Government grant in aid but total income is still down 9% year on year. Our overall net expenditure on a cash basis was within Scottish Government limits for 2020-21. Our non-cash expenditure exceeded the Scottish Government limits because of a technical impairment resulting from changing plans as a consequence of the pandemic.

The Board and Accountable Officer are satisfied that it is appropriate to prepare the financial statements on a going concern basis due to expectations of continued Scottish Government funding and recovery in commercial income.





# PERFORMANCE ANALYSIS

## SGRÙDADH AIR DÈANADAS

PERFORMANCE AGAINST PLAN 2020–21

### HERITAGE AND SOCIETY: THE HISTORIC ENVIRONMENT MAKES A REAL DIFFERENCE TO PEOPLE'S LIVES



WE ACHIEVED

**12** of **14**

of the  
'Heritage and Society'  
actions in our Action  
Plans.

2 actions were  
partially achieved.

#### HIGHLIGHTS

##### **Integrating wellbeing into decision-making (KPI 1)**

We enhanced the impact of our work on people's wellbeing by integrating our research, *Links between Scotland's Historic Environment and Wellbeing*, into decision-making. For example, we are using the research data to track the links from different types of grant to wellbeing outcomes to inform our evaluation of Conservation Area Regeneration Schemes and the design of the new grants programme; the data is informing case studies on how wellbeing links to future designation decisions; an experimental wellbeing index linking the properties in our care to the wellbeing of local communities in care work; and variations in the survey responses between protected groups have been used to inform the new equalities strategies outcomes. These practical applications of our survey data are supporting wellbeing during the COVID-19 pandemic and beyond.

##### **Improving Equality Outcomes (KPI 2)**

The tragic killing of George Floyd, by a police officer in Minneapolis USA, on 25 May 2020, significantly highlighted the issue of racism and racial inequality in society and galvanised the Black Lives Matter (BLM) movement. Within a week of this event HES employees created a 'call for action' to senior managers to address the issue of racism in Scotland's historic environment. In response, we facilitated a discussion which accelerated our internal conversations and re-energised equalities research. We developed new Equality Outcomes for 2021–25 and an Action Plan for 2021–22 to shape our work; to get an accurate representation of Scotland's history and demographics; and enable more people to feel more able to engage with the historic environment. We undertook Citizen Space consultation which informed our new equality outcomes – Our Society, Our Services and Our People. These reflect our role as employer, lead body for the historic

environment, service provider to the public and our contribution to improving inequality in society. This work is helping people and organisations to tackle the deepening inequality in society, brought into sharp focus by the pandemic and the Black Lives Matter movement.

#### **Engaging young people in the historic environment (KPI 2)**

We established HES Youth Forum, complementing our work with Young Scot and the external Youth Forum. The Forum's objectives are: Internal Talent Pool, Job Shadowing, Raising our Profile and Communications. Membership is targeted at colleagues aged 16–30. This provides our younger colleagues with a forum to discuss ideas, network, and explore potential contributions to HES and to the historic environment more widely. An online Knowledge Hub was created for members to keep in touch with Forum activity and in November the Youth Forum hosted its annual event on Zoom. With the pandemic highlighting the disparity in outcomes for younger people, work like this helps to build skills and confidence and supports participants' career development.

#### **Supporting communities (KPI 3)**

Our multi-partner Communities Action Plan is helping communities use their heritage as a catalyst for a recovery that has wellbeing and sustainability at its heart. Throughout the year we have delivered a range of projects from the *Make Your Mark* volunteering initiative to the Community Connection Forum, while our Community Heritage Conference found new life online through our Community Heritage Conversations. The Conversations, a series of monthly events, brought together volunteers, community groups and heritage professionals, providing them with a stage to share experiences, inspire one another with ideas and plans, and to celebrate the places that matter to us all. The series opened up conversations on resilience, adaptation, and innovation, helping communities through challenging times towards recovery.

## HERITAGE AND SOCIETY – PERFORMANCE RESULTS (14 REPORTABLE ACTIONS)

### KPI 1: WE INCREASED WELLBEING FROM SCOTLAND'S HISTORIC ENVIRONMENT

ACTION PLAN ACTIONS 2020–21	RESULT
<p><b>Develop a stronger narrative articulating the benefits of Scotland's historic environment (1.1 AP2)</b></p>	<p><b>Partially Achieved</b> A draft narrative has been prepared and tested with colleagues. It will be considered by our Senior Management Team (SMT) and thereafter the HES Board.</p>
<p><b>Enhance the impacts of our work on people's wellbeing (1.5 AP2)</b></p> <p>Carried forward from AP1: Publish information showing the wellbeing/health benefits of heritage (1.1 AP1)</p>	<p><b>Achieved</b> Research showing the wellbeing benefits of heritage was published on our website (<a href="http://www.historicenvironment.scot/links-between-scotlands-historic-environment-wellbeing">www.historicenvironment.scot/links-between-scotlands-historic-environment-wellbeing</a>) in August 2020. Wellbeing data was provided to at least one team quantifying the link from their activity to final wellbeing outcomes. Wellbeing data from our Research survey has been provided to HES Grants Team to track the links from different types of grants to the final wellbeing outcome. This informed the evaluation of our Conservation Area Regeneration Scheme and the design of the new joint programme.</p>
<p><b>Support emergency services and NHS (1.2 AP1)</b></p>	<p><b>Achieved</b> This action was achieved in the six-month period to 30 September 2020. We produced personal protective equipment (PPE) for frontline workers battling COVID-19 across Scotland, working with Scottish Enterprise and the Glasgow Chamber of Commerce.</p>
<p><b>Further develop our volunteering programme (1.3 AP1)</b></p>	<p><b>Achieved</b> This action was achieved in the first six-month period. We developed a new volunteer role as part of the Museums Galleries Scotland (MGS) Skills Development Fund qualification initiative. We are also one of the leading partners of a volunteer recruitment campaign project (part of <i>Make your Mark</i>) that will recruit volunteers on behalf of community heritage organisations. Our Rangers worked to understand potential interest for further volunteer engagement and to identify added-value projects to be undertaken with volunteers.</p>

### KPI 2: WE INCREASED ENGAGEMENT WITH SCOTLAND'S HISTORIC ENVIRONMENT

<p><b>Use our social media presence and our online resources to promote heritage (1.8 AP2)</b></p> <p>Carried forward from AP1: Implement strategic communications strategy using our media and digital channels (1.4 AP1)</p>	<p><b>Achieved</b> Over the whole year, we achieved:</p> <ul style="list-style-type: none"> <li>• 4.2 million website users visiting HES websites (target: 1.5 million, 2019–20 result: 6.5 million)</li> <li>• 5.6 million average monthly impressions of content (target: 4.5 million, 2019–20 result: 5.7 million)</li> </ul> <p>At the six-month point, we had promoted our core narrative through media and digital channels to our audiences, followers, and members. Promotion of reopening in August resulted in a 95% increase in web users between July and August 2020.</p>
<p><b>Work with Young Scot and the external Youth Forum using digital platforms to engage young people (1.6 AP1)</b></p>	<p><b>Achieved</b> This action was achieved in the first six-month period. We held Meet the Directors Q&amp;A with the Youth Forum on impact of and responses to COVID-19. A Social Media workshop was delivered for young people to learn tips from both our Digital Communications team and the Young Scot Communications team, and also to find out how to contribute to HES online campaigns.</p>
<p><b>Agree a Business Case for the redevelopment of our online digital services (1.7 AP2)</b></p> <p>Carried forward from AP1: Continue to develop the Heritage Hub, a single digital service for all to access Scotland's national record of the historic environment (1.7 AP1)</p>	<p><b>Achieved</b> The Heritage Hub Outline Business Case was completed and approved by HES Board in March 2021.</p>

<p><b>Redefine the place of digital in the future of our services (1.2 AP2)</b></p> <p>Carried forward from AP1: Review a number of our strategies, policies, and procedures, including the visitor and digital strategies, to ensure they remain fit-for-purpose in response to this situation 5.2 AP1</p>	<p><b>Achieved</b></p> <p>We revised our Digital Strategy, which redefines the place of digital in the future of our services, and the implementation plan was approved by HES Board in March 2021.</p>
<p><b>Develop new Equality Outcomes for 2021/25 and a 2021/22 action plan (1.3 AP2)</b></p> <p>Carried forward from AP1: Additional action - Commence development of our new Equality Outcomes for 2021-25 and action plan for 2021-22</p>	<p><b>Achieved</b></p> <p>Our Equality Outcomes for 2021-25 and an associated Annual Action Plan for 2021-22 were approved by HES Board in March 2021.</p>
<p><b>Digitally document more of the sites, collections, and archives in our care (1.6 AP2)</b></p> <p>Carried forward from AP1:  <ul style="list-style-type: none"> <li>Improve and catalogue the digital data we hold in our national record (2.5 AP1)</li> <li>Additional Action added July 2020: Develop Rae Project digital assets for PICs and Collections</li> </ul> </p>	<p><b>Partially Achieved</b></p> <p>Archives: 80,000 items digitised (target: 78,000, 2019-20 result: 170,000).</p> <p>Rae Project: 10 Collection Objects (target: 15, 2019-20 result: 73) have been digitally documented and 10 Properties in Care (target: 10, 2019-20 result: 17).</p>
<p><b>Progress our work to improve access, widen participation and reduce inequalities in Scotland's historic environment (1.9 AP2)</b></p>	<p><b>Achieved</b></p> <p>We have undertaken a range of activity to widen access, engagement, and participation during the pandemic. Activities included storytelling sessions to people with sight loss and local groups, celebration of history months, Heritage Remixed, the Children of Edinburgh Castle films, and the Managing Imperial Legacies (MIL) Project. The MIL website is live; eight areas of project research have been identified and additional funding secured to support the community partnership through the Coalition for Race Equalities. Webinar events have been run on Herring, Linen and Built Environment and Decolonising good practice.</p>
<p>KPI 3: WE ENHANCED COMMUNITIES' USE OF THEIR HERITAGE IN PLACEMAKING</p>	
<p><b>Contribute to vibrant neighbourhoods (1.4 AP2)</b></p> <p>Carried forward from AP1: Develop an action plan to support heritage-related community groups affected by this crisis (1.8 AP1)</p>	<p><b>Achieved</b></p> <p>We delivered significant progress against the items in the Action Plan. Eight internal development projects and nine external facing projects were established, including Community Heritage Conversations, Community Connection Forum and Make Your Mark Volunteering initiative.</p>
<p><b>Review and contribute to Scottish Natural Heritage's (NatureScot) Landscape Character Assessment (1.9 AP1)</b></p>	<p><b>Achieved</b></p> <p>This action was achieved in the first six-month period. Following on from last year's review of the overview statements, we reviewed 22 background chapters. Whilst some reviews were light touch other sections required re-writing and integrating to ensure read across. The final documents were published online on the NatureScot website in early 2021.</p>
<p><b>Review and update our technical publications to support building owners and community groups (1.10 AP1)</b></p>	<p><b>Achieved</b></p> <p>This action was achieved in the first six-month period. New and updated technical guidance has been published since May 2020: 2 new INFORM guides (Condensation, Tenement Management); Holyrood Park Lodge Retrofit Case Study, eight updated INFORM guides (including Structural Cracks, Brickwork, Ashlar Repairs, Leadwork, Bird Control). Technical Paper on Lime Database complete; Draft of Vacant Buildings Short Guide complete.</p>

## HERITAGE AND THE ENVIRONMENT: THE HISTORIC ENVIRONMENT IS LOOKED AFTER, PROTECTED AND MANAGED FOR THE GENERATIONS TO COME



WE ACHIEVED

9 of 16

of the  
'Heritage and  
the Environment'  
deliverables in our  
Action Plans.  
6 actions are partially  
achieved and 1 was  
not achieved

### HIGHLIGHTS

#### **Supporting Scotland's National Planning Framework (KPI 4)**

We supported the development of Scotland's National Planning Framework IV and its incorporation of Scottish Planning Policy. We made a substantial response to the National Planning Framework IV Position Statement and undertook discussions with Scottish Government (SG) on drafting of policies for the historic environment. We provided advice on changes to Permitted Development Rights (PDR) which influenced the changes introduced in early 2021 and we have begun work with Scottish Government and other stakeholders on Phase 2 of the PDR review programme which will consider town centre changes of use, electric vehicle charging infrastructure and hill tracks. This work ensures that the historic environment is appropriately taken account of in the planning context, and helps to strengthen its resilience.

#### **Ensuring safety and security at our sites (KPI 4)**

In response to national lockdown in 2020 we closed our sites and put in place measures to ensure safety. When it was safe to do so, in summer 2020 we successfully re-opened with public health measures in place. This involved the development of detailed Minimum Operating Standards for Property Management and Visitor Operations based on industry standards and best practice guidance. The Minimum Operating Standards focused on protecting our staff from harm and enabled safe public access to visitor facing facilities and the delivery of HES functions in line with our Corporate Plan.



### **Adapting to climate change (KPI 5)**

Since the launch of our Climate Action Plan 2020–25 ([www.historicenvironment.scot/climate-action-plan-2020-25](http://www.historicenvironment.scot/climate-action-plan-2020-25)) in February 2020, we have explored sustainable adaptation opportunities at the properties in our care and have undertaken a high level assessment of climate change-related risks for the organisation. *Climate Ready HES*, which brought together a team of subject matter experts from around HES, launched in October 2020 and was designed to measure our organisation’s preparedness for current and future changes in our climate, and to identify measures we can take to adapt to climate change. We are using the information to create our very first Climate Change Adaptation Plan which will set out the steps that each part of the organisation needs to take to be ‘climate ready’.

### **Leading the sector in climate change action (KPI 5)**

As well as ongoing delivery of our Climate Action Plan above, the pioneering work undertaken by leading climate scientists and heritage professionals on the Climate Vulnerability Index (CVI) at the Heart of Neolithic Orkney World Heritage Site in 2019 and presented to the World Heritage Committee, is now being used to assess the threat that climate change poses to heritage sites in Nigeria and Tanzania. Africa is projected to warm more rapidly than most other regions in the world and people, communities and their heritage will be hard hit by the impacts of climate change. The CVI-Africa project, which launched in November 2020 and is led by Queen’s University Belfast, the African World Heritage Fund, University of the Highlands and Islands and HES, applies the learning from our work in Scotland and is supporting communities in their efforts to safeguard cultural heritage, respond to climate change and seek sustainable development options.

## HERITAGE AND THE ENVIRONMENT – PERFORMANCE RESULTS (16 REPORTABLE ACTIONS)

### KPI 4: STRENGTHENED THE RESILIENCE OF SCOTLAND'S HISTORIC ENVIRONMENT

ACTION PLAN ACTIONS 2020–21	RESULT
<b>Promote town and city centre renewal and the reuse of historic buildings (2.1 AP2)</b>	<b>Partially Achieved</b> Listed Building Consent (LBC) guidance has been drafted but not yet put out to formal consultation.
<b>Establish and undertake emergency protocols/ inspections to ensure the safety and security of our estate, collections and archives and develop a plan for the staged re-opening of the sites in our care for staff and the public (2.1 AP1)</b>	<b>Achieved</b> Sites, collections and archives were secured during lockdown, Minimum Operating Standards were developed and the Resumption Programme to reopen sites was completed.
<b>Revise our cross-sector approach to investment in built heritage in light of the COVID-19 pandemic (2.2 AP2)</b>  Carried forward from AP1: Work with partners on the continued development of a built heritage investment plan, focusing on reviewing opportunities and delivery models in light of the pandemic (2.2 AP1)	<b>Achieved</b> First draft of Built Heritage Investment Plan was submitted to <i>Our Place in Time</i> Built Heritage Investment Group for comment in March 2021.
<b>Develop a long-term Properties in Care Strategy (2.3 AP2)</b>  Carried forward from AP1: Respond to the impact of the current situation on the longer-term management of and investment in the Properties in Care of Scottish Ministers (2.3 AP1)	<b>Partially Achieved</b> A Properties in Care Strategy outline paper was discussed by our Senior Management Team in March 2021. This provided an update on progress and objectives for the strategy. This work will continue into 2021-22.
<b>Deal with 90% of regulatory activities (2.9 AP2)</b>  Carried forward from AP1: Continue to administer our designations, advice and statutory consultation functions and scheduled monument consenting regime efficiently and transparently (2.4 AP1)	<b>Achieved</b> 96% were dealt with within stated timescales (target: 90%, 2019–20 result: 96%).
<b>Review the presentation of the Statements of Significance on the properties in our care and update a further seven statements (2.7 AP1)</b>	<b>Achieved</b> This action was achieved by 30 September 2020. The presentation of the Statements of Significance was reviewed and they now comply with recently introduced accessibility criteria, making them more accessible to a wider range of people. Statements from the rolling programme covering eight properties in our care have been updated: Castle of Old Wick, Craignethan Castle, Doune Castle, Earl's Bu, Muness Castle, St Nicholas Church, Orphir, Sunnybrae Cottage and Westside Church, Tuquoy. A key aim of the Statements Programme is to share high quality information about the PICs and the six-month reporting period saw a 65% increase in downloads on the same period last year.
<b>Work with Museums Galleries Scotland (MGS) to agree a revised schedule for new full applications and return submissions for site-specific museum accreditation (2.8 AP1)</b>	<b>Not Achieved</b> At 31 March 2021, we were still awaiting MGS's re-opening of the Museum Accreditation programme. MGS did not reopen the Museum Accreditation programme in the 2020–21 financial year in recognition that resources were focussed on COVID-19

<p><b>Support the development of Scotland's National Planning Framework (2.8 AP2)</b></p> <p>Carried forward from AP1: Provide advice during the development of Scotland's National Planning Framework IV and its incorporation of Scottish Planning Policy, as required by SG Planning and Key Agencies (2.9 AP1)</p>	<p><b>Achieved</b> All requests for advice/input from Scottish Government/key agencies were responded to on time and in line with requirements. A substantial response was made to the National Planning Framework IV Position Statement. Other responses included Housing 2040 and initial consultation on changes to Permitted Development Rights.</p>
<p><b>Work with key agencies and other partners to support the development of environmental and other internationally recognised assessment methodologies for application in Scotland (2.10 AP1)</b></p>	<p><b>Achieved</b> This action was achieved in the first six-month period. Advice is provided on request. Work with UNESCO on developing guidance for windfarms affecting world heritage sites is ongoing. Work is progressing on developing an approach to Ecosystems Services Methodologies and Natural Capital Accounting, which will be shared with partner agencies in due course.</p>
<p><b>Review our nature conservation survey programme, including how we can involve volunteers/public (2.11 AP1)</b></p>	<p><b>Achieved</b> This action was achieved in the first six-month period. Work was carried out on the programme and several reviews were undertaken, including reviews of existing nature survey work; existing nature conservation tasks; and of volunteers' current role/input into this work. We continue to identify what potential/interest there is for further engagement and which value-added projects could be undertaken with volunteers.</p>
<p><b>Resume core inspections, maintenance, and investment activities at the properties in our care (2.6 AP2)</b></p>	<p><b>Partially Achieved</b> Less than 75% of planned project activity was delivered due to continued lockdown.</p>
<p><b>Continue to look after and manage the collections and archives in our care (2.7 AP2)</b></p> <p>Carried forward from AP1: Additional Action - Develop a more detailed GIS (Government Indemnity Scheme) Action Plan</p>	<p><b>Achieved</b> No incidents with the collections or archives in our care. Preservation processes for digital collections are in operation. Government Indemnity Scheme (GIS) Action Plan was considered by SMT in April 2021.</p>
<p>KPI 5: WE INCREASINGLY LEAD THE SECTOR IN CLIMATE CHANGE</p>	
<p>ACTION PLAN ACTIONS 2020–21</p>	<p>RESULT</p>
<p><b>Develop a Climate Change Adaptation Plan that builds on our learning from the lockdown (2.5 AP2)</b></p> <p>Carried forward from AP1: Focus on maximising carbon savings during any closure period and considering how we can learn lessons for the future in how we work (2.12 AP1)</p>	<p><b>Partially Achieved</b> Climate Ready HES (CRHES) workshops and data collection have been completed and CRHES Risk Registers have been drafted. Findings were used to draft our Climate Change Adaptation Plan which was considered by SMT on 24 August 2021 and HES Board on 14 September 2021. Our Adaptation Plan is scheduled for launch in November to coincide with COP26 being held in Glasgow.</p>
<p><b>Work with partners to convert the Adapt Northern Heritage Conference 2020 to an online event (2.13 AP1)</b></p>	<p><b>Achieved</b> The international conference took place virtually on 5 and 6 May 2020.</p>
<p><b>Deliver a revised version of Year 1 of our Climate Action Plan (2.10 AP2)</b></p> <p>Carried forward from AP1: Deliver a revised version of Year 1 of our Climate Action Plan 2020–25 (2.14 AP1)</p>	<p><b>Partially Achieved</b> Half of implementation activities were undertaken but some significant action was not progressed due to resourcing and COVID-19 pandemic-related delays. Our Green Champions conference was held online, Public Bodies Climate Change Duties report was submitted to Scottish Government and we delivered three workshops on waste management and circular economy. A waste management contract is now in place and a Waste management and recycling at HES page was created on the intranet to host guidance and advice. Energy and emissions savings were made due to continued working from home.</p>
<p><b>Develop a Green Recovery Statement for the sector (2.4 AP2)</b></p>	<p><b>Partially Achieved</b> A Green Recovery Statement drafted but further information is needed before it is finalised.</p>

## HERITAGE AND THE ECONOMY: THE HISTORIC ENVIRONMENT MAKES A BROADER CONTRIBUTION TO THE ECONOMY AND PEOPLE OF SCOTLAND



WE ACHIEVED

7 of 8

of the  
'Heritage and the  
Economy' actions in our  
Action Plans.  
1 action was partially  
achieved

### HIGHLIGHTS

#### Responding to a volatile situation (KPI 6)

We worked hard to provide high-quality visitor experiences throughout the COVID-19 pandemic. We responded to a fast-changing situation to keep our staff, visitors, and contractors safe. We closed sites when we needed to and when it was safe to do so, we reopened with appropriate public health restrictions in place. We supplemented our visitor offer with digital content, which we are continuing through online exhibitions, learning resources and online events. Essential conservation, maintenance, and health and safety checks are continuing, in line with our Minimum Operating Standards. This also includes management and safety checks on our Archive and Collections. Caring for the historic environment ensures it can make a contribution to society for generations to come.

#### Heritage-led regeneration (KPI 6)

As part of the Conservation Area Regeneration Scheme (CARS) we announced £4.5 million, in March 2021, to four historic communities across Scotland - Dumfries, Dunbar, Helensburgh and Stirling. The funding, shared among the four Conservation Areas, will help them regenerate and attract further investment. Each CARS will deliver a combination of larger building repair projects, small grants to fund repairs to properties in private ownership, community engagement and education, and professional training, all of which will contribute to sustainable economic and community development within the Conservation Area. The schemes, managed by the local authority, will last for five years with works commencing in April 2021. CARS ([www.historicenvironment.scot/cars](http://www.historicenvironment.scot/cars)) was launched in 2007 to encourage local authorities to invest in heritage by repairing and restoring the built environment and to stimulate economic regeneration. Since then, over £50 million funding has been invested in Scotland's high streets, towns and cities. More than 40 CARS schemes have been completed, with funding supporting the creation

of over 600 jobs and more than 270 new businesses. Almost 50,000m<sup>2</sup> of vacant space has been brought back into use. This type of support is helping communities across Scotland recover from the COVID-19 pandemic.

#### **Supporting the sector with our prioritised grants programme (KPI 6)**

We operated our prioritised grants programme, adapting our provision as appropriate to support the sector in the current situation within available resources. We awarded funding of over £1.9 million to over 40 organisations across Scotland to help support the sector's recovery from the impacts of the pandemic as part of The Historic Environment Recovery Fund (HERF). Historic Environment Scotland administered the HERF on behalf of Scottish Government. The fund aims to support organisations to remain solvent, safeguard jobs and training opportunities and ensure that historic buildings and sites can re-open to the public. The fund also invested in urgent repairs and maintenance, helping people to generate work for specialist contractors and the wider heritage community.

#### **Increasing economic benefit of historic environment (KPI 6)**

We worked across Scotland to build national and local partnerships to support investment in our heritage assets as well as creating jobs and skills development opportunities. Working with key industry partners, within the framework of the sector Skills Investment Plan, we developed online skills training to support key sectors affected by the pandemic including a webinar programme in partnership with the Association of Scottish Visitor Attractions. We worked with local partners to develop investment approaches at key properties in our care that support local tourism and visitor attraction economies. Nationally, we worked alongside local authorities, economic development agencies, and key cultural sector public bodies. We actively worked in six City and Region Growth Deal areas to ensure that the historic environment is being used to enhance local economies.

## HERITAGE AND THE ECONOMY – PERFORMANCE RESULTS (8 REPORTABLE ACTIONS)

### KPI 6: INCREASE ECONOMIC BENEFITS FROM SCOTLAND'S HISTORIC ENVIRONMENT

ACTION PLAN ACTIONS 2020–21	RESULT
<p><b>Continue to operate a prioritised grants programme (3.6 AP2)</b></p> <p>Carried forward from AP1 Action: Operate a prioritised grants programme (3.1 AP1)</p>	<p><b>Achieved</b></p> <p>We continued to operate a prioritised grants programme. 100% of deferred grants were communicated. Other programmes were assessed and communicated according to agreed timescales including £4.5 million announced through our Conservation Area Regeneration Schemes. 100% of available £500,000 for COVID-19 pandemic-related grant increases awarded.</p>
<p><b>Reshape our marketing to reflect the changing world around us (3.4 AP2)</b></p> <p>Carried forward from AP1 Actions:</p> <ul style="list-style-type: none"> <li>Enhance our level of response to customers, members, and trade accounts while our sites are closed (3.2 AP1)</li> <li>Develop our marketing and engagement plans in preparation for the lifting of travel restrictions and into 2021...., and adapting our marketing to attract a domestic 'staycation' market (3.3 AP1)</li> </ul>	<p><b>Achieved</b></p> <p>Our marketing plan for 2021–22 was considered by SMT in May 2021 and reflects the phased reopening of our sites, focused on the Scottish domestic market and our membership.</p>
<p><b>Explore innovative approaches to creating jobs and skills development opportunities, in line with the sector's Skills Investment Plan. (3.1 AP2)</b></p> <p>Carried forward from AP1 Actions:</p> <ul style="list-style-type: none"> <li>Consider impact of the COVID-19 pandemic on the Historic Environment Skills Investment (3.4 AP1)</li> <li>Support existing Modern Apprenticeships and Studentships, adapting delivery to fit current circumstances as required (3.7 AP1)</li> <li>Continue to develop training programmes, qualifications, and online technical education resources (3.8 AP1)</li> </ul>	<p><b>Achieved</b></p> <p>Launched the partnership between Scottish Council for Voluntary Organisations (SCVO), Chartered Institute for Archaeologists (CIFA) and HES to make the Government's Kickstart Scheme accessible to the heritage sector in February 2021. Pending the masterplan for Forthside, we have extended our training facilities in Stirling. A delivery plan is under development for the new online learning offer for the sector. The Skills and Expertise Group which met in April 2021 notes that further work has been undertaken to understand skills gaps and skills provision in Scotland; work is ongoing with skills bodies and sector partners to develop modern apprenticeship pathways and frameworks for the sector; and sector partners also developed a heritage approach to the Kickstart Scheme, and reviewed the Craft Design Technology National 4, led by Construction Scotland.</p>
<p><b>Promote the integration of heritage into investment-led recovery (3.7 AP2)</b></p> <p>Carried forward from AP1 Action: Influence strategic investment in places where the historic environment can make a significant contribution to economy recovery after the pandemic (3.5 AP1)</p>	<p><b>Achieved</b></p> <p>We promoted the integration of heritage into investment-led recovery by enhancing national and regional partnerships. This included engagement with Growth Deals, Community Planning Partnerships and place-based and business development heritage-related projects.</p>

<p><b>Deliver a revised version of Year 2 of our Research Strategy for 2019-22 (3.8 AP2)</b></p> <p>Carried forward from AP1 Action: Deliver a revised version of Year 2 of our Research Strategy for 2019-22 (3.6 AP1)</p>	<p><b>Achieved</b></p> <p>We delivered a revised version of Year 2 of our Research Strategy for 2019-22, with a focus on PhD studentships, future research funding and collaboration opportunities. A research prioritisation exercise was completed to support the Reimaging project and a majority of planned activities were delivered to support the aims of the Research Strategy. We co-ordinated a HES-wide response to supporting those of our PhD students impacted by the pandemic, which resulted in funded extensions for those most in need. We secured funding of £500,000 from the Arts and Humanities Research Council to upgrade key pieces of heritage science equipment. We ran a Public Engagement for Researchers training session. New content was prepared for the intranet on resourcing research, and internships.</p>
<p><b>Progress the design of our refreshed grant programmes and deliver the new Historic Environment Recovery Fund (3.2 AP2)</b></p>	<p><b>Partially Achieved</b></p> <p>We completed an options appraisal for a Grants Management System but procurement will take place closer to the launch of the first programme, projected to be autumn 2021. We also completed a review and refresh of our Conservation Area Regeneration Scheme and drafted a strategic grants framework, due to be presented to HES Board in May 2021. Historic Environment Recovery Fund (HERF): guidance was published with 100% of applications assessed, 100% of decisions taken and 75% of funding paid out. The remainder is to be paid out before or shortly after end of current financial year with some delays due to renewed COVID-19 restrictions.</p>
<p><b>Redefine the visitor offer (3.3 AP2)</b></p>	<p><b>Achieved</b></p> <p>We identified the staffed sites for opening 2021-22, with a good geographical spread. Sites were opened safely in line with Scottish Government Guidance and our own robust Minimum Operating Standards and newly developed Health and Safety procedures. The visitor offer was informed by visitor demand, sectoral benchmarking, and new ways of working.</p>
<p><b>Provide quality visitor experiences at reopened sites (3.5 AP2)</b></p>	<p><b>Achieved</b></p> <p>Visitor responses have been positive. Whilst it is hard to compare figures from August due to the reduced response/visitors, there has been a reduction in negative sentiment and no reduction in positive sentiment. At least 50 pieces of agile interpretive content were trialled at 15 properties (target: 50 pieces and 15 properties). No equivalent comparator in 2019-20 as Agile Programme is new, put in place upon re-opening of sites in summer 2020.</p>

## HERITAGE AND CREATIVITY: THE HISTORIC ENVIRONMENT INSPIRES A CREATIVE AND VIBRANT SCOTLAND



WE ACHIEVED

9 of 11

of the  
'Heritage and Creativity'  
actions in our Action  
Plans  
2 actions were  
partially achieved

### HIGHLIGHTS

#### **Promoting the Gaelic Language (KPI 7)**

We continued to deliver our Gaelic Language Plan 2018–23 by focusing on non-contact activity and the educational offer for home learning and we submitted a monitoring report to Bòrd na Gàidhlig. We used *We Love History* live streams on our YouTube channel, interviewing prominent figures exploring Gaelic's intangible cultural heritage. We moved our learning programme online and developed new Gaelic learning resources for the *Learn at Home* section of the HES website. We provided online workshops and resources for HES staff and brought Gaelic language and culture to our visitor through the use of QR codes at our properties, enabling visitors to get content direct to their own devices. Promoting the Gaelic Language and our Gaelic Resources ([www.historicenvironment.scot/gaelic-learning-resources](http://www.historicenvironment.scot/gaelic-learning-resources)) in a more digitally innovative way has broadened access and enabled visitors and others to evoke a richer sense of place.

#### **Creative Learning - an inclusive approach (KPI 7)**

A creative and innovative approach, utilising digital, enabled swift adaptation of our learning offer for lockdown. Learn at Home launched in April, provided new online resources to support home-schooling. Learn, Create & Play ([www.historicenvironment.scot/learn-create-play](http://www.historicenvironment.scot/learn-create-play)) webpages followed, incorporating engaging digital content like *Medieval Fun for Families*, virtual 'end of term' trips to Edinburgh and Stirling Castles and a dedicated Educators Area, enhanced by providing subscription free access to Scran and promotion via HES social channels. With sites closed, partnership projects enabled participative activity to continue digitally, co-designing content with learners and promoting wider awareness amongst target audiences. An inclusive approach saw us deliver diverse activity including video production workshops for schools in rural and deprived areas, 'escape room' experiences for young carers,



reminiscence sessions for dementia groups and storytelling for family food poverty programmes. This approach enabled us to reimagine our learning offer whilst continuing to offer engaging and meaningful participative opportunities through creative collaboration and begin shifting focus to recovery priorities such as young people's wellbeing.

#### **Partnering Globally (KPI 8)**

In delivering our International Strategy, we have maintained and developed our relationships with our Scottish, UK, EU, and international partners. Examples include working with Visit Scotland and industry partners to monitor and promote key international markets; continuing to work with Swedish and American partners in our cutting-edge robotic development work and signing a Memorandum of Understanding (MOU) on Cultural Heritage and Climate Action with the Heritage Division of the Irish Department of Housing, Local Government and Heritage.

#### **Internationally promoting the benefits of the historic environment to global recovery (KPI 8)**

As the lead body for the historic environment in Scotland, we worked to promote the contribution of Scotland's historic environment to global recovery. We enhanced our international connections and reviewed our key international relationships with a focus on European Union areas. We developed greater links with global conservation specialists through our sponsorship of and hosting the International Institute for the Conservation of Historic and Artistic Works Congress. We worked in new ways to engage international partners in collaboration with key Scottish and UK agencies. We networked with Scottish public bodies working in the international sector and set up a four nations UK heritage agency group to share information and learning on pandemic impacts for heritage. Taking this multifaceted approach has allowed us to promote the benefits of the historic environment to global recovery.

HERITAGE AND CREATIVITY – PERFORMANCE RESULTS (11 REPORTABLE ACTIONS)	
KPI 7: WE INCREASINGLY INSPIRE CREATIVITY AND INNOVATION (6 ACTIONS TO REPORT AT YEAR END)	
ACTION PLAN ACTIONS 2020–21	RESULT
<p><b>Work with our partners to develop and deliver new content for the XpO North Heritage programme (4.1 AP 1)</b></p>	<p><b>Achieved</b> XpO North Conference was successfully delivered digitally on 24–25 June 2020.</p>
<p><b>Continue to deliver the core commitments within our Gaelic Language Plan 2018–23 (4.5 AP2)</b></p> <p>Carried forward from AP1 Action: Deliver our legal obligations in the Gaelic Language Plan 2018–23 by focusing on non-contact and the educational offer for home learning (4.2 AP1)</p>	<p><b>Partially Achieved</b> The majority of the commitments within the Gaelic Plan years 1 and 2 have been completed with the exception of the Gaelic staff survey which had to be postponed due to workforce on continued furlough.</p>
<p><b>Develop a creative new learning offer (4.1 AP2)</b></p> <p>Carried forward from AP1 Action: Develop our learning framework (4.3 AP1)</p>	<p><b>Partially Achieved</b> A method for the development and testing of a reimagined learning offer has been documented and testing has begun, ready to start development in 2021–22. The report has not yet been scheduled for SMT approval.</p>
<p><b>Explore how we implement our intangible cultural heritage (ICH) policy statement (4.4 AP1)</b></p>	<p><b>Achieved</b> This action was achieved in the first six-months. ICH was a core part of HES’s communications offer over lockdown to engage audiences, with workshops and Q&amp;A sessions hosted on folklore, Gaelic customs, and the myths surrounding the properties in our care. Faeries and Folklore in Gaelic Culture and Myth Conceptions are in the top five most viewed. Engagement was encouraging. Those who viewed ICH sessions stayed on average for 6 min 40 sec, compared to the performance of all Q&amp;A livestreams of 6 min 51 sec. ICH was made a formal part of the assessment criteria for the <i>Year of Coasts and Waters</i> grants and it has been integrated into casework and designations policies and procedures. We have also joined the new Folklore Museums Network to help us better understand how to promote and share ICH at the national level.</p>
<p><b>Undertake intangible cultural heritage and creative industries projects (4.3 AP2)</b></p>	<p><b>Achieved</b> Projects were developed/progressed with creative partners in all 7 of the programme strands: <i>Abroath 2020</i>; <i>Year of Coasts and Waters</i> event, reimagined; <i>Meet Your Maker</i>; Heritage Remixed Youth Engagement Programme; Creative Informatics Challenge Project; <i>Changing Leith</i>; and Tourism exhibition programme.</p>
<p><b>Build on the success of Learn at Home (4.4 AP2)</b></p> <p>Carried forward from AP1: Support learning at home (1.5 AP1)</p>	<p><b>Achieved</b> We developed new Learn webpages – Learn, Create &amp; Play (<a href="http://www.historicenvironment.scot/learn-create-play">www.historicenvironment.scot/learn-create-play</a>) and created over 10 new pieces of content (Target: 10). More than two new digital partnerships commenced (Target: two – including BBC Learning, TWINKL and Times Educational Supplement).</p>

KPI 8: WE INCREASE INTERNATIONAL RECOGNITION OF THE QUALITY OF SCOTLAND'S HISTORIC ENVIRONMENT (5 ACTIONS TO REPORT AT YEAR END)	
ACTION PLAN ACTIONS 2020–21	RESULT
<p><b>Use our reputation as a world-leading heritage organisation to contribute to global recovery (4.2 AP2)</b></p> <p>Carried forward from AP1 Action: Develop new ways to work with and engage international partners in collaboration with key Scottish and UK agencies (4.5 AP1)</p>	<p><b>Achieved</b></p> <p>We have completed an audit of key international relationships/connections with a focus on European Union (EU) areas.</p>
<p><b>Work with UNESCO, World Heritage UK National Commission and UK historic environment bodies on a plan to utilise World Heritage Sites (WHS) to support the global recovery (4.6 AP1)</b></p>	<p><b>Achieved</b></p> <p>The 'National Value of UNESCO to the UK' report was published in June 2020. This WHS work is supporting global recovery. Regular virtual meetings are being held by World Heritage UK for all UK WHS's every 4–6 weeks. In addition, we are leading for the UK on a new International Council on Monuments and Sites (ICOMOS) European working group looking at transboundary World Heritage properties (building on our experience managing the Frontiers of the Roman Empire property). While a plan for recovery remains the goal, it has yet to be developed. However, the various partner sites across the UK communicate regularly.</p>
<p><b>Deliver a revised annual plan for Year 2 of our International Strategy – Partnering Globally (4.6 AP2)</b></p> <p>Carried forward from AP 1: Deliver a revised International Strategy annual plan and continue to monitor and respond to Brexit and its impact (4.7 AP1)</p>	<p><b>Achieved</b></p> <p>Our annual plan for our International Strategy was developed in the context of the pandemic restrictions in place and was delivered throughout the year including supporting Scottish Government in EU Exit work as well as continuing to monitor and respond to the impact of Brexit and its impact on HES.</p>
<p><b>Look at options for international benchmarking of our tourism sites including considerations of the long- term impacts of the current situation (4.8 AP 1)</b></p>	<p><b>Achieved</b></p> <p>We looked at options for international benchmarking of our tourism sites. International sites being considered for integration into our Quality Barometer are: The Alhambra, Spain and the Vasamuseet, Sweden. These sites are scheduled for live testing within the Barometer shortly. This will continue to be an important area of focus.</p>
<p><b>Create a new delivery plan for the Archaeology Strategy (4.9 AP1)</b></p>	<p><b>Achieved</b></p> <p>We created a Delivery Plan and an associated Operational Plan which reflects what can be delivered during the COVID-19 pandemic. Scotland's Archaeology Strategy – Five Year Review 2015–2020 (<a href="http://www.historicenvironment.scot/scotlands-archaeology-strategy-5yr-review">www.historicenvironment.scot/scotlands-archaeology-strategy-5yr-review</a>) was published in March 2021.</p>

## HERITAGE AND US: THE HISTORIC ENVIRONMENT IS CARED FOR AND CHAMPIONED BY A HIGH PERFORMING ORGANISATION



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WE ACHIEVED

6<sup>of</sup> 11

of the  
'Heritage and Us'  
actions in our Action  
Plans

4 actions were  
partially achieved  
and 1 not achieved

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### HIGHLIGHTS

#### **Scotland's Historic Environment Strategy on track for delivery (KPI 9)**

The *Our Place in Time* 2020 Annual Report ([www.historicenvironment.scot/opit-annual-reports](http://www.historicenvironment.scot/opit-annual-reports)), published in February 2021, shows that the sector worked well together and accomplished a great deal in 2019-20, despite having to make significant adjustments in response to the impact of the COVID-19 pandemic. Nine of the 13 Key Performance Indicators are on track for delivery. The remaining four have been particularly impacted by the pandemic, highlighting the importance of ongoing cross sector discussions regarding collaborative working to help recovery. Published findings from HES-led surveys into the impact of the pandemic on the heritage sector are also being used to inform collaborative actions to support long-term recovery.

#### **Leading the sector - understanding pandemic impact (KPI 9)**

We worked with sector partners to understand their immediate needs and undertook sector-wide pandemic impact surveys, which showed 70% of respondents experienced loss of revenue; 65% noted postponement/cancellation of planned income generation or marketing events had the biggest impact on their operations. These insights informed our short terms plans and will feed into long term evolution of the sector strategy. We provided evidence to the Culture, Tourism, Europe, and External Affairs Committee to inform its understanding of the impact of the pandemic on Scotland's culture and tourism industries, support required and how their recovery can contribute to a greener, fairer Scotland.

### **Transform the way we work (KPI 10)**

We explored new ways of working to fit with colleague and business needs and transformed how we work to support our staff and make our business more efficient and effective. We delivered our *Programme for Success* priorities, including launching our new intranet HESNet and progressing migration to our Document Centre. We implemented phase one of our Corporate Management Information System project through Fusion which integrates HR, Finance, Payroll and Procurement. Our Properties in Care Asset Management System (PICAMS) supported our agile working so that we could adapt quickly to the challenges presented by the pandemic. We rolled out iPads to our monument conservation unit staff allowing staff to access PICAMS on site. Transforming the way we work is a significant part of our ongoing culture change to drive modernisation and efficiency at HES.

### **Evolve how we work (KPI 10)**

We launched our People Strategy which commits us to longer term change in how we work. We evolved our culture and experience at work to support staff impacted by the pandemic, recognising that it has affected people in different ways. We gave people the skills they needed quickly to work in new ways online and at home. We made online training available on a range of topics, including how to manage remote teams and COVID-safe visitor experiences. We consulted and listened to our staff, using their views to evolve how we work now and in the longer term, including delivering our Colleague Engagement Survey with a 64% response rate. Through our Wellbeing Plan for 2021 we are providing staff with access to the Headspace app and training on Mental Health Awareness. We launched an Equity Forum to improve the working environment for all, and we created, evaluated, and are rolling out a senior leadership programme.

## HERITAGE AND US – PERFORMANCE RESULTS (II REPORTABLE ACTIONS)

### KPI 9: GROW TRUST AND CONFIDENCE IN HES (2 ACTIONS TO REPORT AT YEAR END)

ACTION PLAN ACTIONS 2020–21	RESULT
<p><b>Join forces with sector partners to feed into the evolution of the Our Place in Time (OPiT) sector strategy. (5.1 AP2)</b></p> <p>Carried forward from AP1: Show leadership through focused research and intelligence gathering, including a survey of sector organisations' responses to COVID-19, to inform our strategic planning 5.1 AP1</p>	<p><b>Achieved</b></p> <p>We joined forces with sector partners to feed into the evolution of the <i>Our Place in Time</i> (OPiT) Sector strategy. Our Chief Executive (CEO) took part in the <i>State of Heritage 2021</i> event in February 2021 where sector participants had a clear focus on current COVID-19 pandemic impacts. We published reports (<a href="http://www.historicenvironment.scot/covid-survey-significant-impact-scotlands-heritage-sector">www.historicenvironment.scot/covid-survey-significant-impact-scotlands-heritage-sector</a>) on HES-led sector surveys on the impacts of the pandemic and these have informed our strategic planning. We provided input into the future shape of Scotland's Historic Environment Forum. We published <i>Our Place in Time 2020 Annual Report</i> (<a href="http://www.historicenvironment.scot/opit-annual-reports">www.historicenvironment.scot/opit-annual-reports</a>), in February 2021 showing that the sector worked well together and accomplished a great deal in 2019–20.</p>
<p><b>Implement an internal communications plan (5.7 AP2)</b></p> <p>Carried forward from AP1: Implement an internal communications plan focusing on how we inform and support our staff, considering how we monitor colleague engagement enabling the appropriate actions to be taken (5.6 AP1)</p>	<p><b>Achieved</b></p> <p>We implemented an internal communications plan. Our new intranet has been delivered, enabling improved employee experience and access to information. More accurate analytics on page views are available. Two series of SMT Q&amp;A sessions have been delivered. <i>Two Historic Times</i> have been published in the new improved digital format. Provided communications support to successfully deliver campaigns on HES priority projects such as the Programme for Success projects, People Strategy and Resumption. CEO Vlogs and the new Friday Bulletin were delivered in April 2021. This work will continue in early 2021–22.</p>

### KPI 10: ENHANCE THE SUSTAINABILITY OF HES (9 ACTIONS TO REPORT AT YEAR END)

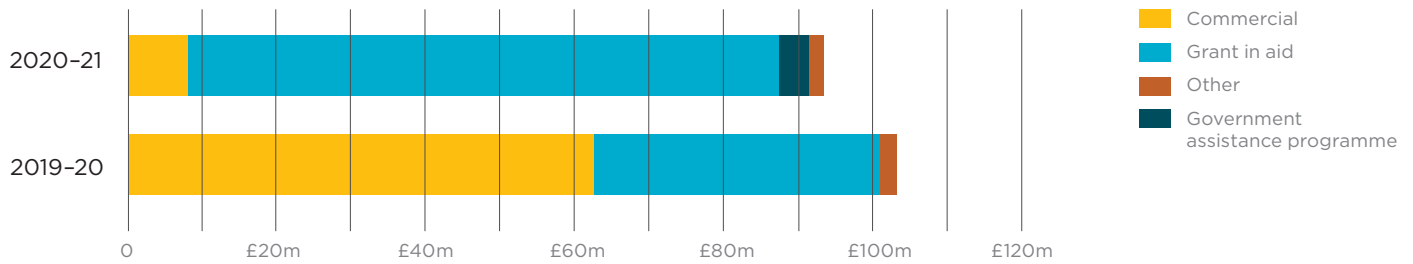
ACTION PLAN ACTIONS 2020–21	RESULT
<p><b>Deliver mandatory reporting including the 2019–20 Annual Report &amp; Financial Statements, the Public Bodies Climate Change Duties Reporting and Sustainability Reporting, the Properties in Care Annual Report 2019–20, and the Planning Performance Report 2019–20 (5.3 AP1)</b></p>	<p><b>Achieved</b></p> <p>The 2019–20 Annual Report and Financial Statements with Sustainability Reporting summary were laid before Parliament in October 2020. Our Public Bodies Climate Change Duties report was published in November. The Properties in Care Annual Report 2019–20 was published alongside the HES Annual Report and Financial Statements. Our Planning Performance Report 2019–20 (<a href="http://www.historicenvironment.scot/planning-performance-report-2019-20">www.historicenvironment.scot/planning-performance-report-2019-20</a>) was published in July 2020.</p>
<p><b>Continue to provide effective and efficient corporate services (5.6 AP2)</b></p> <p>Carried forward from AP1: Maintain key corporate services to meet financial commitments to staff and suppliers and support increased home working and online provision with IT capabilities (5.4 AP1)</p>	<p><b>Partially Achieved</b></p> <p>76% of employees have a flexible IT solution to support remote and home working, up from 56% at 1 April 2020 (target: 70%). Cyber Security Essentials Plus reaccreditation has been achieved. Four major incidents were reported in the past reporting period. These included necessary rebooting of servers, fixing a broken link on the HES Website and a national outage by Microsoft. All issues were fixed quickly and mostly within an hour of the issue being reported. Note that invoice payment times formed part of the success criteria for this action. In 2020–21, 87% of invoices were paid within 10 working days (target: 90%, 2019–20: 92%). Payment performance declined during 2020–21 due to temporary delay with transitioning to a new finance system during the year.</p>
<p><b>Evolve our culture and experience at work, through the implementation of Year 1 of our People Strategy (5.2 AP2)</b></p> <p>Carried forward from AP1: Promote colleague wellbeing, both physical and mental, supporting individuals as we adapt to a new way of working (5.5 AP1) Develop staff skills and capabilities by providing increased digital learning and volunteering opportunities and facilitating staff re-alignment to ensure that the right resources and skills are targeted to the most critical business needs (5.7 AP1) Launch our new People Strategy 2020–25, and implement our year 1 action plan (5.10 AP1)</p>	<p><b>Achieved</b></p> <p>We delivered significant progress through implementation of year 1 of our People Strategy. We developed an internal payroll system, created a Wellbeing Plan for 2021 including access to Headspace app and mental health awareness, rollout of Leadership training, launched our Equity Forum, delivered our colleague engagement survey with 64% response rate, and developed Directorate People Plans aligned to our People Strategy.</p>

<p><b>Undertake a contract review and engage with suppliers to ensure our position is protected appropriately during the COVID-19 pandemic (5.8 AP1)</b></p>	<p><b>Achieved</b> This action was achieved in the first 6-months. Three phases of the contract review have been completed: Phase 1 Supplier Audit, Phase 2 Triaging of Contracts, Phase 3 Contract Notices sent to Suppliers/Contractors. Suppliers will continue to be monitored for compliance with the Minimum Operating Standards (MOS) which sets out the threshold below which we will not open a property to staff or the public as they begin to return to work on our sites.</p>
<p><b>Continue to build on staff awareness and our response to increased cyber-crime (5.9 AP1)</b></p>	<p><b>Achieved</b> This action was achieved in the first six-months. Iron Scales cyber security tool is now fully operational and providing data on email phishing and other threats. We've successfully achieved our Cyber Essentials Plus Certification for 2020 in September, having complied with the higher standard. A new policy is being implemented to restrict access to unknown USB devices with a ServiceNow catalogue item to be provided with approval management when access for a new USB device is required. Staff awareness has been raised through internal communications and e-learning.</p>
<p><b>Deliver Programme for Success priorities for 2020-21 to transform the way we work (5.5 AP2)</b></p> <p>Carried forward from AP1:</p> <ul style="list-style-type: none"> <li>• Deliver 'Programme for Success' priorities for 2020-21 (5.11 AP1)</li> <li>• Develop a business case for a solution to the storage of the archives and collections in our care (2.6 AP1)</li> </ul>	<p><b>Partially Achieved</b> Around 70% of priorities achieved or significant progress made. Status of the 5 priorities at 31 March 2021:</p> <ol style="list-style-type: none"> <li>1. Phase 1 of Corporate Management Information System (CMIS) completed (HR, Payroll, Financial Management, Procurement).</li> <li>2. Intranet – HESNet launched and in use.</li> <li>3. Electronic records and document management system - Document Centre rollout underway in all Directorates. Project delivery extended to June with agreement of Project Board and Corporate Programme Governance Board (CPGB).</li> <li>4. Properties in Care Asset Management System (PICAMS) – Business case for phase 2 was submitted for approval to the HES Board in May 2021.</li> <li>5. Archive Solution – Business case was presented to HES Board in May 2021.</li> </ol>
<p><b>Develop commercial and fundraising strategies to explore opportunities to increase our financial resilience by diversifying income sources (5.12 AP1)</b></p>	<p><b>Partially Achieved</b> The draft Commercial Strategy was presented to HESe Board in August 2020. Key actions/projects were developed for discussion with SMT in September 2020. The Strategy including fully developed activity and associated targets was presented to HES Board in December. Fundraising Strategy update was provided to HES Board in August 2020. A draft Ethical Fundraising Policy and fundraising update was developed and was presented to HES Board in October 2020 and was subject to some requests for amendment. It was approved at HES Board in March 2021.</p>
<p><b>Explore new ways of working (5.3 AP2)</b></p>	<p><b>Partially Achieved</b> A framework has yet to be drafted but research has been completed. An internal cross-organisational working group has been established to look at priorities across the business, current practice and engaging with staff. Benchmarking with a range of public sector organisations (including site-based organisations) has been undertaken as well as research on workplace flexible working. We have gathered examples of current approaches to flexible working and sample frameworks being developed by Scottish Futures Trust. Edinburgh University students are conducting research on our behalf into workplaces of tomorrow, and how we modernise and develop to a flexible working agenda whilst ensuring that business needs are met.</p>
<p><b>Develop our future operating model (5.4 AP2)</b></p>	<p><b>Not Achieved</b> Limited progress has been made on revising our operating model due to limited resourcing and dealing with the impacts of COVID-19 pandemic. This work has been deferred until 2021-22.</p>

# FINANCIAL PERFORMANCE AND POSITION

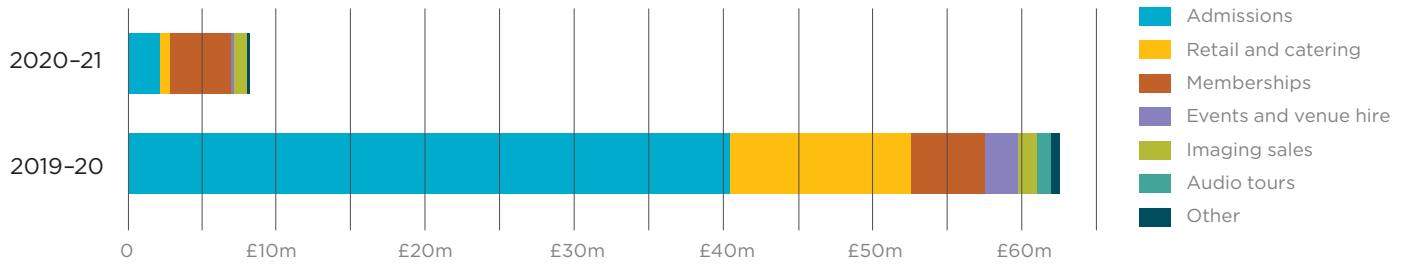
## FINANCIAL OVERVIEW

### Total Income



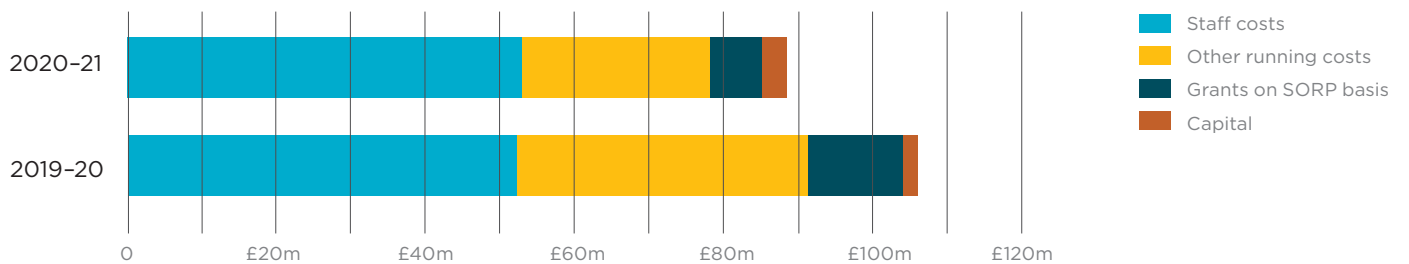
Additional grant in aid has offset the major decline in commercial income in 2020-21 but total income is still 9% down year on year.

### Commercial Income



The impact of COVID-19 pandemic restrictions was felt across all of our diverse income streams.

### Expenditure



Expenditure has decreased year-on-year including a 36% decrease in other running costs.



## OUTTURN AGAINST SCOTTISH GOVERNMENT TARGETS

Our Scottish Government funding target is based on expenditure net of income and our overall net expenditure slightly exceeding target. Whilst our cash spend was within target, our non-cash spend was above target due to a fixed assets impairment.

<b>Outturn reported to the Scottish Government</b>	<b>2020-21</b>	<b>2019-20</b>
	<b>£m</b>	<b>£m</b>
Income (net of cost of sales)	8.0	60.0
Expenditure	(90.5)	(102.6)
<b>Net expenditure for the year</b>	<b>(82.5)</b>	<b>(42.6)</b>
<b>Funded by:</b>		
Scottish Government Funding – cash grant in aid	79.4	38.4
Scottish Government Funding – non-cash allocation	3.0	4.3
<b>Total funding</b>	<b>82.4</b>	<b>42.7</b>
<b>Outturn for the year</b>	<b>(0.1)</b>	<b>0.1</b>
Split:		
Outturn against Scottish Government cash grant in aid	0.4	(0.3)
Outturn against Scottish Government non-cash allocation	(0.5)	0.4
	<b>(0.1)</b>	<b>0.1</b>

## RECONCILIATION BETWEEN REPORTING AS A NDPB AND AS A CHARITY

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

	<b>2020-21</b>	<b>2019-20</b>
	<b>£m</b>	<b>£m</b>
<b>Outturn reported to Scottish Government</b>	<b>(0.1)</b>	<b>0.1</b>
<i>Adjustments:</i>		
Difference between grants offered in year and grants invested	6.4	1.3
Capitalisation of tangible fixed assets	3.2	2.1
Transfer to designated funds	2.0	-
Scottish Government non-cash allocation	(3.0)	(4.3)
<b>Net income / (expenditure) per the financial statements</b>	<b>8.5</b>	<b>(0.8)</b>

In line with direction from Scottish Ministers (reproduced on page 117), our financial statements have been prepared in accordance with the Government Financial Reporting Manual (FRM) and the Charities SORP.

## OUR INCOME AND EXPENDITURE

### Income

Total income has decreased 9% from £103.3 million in 2019-20 to £93.7 million in 2020-21. Our total commercial income has decreased 87% with site closures due to COVID-19 restrictions and this has been partially offset by increased support from Scottish Government (grant-in-aid increased from £38.4 million in 2019-20 to £79.4 million in 2020-21).

Income from charitable activities (note 3) includes admissions, memberships, and other activities directly linked to our charitable purpose. Our income from charitable activities has decreased £40.5 million (84%) from £48.3 million in 2019-20 to £7.8 million in 2020-21. Visitor numbers decreased from 5.2 million in 2019-20 to 246,000 in 2020-21.

Historic Scotland membership income decreased 18% from £5 million in 2019-20 to £4.1 million in 2020-21. Whilst income has fallen, membership numbers have held up better than expected given the restrictions. There was a change in accounting policy for membership income and the impact of this change is shown in note 33.

Our trading activities are those that are undertaken to generate funds to support our charitable work but are not direct charitable activities themselves. Income from trading activities (note 4) is primarily retail sales at our sites and online, income from events, sales of digital images and other miscellaneous activities. Income from trading activities has decreased 89% from £16 million in 2019-20 to £1.8 million in 2020-21.

Other income includes the job retention scheme grant of £4.2 million which was claimed from HMRC to partially meet costs of staff who were furloughed due to the impact of the pandemic on our operations.

### Expenditure

Total expenditure has decreased 18% from £104.1 million in 2019-20 to £85.2 million in 2020-21. The decrease is within our non-staff costs as we have constrained spending due to decreased income.

Staff costs are our largest area of expenditure and increased 2% from £52.1 million in 2019-20 to £53.2 million in 2020-21. Excluding the impact of the Voluntary Exit Scheme in 2020-21, the underlying increase is 1%. The cost of the 2020-21 HES pay award, which was in line with pay policy set by Scottish Ministers, has been offset by tight control on staffing establishment.

Expenditure on raising funds (note 6) has decreased 69% from £14.5 million in 2019–20 to £4.5 million in 2020–21.

Expenditure on charitable activities (note 7) covers a broad range of activities including conservation, operating visitor attractions and regulatory work. Expenditure has decreased 4% from £76.1 million in 2019–20 to £72.8 million in 2020–21 mainly due to site closures and reduced funding.

We have invested £35.8 million through our Investment Plan over the past four years to enhance the condition of our sites and improve the experience of our visitors, as well as other corporate priorities. Investment in site condition and visitor experience decreased during the year due to impact of COVID-19 restrictions and access to our sites.

Grant expenditure (note 8) reported on a Charities SORP basis has decreased 41% from £13.5 million in 2019–20 to £7.9 million, due to a decrease in the level of new commitments entered during the year. New grants committed vary from year to year depending on the timing of the cyclical nature of some multi-year grant programmes.

We manage grant spending on an annualised basis and grants invested from current year funding decreased 8% from £14.7 million in 2019–20 to £13.5 million in 2020–21. Grant invested from current year funding in 2020–21 included £1.9 million for the additional Historic Environment Recovery Fund. We offer grants in advance and often over multiple years and our grant funding for 2021–22 has already been largely committed.

Support costs (note 9) are allocated across expenditure on raising funds, expenditure on charitable activities and expenditure on grants in the statement of financial activities. Support costs have increased 6% from £17.1 million in 2019–20 to £18.2 million in 2020–21.

## OUR FINANCIAL POSITION

As a public body, HES is restricted in its ability to build up reserves and is reliant on continued funding from the Scottish Government to operate. Whilst the group balance sheet as at 31 March 2021 shows net assets of £20.6 million (2019–20: £11.3 million), this is due to substantial fixed asset balances and the group balance sheet shows a deficit once these are excluded. The increase in net assets between 2019–20 and 2020–21 reflects lower level of new grant commitment during 2020–21 as well as the establishment of the new designated fund.

The Office of Scottish Charity Regulator (OSCR)'s definition of reserves is 'the funds that your charity has which can be freely spent on any of its charitable purposes'. This definition excludes restricted funds and tangible fixed assets.

### Investment plan

	2017-18	2018-19	2019-20	2020-21	Total
	£m	£m	£m	£m	£m
Site condition	5.5	5.8	5.6	1.9	18.8
Visitor experience	2.5	1.9	1.0	0.2	5.6
Other corporate priorities	2.1	2.6	2.9	3.8	11.4
	<b>10.1</b>	<b>10.3</b>	<b>9.5</b>	<b>5.9</b>	<b>35.8</b>

Our reserves are negative £27.6 million (2019–20: negative £34.2 million). The substantial reserves deficit is due to our recognition of grant commitments in full once offered whilst our funding for grant expenditure is based on annual payments. Essentially, we are reliant on future Scottish Government funding to meet our grant liabilities. Excluding future grant commitments (e.g. for work not yet undertaken by grant recipients), our reserves are negative £10.6 million (2019–20: negative £9 million). Excluding total grant liabilities, our reserves are positive £3.6 million (2019–20: positive £1.4 million).

#### Going concern

The Board and Accountable Officer are satisfied that HES will be able to meet its obligations as they fall due for at least 12 months from the date of signing of these financial statements, and therefore the financial statements have been prepared on a going concern basis.

The COVID-19 pandemic and associated restrictions have had, and will continue to have, a major impact on the tourism sector and there are significant risks to HES's commercial income. Supplementary government grant in aid was provided for 2020–21 and grant in aid agreed for 2021–22 reflects lower expectation of commercial income.

HES has a deficit on unrestricted funds as there is a disparity between grant income received and grants payable. Government grant in aid is drawn down on the basis of need and is accounted for as received. HES must commit to grants on a longer-term basis to allow appropriate planning by recipients and this is accounted for in full when the commitment is made. Whilst grant expenditure is accounted for on commitment, the total grant payments in each year are closely managed based on grant in aid funding available for that year.

The UK's exit from the EU has immediate risks to HES with the continuity of supply chains and the impact of increased costs of goods and materials. However, mitigation actions are in place and the Board and Accountable Officer are satisfied that risks from the UK's exit from the EU do not impact on the going concern basis.

#### Fixed assets

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

#### Reserves

	2020–21	2019–20
	£m	£m
Unrestricted funds	17.9	8.3
Less unrestricted fixed assets	(43.5)	(42.5)
Less designated funds	(2.0)	-
<b>Reserves</b>	<b>(27.6)</b>	<b>(34.2)</b>
Exclude future grant commitments	17.0	25.2
<b>Reserves excluding future grant commitments</b>	<b>(10.6)</b>	<b>(9.0)</b>
Exclude grants accruals and retentions	14.2	10.4
<b>Reserves excluding total grant liabilities</b>	<b>3.6</b>	<b>1.4</b>

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

The land, buildings and dwellings which we do recognise on our balance sheet are revalued every year either by formal valuation or an indexation increase. The revaluation reserve has decreased 1% from £20.9 million as at 31 March 2020 to £20.8 million as at 31 March 2021.

### **Pensions**

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

### **Restricted funds**

Our restricted reserves were £2.7 million as at 31 March 2021 (2019–20: £3 million). Of this, £2.6 million (2019–20: £2.7 million) relates to Heritage Lottery Fund grants received to fund the Engine Shed and will be released to unrestricted reserves in line with the depreciation of the building. The remaining £0.1 million (2019–20: £0.3 million) relates to other unspent restricted grant income.

### **Designated funds**

HES established a new £2 million designated fund as at 31 March 2021 to support conservation of our Properties in Care. The establishment of this fund is in recognition of the lower level of conservation that was undertaken during 2020–21 because of the COVID-19 restrictions. The fund is expected to be fully utilised during 2021–22.

### **GRANTS POLICY**

HES offers grants under a range of funding programmes to organisations and individuals to support activities that benefit the historic environment and contribute to our corporate plan objectives.

We operate an expressions of interest process to provide feedback on proposals at an early stage. All applications received are assessed on a competitive basis according to published criteria, with specialist advice sought from relevant colleagues in our Conservation, Heritage and Development & Partnerships Directorates. Depending on the value of the grant, decisions are taken by the Head of Grants, Director of Finance, Chief Executive or HES Board.

Further information about the grants programmes HES operates can be found at [www.historicenvironment.scot/grants-and-funding/our-grants](http://www.historicenvironment.scot/grants-and-funding/our-grants), and an outline of how decisions are made is available at [www.historicenvironment.scot/grants-and-funding/how-our-funding-works](http://www.historicenvironment.scot/grants-and-funding/how-our-funding-works). Details of the grants awarded during the year ended 31

March 2021 can be found at [www.historicenvironment.scot/grants-and-funding/grants-awarded-by-us](http://www.historicenvironment.scot/grants-and-funding/grants-awarded-by-us).

### **SUPPLIER PAYMENT PERFORMANCE**

Standard supplier payments terms are generally 30 days but HES follows the Scottish Government target for the payment of invoices within 10 working days of their receipt. In 2020–21, 87% of invoices were paid within 10 working days (2019–20: 92%) and 96% were paid within 30 days (2019–20: 99%). Payment performance declined during 2020–21 due to a temporary delay in processing with transitioning to a new finance system during the year.

### **POST BALANCE SHEET EVENTS**

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

# OUR PLANS FOR 2021 ONWARDS

## AR PLANAICHEAN AIRSON 2021 IS AIR ADHART

Our *Annual Operating Plan 2021-22* outlines the activities we will undertake to support achievement of the outcomes set out in our Corporate Plan Heritage for All. We will be reviewing our *Corporate Plan in 2021-22* to ensure that it remains fit for purpose in the current circumstances but we anticipate that our outcome framework will stay largely the same. Our activities will continue to support the National Outcomes in the Scottish Government's National Performance Framework.

**Our Priorities for 2021-22 are as follows:**

### 1. Heritage and Society: the historic environment makes a real difference to people's lives

We want to make more use of digital in our work, particularly involving young people to help shape the future of our sector. Diversity and inclusion have also come into sharp focus over the last year. Our new Equality Outcomes set ambitious goals for driving reductions in inequality and improvements in inclusion through digital and community involvement.

- KPI 1: Increase wellbeing from Scotland's historic environment
- KPI 2: Increase engagement with Scotland's historic environment
- KPI 3: Enhance communities' use of their heritage in placemaking

### 2. Heritage and the Environment: the historic environment is looked after, protected and managed for the generations to come

Our historic buildings present an opportunity for retrofit and reuse as the preferred alternative to carbon-heavy new builds. We want to support communities, asset owners and the construction sector to manage and adapt historic buildings while maintaining the elements that make them important parts of our shared heritage and the life of our local areas. Climate change response is at the forefront of our plans. We will continue to use our platform as a leader in climate change research in the historic environment to promote climate action. We will also continue to look after and manage the properties, collections and archives in our care.

- KPI 4: Strengthen the resilience of Scotland's historic environment
- KPI 5: Increasingly lead the sector in climate change action



### 3. Heritage and the Economy: the historic environment makes a broader contribution to the economy of Scotland and its people

Our refreshed grant programmes will be fundamental to ensuring the resilience of many heritage organisations to make it through the COVID-19 pandemic. We will help steer Scotland towards a more sustainable tourism model, using our expertise as the largest operator of paid visitor attractions in Scotland. A key focus will be on spreading the benefits of tourism across Scotland, addressing the negative impacts of high-volume tourism for particular sites and communities, and looking at lower carbon ways for people to explore our country. Job creation and skills development are also vital during this time of recovery.

- KPI 6: Increase economic benefits from Scotland's historic environment.

### 4. Heritage and Creativity: the historic environment inspires a creative and vibrant Scotland

We will focus on digital innovation to complement and extend our existing services. We will use innovative, flexible and inclusive approaches to increase participation and support positive destinations for our learners. We will continue to grow our international networks to support the global recovery. Our knowledge, expertise and experience in conservation, heritage tourism, research, technical science, data, and reuse and retrofit of historic buildings has huge potential to inform management of the historic environment, and how heritage can be used to support a green recovery and a wellbeing economy, around the world.

- KPI 7: Increasingly inspire creativity and innovation
- KPI 8: Increase international recognition of the quality of Scotland's historic environment

### 5. Heritage and Us: the historic environment is cared for and championed by a high-performing organisation

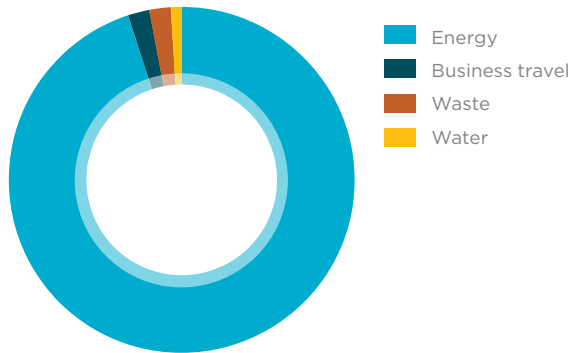
We will continue to prioritise the health and wellbeing of our people, balancing our ambitions with an understanding of our operating context and the impacts of the pandemic our people continue to face. We want to ensure our operating model and ways of working help us to build our resilience, including diversifying and increasing our income streams to address both revenue and capital issues, and moving to a digital first approach where appropriate. We also want to find ways to better engage with young people on career pathways within the historic environment. As the lead body for the historic environment in Scotland, we will continue to provide a range of support. We will also work with the sector to ensure that the sector strategy, *Our Place in Time*, represents sector priorities as we move forward from this crisis. Finally, in order to support the delivery of our annual priorities and long-term outcomes, over the course of this year we will be re-shaping the structure of our organisation. Our new approach will provide a stronger customer and community focus through an enhanced regional model; foster and encourage more collaborative working; and create an organisation where all our colleagues want to work with opportunities to develop and progress.

- KPI 9: Grow trust and confidence in HES
- KPI 10: Enhance the sustainability of HES

# SUMMARY SUSTAINABILITY REPORT

## GEÀRR-CHUNNTAS AIR AITHISG SO-SHEASMHAICH

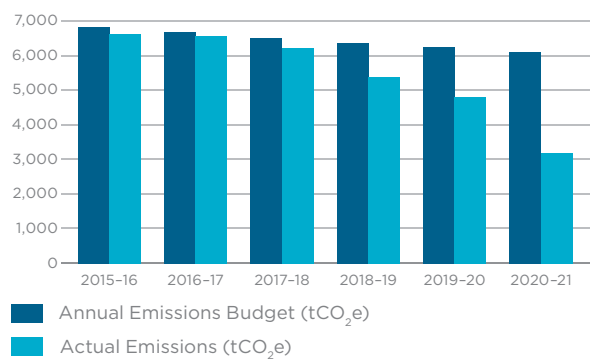
### 2020-21 Greenhouse Gas (GHG) emissions



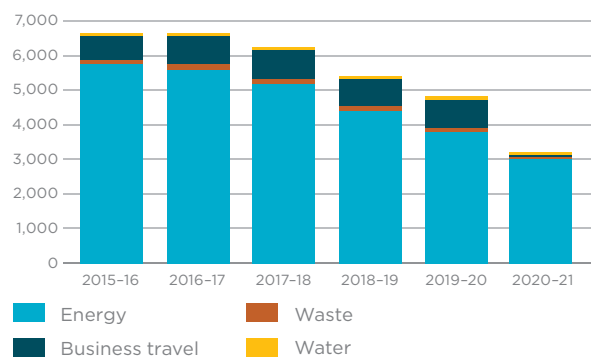
### Performance against our 2015-20 Carbon Management Plan (CMP) GHG emissions target

Year	GHG EMISSIONS					
	TARGET		ACTUAL		DIFFERENCE	
	Emissions tCO <sub>2</sub> e	Change %	Emissions tCO <sub>2</sub> e	Change %	Emissions tCO <sub>2</sub> e	Change %
BASELINE	6,986	N/A	6,986	N/A	N/A	N/A
2015-16	6,832	(2.2%)	6,616	(5.3%)	(216)	(3.2%)
2016-17	6,679	(2.2%)	6,588	(0.4%)	(91)	(1.4%)
2017-18	6,525	(2.3%)	6,196	(6.0%)	(329)	(5.0%)
2018-19	6,371	(2.4%)	5,384	(13.1%)	(987)	(15.5%)
2019-20	6,218	(2.4%)	4,803	(10.8%)	(1,415)	(22.8%)
2020-21	6,083	(2.2%)	3,171	(34.0%)	(2,912)	(47.9%)
<b>TOTAL</b>	<b>38,708</b>	<b>(12.9%)</b>	<b>32,758</b>	<b>(54.6%)</b>	<b>(5,950)</b>	<b>(15.4%)</b>

### Actual vs target emissions (tCO<sub>2</sub>e)



### GHG emissions overview by contributor



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

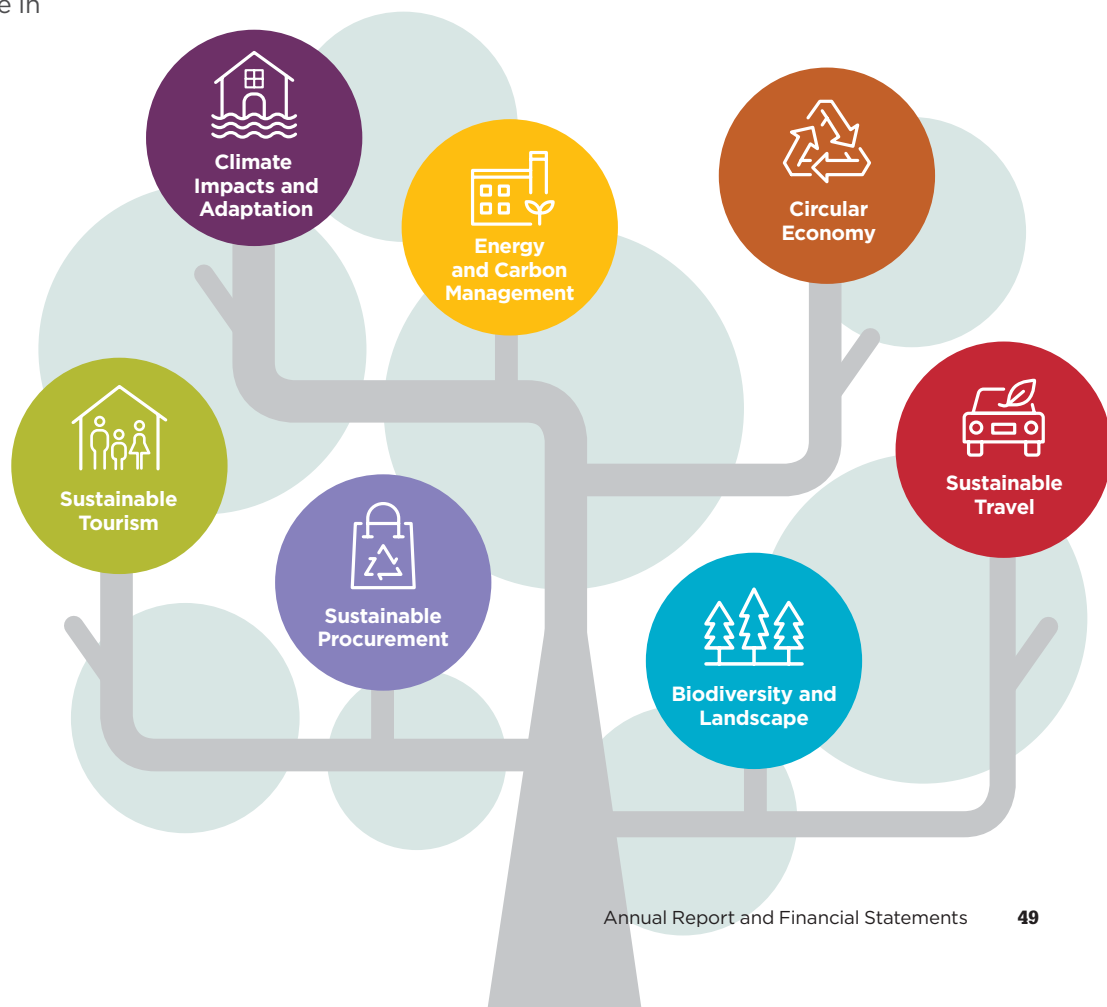


This Summary Sustainability Report provides an overview of HES performance for 2020–21. This was the first full year of our Climate Action Plan 2020–2025 and we have made significant progress against our targets and planned actions, in spite of the challenging conditions. The creation of a new Carbon Projects Manager post, filled in March 2021, means that we will be able to accelerate progress towards net zero emissions in coming years. We have successfully delivered online events throughout the year, supporting staff, stakeholders, and the public in climate action. We have also continued our leadership role as European Co-Chair of the Climate Heritage Network and are already looking ahead to November 2021, when the UK will host the UN’s annual climate change conference in Glasgow.

## ENERGY AND CARBON MANAGEMENT

Our Carbon Management Plan (CMP) was due to be updated in 2020, however this was put on hold due to the COVID-19 pandemic. Therefore we have looked at the 2015 CMP and measured against the targets published there. The target was to reduce annual greenhouse gas (GHG) emissions by 12.9% in the six years to 2020–21 from the 2014–15 baseline. The reduction to 2020–21 is 54.6%, meaning we have delivered a reduction significantly in excess of target for the CMP six-year period. Cumulative GHG emissions 2015–21 are 15.4% lower than our target for this period.

We have reduced our headline GHG emissions by more than our target for the sixth year in a row. Energy consumption from our buildings is the largest contributor to our organisational carbon footprint, accounting for 94.4% of emissions that we report on. Business travel accounts for 2.0%, Waste 2.3%, and Water 1.2%. During 2020–21, we reduced our GHG emissions by 34.0% against our target of a 2.2% reduction. This consists of a 20.3% reduction in energy emissions, a 42.8% reduction in waste emissions, a 92% decrease in business travel emissions and a 65% decrease in water emissions.



**COMPARISON OF ESTIMATED PRE COVID VS DURING COVID EMISSIONS GENERATED BY STAFF AT THREE OFFICES (KG CO<sub>2</sub>e PER PERSON PER WORKING DAY)**



Our GHG emissions reduced by 1,632 tCO<sub>2</sub>e from 4,803 tCO<sub>2</sub>e for 2019-20 to 3,171 tCO<sub>2</sub>e for 2020-21.

Energy consumption (kWh) from Electricity and Gas have both decreased against the previous year. Furthermore, carbon reductions from both utilities have also improved because their associated Conversion Factors have reduced due to the National Grid becoming cleaner from the integration of more renewable technologies as power sources. Water emissions have reduced 65% since last year, due to a combination of our buildings being closed for a significant part of the year due to the pandemic, and to billing errors which had caused an increase in 2019-20 and had to be corrected this year. The biggest factor in our reduced emissions this year is our sites and offices being closed for much of the year, which drastically reduces usage of energy and water, the amount of waste and the need to travel.

Last year there was considerable difficulty collecting data from a number of suppliers who supplied data at the end of the year due to the lockdown. As a result we had to estimate data, meaning that the comparisons with last year will be impacted this year. We suspect that there has been some impact on the accuracy of the data collected this year due to the ongoing pandemic however this appears to be much smaller than last year.

**GHG EMISSIONS FROM HOME WORKING**

There has been a significant shift in working behaviours due to the pandemic, with many HES staff moving to home working. Currently our GHG reporting does not take account of emissions incurred by home working. Findings show that emissions from our core offices and associated workforce reduced by 41% during COVID home working compared with pre-COVID working patterns. This was down to a significant

reduction in commuting and business travel, which outweighed the increase in emissions from heating of both individual homes and partially open offices during the pandemic.

**SUSTAINABLE TRAVEL**

The data on travel is included in the carbon figures for the year. Due to the pandemic few sustainable travel projects have taken place this year.

- In 2019 we successfully secured funding through Transport Scotland and Energy Saving Trust to increase the number of electric vehicles (EVs) in our fleet and add charge points at a number of locations. Due to the pandemic, the delivery of the vehicles had to be postponed until later in 2020 and these are now in use. We have still been unable to install any new charging points due to ongoing challenges of the pandemic and this has again been delayed until next year.

- In June 2020 we once again participated in Bike Week, this time with a digital awareness campaign for staff which included the promotion of the Cyclescheme, bike maintenance and how to plan safe cycling routes. We continue to work to make cycling accessible to our staff through the Cycle Friendly Employer Award which is now held by seven HES locations; Longmore House, Holyrood Park Education Centre, John Sinclair House, Stirling Castle, The Engine Shed, Edinburgh Castle and Croft-an-Righ.

## CLIMATE IMPACTS AND ADAPTATION

### Adapt Northern Heritage

In April 2020, we delivered the Adapt Northern Heritage Project Conference. Originally planned as an in-person event in Edinburgh, it was rapidly moved online in response to the pandemic. This was the final event of a three-year international project, led by HES, supporting communities and local authorities to adapt northern cultural heritage to the environmental impacts of climate change and associated natural hazards through community engagement and informed conservation planning. The conference was recorded and is available on the HES YouTube channel.

### Climate Vulnerability Index (CVI)

Following on from the successful pilot at the Heart of Neolithic Orkney World Heritage Site, HES has this year been a partner in CVI Africa and in CVI Old

and New Towns of Edinburgh, both of which will be delivering workshops in 2021-22. Adaptation Scotland Partnership: In September 2020 HES and Sniffer (the sustainability charity that run the Adaptation Scotland Programme) signed a Memorandum of Understanding to work together on a range of projects. This includes creating new climate change data and information content to support the public sector in understanding the challenge of climate change.

### Developing new onsite interpretation

During 2020-21, the Interpretation Unit have been developing new climate change interpretation to be rolled out across several of our Properties in Care in 2021-22. This new content will provide visitors with information on how climate change is impacting the places we care for.

### Climate Ready HES

We have undertaken a strategic climate change risk assessment of our organisation in order to create our first climate change adaptation strategy. We will publish the results of this risk assessment and the strategy in 2021-22.

### Heritage Agencies

#### UK - Hazard Map

Working with partners across all four UK nations, we have commissioned a climate hazard map for Scotland. This builds on work carried out by the National Trust in an earlier phase of the project. The product was delivered in March 2021 and over the course of 2021-22 we will be using this data to update the climate change risk assessment of our Properties in Care.

### Impact Guide update

Launched in October 2019, the Guide to Climate Change Impacts on Scotland's Historic Environment continues to make a mark. It is currently being translated into French, Swedish and Norwegian.

## CIRCULAR ECONOMY

Implementing circular economic principles and supporting the wider transition to a circular economy is a key work area. Progress in 2020-21 includes:

### Reducing our operational waste:

We have taken on a new waste broker to manage our waste estate-wide. This new contract seeks to improve standards, reduce waste, improve recycling rates, minimise carbon emissions and improve monitoring and reporting.

- Using Warp It, an online resource sharing platform, we have saved 3 tonnes of CO<sub>2</sub>e by redistributing surplus goods.
- Home working has seen us change processes to reduce printing. We have reduced our printing by 75%, saving approximately 1.2 million pages, amounting to around 200 trees. Our new board meeting software has saved around 63,000 pages of paper alone.

### **Investing in local, natural, non-toxic and reused materials:**

- We have continued to support the supply of local traditional materials in Scotland. Initiatives include funding the RSPB to sustainably manage reed beds for thatch in Perthshire, researching the growing of linseed to make a natural and non-toxic paint alternative
- We have developed a carbon calculator for the procurement of stone to support the informed choice of low carbon materials.

### **Investing in recycled content and circular business models:**

- Our new electric vehicles are leased rather than purchased to encourage innovation and reduce waste.
- In partnership with our suppliers we have increased the amount of recycled content of our purchased goods. This includes uniform and personal protection equipment (PPE) garments made from recycled PET, and the Historic Scotland magazine now using 100% recycled paper. Our shops have continued to swap plastic bags for 100% recycled paper bags which use natural inks.

### **Prolonging the life of buildings:**

- We provided advice and information to support the development and delivery of a broad range of national plans, policies, and strategies. For example, in our response to the Draft Infrastructure Investment Plan we advocated for our historic environment to be recognised as playing a key role in a sustainable future. We emphasised that looking after what we already have and maintaining existing buildings is often greener than building new. This will be crucial for Scotland's net-zero targets and supporting Scotland's Green Recovery following the pandemic.
- We have continued to undertake research into energy efficiency of traditional buildings. We have also been undertaking a Refurbishment Case Study on a pre-1919 building bringing it up to an EPC C. We have also been working with the Energy Saving Trust to help improve EPCs for traditional buildings.
- Our HES grants and funding programme has continued to fund and support multiple projects to enable the repair and maintenance of traditional buildings across Scotland and to make them more resilient to climate change. This includes funding of the Conservation Area Regeneration Schemes and the Traditional Buildings Health Check in Stirling.

### **Virtualising:**

- In May 2019 we launched the new virtual reality Caerlaverock Castle Quest app which aims to engage young people with heritage through a digital medium. The app provides an alternative to the traditional physical guidebook.
- We continue to offer virtual reality experiences of our sites and collections online via SketchFab and at events and sites such as Maeshowe where limited numbers of people can visit the physical tomb.

## **SUSTAINABLE PROCUREMENT**

In 2019-20 HES launched the HES Climate Action Plan which includes a dedicated section on Sustainable Procurement aimed at ensuring our procurement maximises ethical, social, and environmental benefits. These actions run alongside the HES Sustainable Procurement Guidelines which applies the principals set out in the Scottish Minister's Sustainable Procurement Action Plan. Key activity undertaken in 2020-21 included:

- We continued to use the Sustainable Procurement Tools for our larger contracts, to ensure that we build sustainable criteria into the specification of the product/ services where possible and link this to evaluation criteria. This was used for our new Waste Management Contract and Stone Procurement Framework.

- We ran a training course on Circular Procurement for HES staff.
- We continued to work with our suppliers and users of our contracts to encourage the procurement of sustainable products throughout the organisation, to reduce packaging and invest in recycled content. We undertook life cycle assessments of COVID-19 sneeze screens to assess the environmental impacts of our options.
- We have produced a Sustainable Purchasing Guide which provides all HES purchasers with a simple step-by-step guide on how to procure sustainably.
- We worked in partnership with Zero Waste Scotland to develop a carbon calculator to use as part of a procurement process for a new Stone Procurement Framework which we hope can be used by other public sector bodies.

## BIODIVERSITY AND LANDSCAPES

There were many opportunities taken across our operations to support biodiversity and key achievements in 2020–21, including:

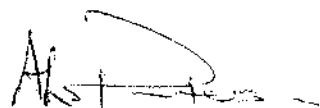
- Heritage Management have been rolling out training on statutory obligations for protected species to staff in estates, raising the profile of our legal obligations on the estate.
- Changes have been made to the grass management at many sites which we will monitor and we expect to see a positive change as a result.
- Landscape Managements Plans are being developed with Doune Castle almost finalised and Caerlaverock Castle and Melrose Abbey now in draft form.
- Much of our work has reduced, both in hours spent and number of actions taken due to the ongoing pandemic. In Holyrood Park 13 hours were spent clearing invasive Himalayan balsam, four bee and 22 butterfly transects have been completed.

## SUSTAINABLE TOURISM

While we added Sustainable Tourism as a theme of our Climate Action Plan (CAP) that launched in February 2020 and intended it to be a priority for the five years of the CAP, the pandemic and associated site closures have had an impact on the progress achieved in the past year.

While our sites have been closed for most of 2020, we have turned our attention towards virtual ways of communicating Sustainable Tourism and its connection to climate change. Together with the Content Team at the Engine Shed, climate change colleagues have developed content on CAP themes, including Sustainable Tourism, to be placed on the virtual learning environment platform Moodle. The course will initially be launched for HES colleagues internally, with a view to opening it up as a resource for the wider sector and interested parties globally.

We continue to offer virtual reality experiences of our sites and collections online via SketchFab, this has been useful tool to provide access to our sites that have been closed during lockdowns. Edinburgh Castle and Caerlaverock Castle were both launched on Sketch Fab in 2020 have attracted 72,300 and 17,100 views respectively.



Alex Paterson  
Chief Executive and Accountable Officer  
21 October 2021

# ACCOUNTABILITY REPORT

## STRUCTURE, GOVERNANCE AND MANAGEMENT

### AITHISG AIR FREAGARRACHD

### STRUCTAR, RIAGHLACHAS AGUS STIÙIREADH

HES is a NDPB created under The Historic Environment Scotland Act 2014 and is also a registered charity.

HES's Framework Document, drawn up by the Scottish Government in consultation with the HES Board, sets out a broad framework for how we operate. HES's Framework Document is available on our website at [www.historicenvironment.scot/about-us/who-we-are/corporate-information/framework-document](http://www.historicenvironment.scot/about-us/who-we-are/corporate-information/framework-document)

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

HES is governed by a non-executive board supported by an Audit, Risk and Assurance Committee and a Staff Governance Committee. In addition a new Finance Committee was established during 2020-21.

Day-to-day running of HES is delegated to the Chief Executive and the Senior Management Team.

#### BOARD

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

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

The board members from 1 April 2020 up to the date this Annual Report was approved, were:

- Jane Ryder OBE, Chair
- Ian Brennan
- Dr Janet Brennan
- Andrew Davis (from 6 April 2020)
- Emma Herd (from 6 April 2020)
- Terry Levinthal (from 6 April 2020)
- Dr Coinneach Maclean (to 18 January 2021)
- Dr Fiona McLean
- Ian Robertson
- Dr Paul Stollard
- Dr Ken Thomson (to 18 January 2021)
- Jane Williamson (from 6 April 2020)

The full biographies for our current board members can be found at [www.historicenvironment.scot/about-us/who-we-are/our-board/board-members](http://www.historicenvironment.scot/about-us/who-we-are/our-board/board-members)

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

- Taking forward the strategic aims and objectives for the body agreed by the Scottish Ministers.
- Determining the steps needed to deal with changes which are likely to impact on the strategic aims and objectives of HES or on the attainability of its operational targets.
- Promoting the efficient, economic, and effective use of staff and other resources by HES consistent with the principles of Best Value, including, where appropriate, participation in shared services arrangements and ensuring that effective arrangements are in place so that HES acts corporately in accordance with the priorities set out in the Scottish Government's statement of corporate expectations.
- Ensuring that effective arrangements are in place to provide assurance on risk management, governance, and internal control.
- Taking into account relevant guidance issued by the Scottish Ministers in reaching decisions.
- Ensuring that the Board receives and reviews regular financial information concerning the management and performance of HES and is informed in a timely manner about any concerns regarding the activities of HES.

- Appointing, with the approval of the Scottish Ministers, the HES Chief Executive and, in consultation with the Scottish Government, setting appropriate performance objectives and remuneration terms linked to these objectives which give due weight to the proper management and use of resources within the stewardship of HES and the delivery of outcomes.
- Demonstrating high standards of corporate governance at all times, including openness and transparency in its decision-making.

To discharge their responsibilities, the Board met nine times during 2020-21 for regular Board meetings (2019-20: six meetings). At each regular meeting the Board received 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 required. Risk-related items were highlighted as necessary. The Board also met three times specifically on strategy development and thirteen additional times to discuss ad hoc matters arising between formal meetings.

Board members work to the high standards of conduct outlined in The Ethical Standards in Public Life etc. (Scotland) Act 2004. The Board is subject to a Code of

Conduct and is required to ensure that all relevant interests are declared. Copies of the Code of Conduct, the Register of Declared Interests and approved Board Minutes are available online at [www.historicenvironment.scot/about-us/who-we-are/our-board/board-papers/](http://www.historicenvironment.scot/about-us/who-we-are/our-board/board-papers/).

Board members are appointed by Scottish Ministers following an open process. These appointments are regulated by the Commissioner for Ethical Standards in Public Life in Scotland. The Scottish Government Public Appointments Team oversee the process of recruiting and appointing new board members. Advertisements for new board members are published and shared widely, followed by shortlisting and interviews, with the interview panel consisting of a Scottish Government representative, the HES Chair and an independent appointer. The panel's recommendation was then approved by the Cabinet Secretary.

Four new Board members were appointed through this process in 2019 and joined the Board in April 2020. Working remotely throughout the year, they had an induction process to familiarise them with the operation of HES. This included introduction to and engagement with staff, the role and responsibilities of the Board, information regarding the Code of Conduct, completion of the

Register of Interests, and exercises to ensure personal development of board members. Board members are also required to familiarise themselves with the Scottish Government publication *On Board – a guide for board members of public bodies in Scotland*.

For ongoing training and development, board members collectively and individually take part in familiarisation visits, which include meetings with staff and stakeholders, ensuring an understanding of a range of different perspectives. Individual board members have attended events and courses, and draw on their experience elsewhere, to feedback and share examples of good practice with other board members and staff. This is brought together in an annual self-assessment and recommendations, with a commitment to continuous improvement. Through this process Board members agreed collective Board priorities for the year. Members also undertook a review and update of the Scheme of Internal Delegation including the setting up of a new Finance Committee.

## BOARD COMMITTEES

The Audit, Risk and Assurance Committee's role is to advise and support the Board and the Accountable Officer in their responsibilities for issues of risk, control, and governance of both HES and its subsidiary HESe through a process of constructive challenge. The Committee will advise the HES and HESe Boards and Accountable Officer on the strategic processes for risk management, including an assurance that the risk appetite of the organisation decided by the HES Board is being taken into account appropriately. The Committee is chaired by a non-executive board member and meets on a quarterly basis. Reports are received from the Director of Finance and Performance, Internal Audit, and our External Auditors. The Committee supports the Board and the Accountable Officer in reviewing the effectiveness of the internal control environment.

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

of staff and volunteers. The Committee is chaired by a non-executive board member and meets on a quarterly basis.

A Finance Committee was established and had its first meeting in March 2021. The primary objective of the Finance Committee is to provide oversight, scrutiny, and assurance to the Board, and to any other committees or working groups as appropriate, in relation to significant financial and budgetary matters. This will include but is not limited to strategic financial planning and budget setting in the short, medium, and long term, investment decisions based on review of business cases, performance against the agreed budget, and delivery of expected investment benefits. The Committee is chaired by a non-executive board member and meets on a quarterly basis.

## CHIEF EXECUTIVE AND THE SENIOR MANAGEMENT TEAM

The Chief Executive is appointed by and is accountable to the Board. The Chief Executive chairs a Senior Management Team comprising senior staff from HES. Senior Management Team members from 1 April 2020 to the date this report was approved were:

- Alex Paterson, Chief Executive and Accountable Officer
- Barbara Cummins, Director of Heritage (to 31 March 2021)
- Elly McCrone, Director of Heritage (from 1 April 2021)
- Stephen Duncan, Director of Commercial and Tourism

- Gary Love, Director of Corporate Services
- Lisa McGraith, Director of Communications (returning from maternity leave from 1 March 2020, to 30 September 2021)
- Kirsteen Rowlands, Interim Director of Communications (to 4 June 2020)
- Dr David Mitchell, Director of Conservation
- Lindsey Ross, Director of People
- Donella Steel, Director of Finance and Performance
- Alison Turnbull, Director of Development and Partnership

Other than Barbara Cummins leaving on 31 March 2021, Elly McCrone starting as Director of Heritage from 1 April 2021, and Lisa McGraith leaving on 30 September 2021, there were no changes to the Senior Management Team from the 31 March 2021 to the date this Annual Report was approved.

Full biographies for our current Senior Management Team can be found on our website: [www.historicenvironment.scot/about-us/who-we-are/senior-management-team/](http://www.historicenvironment.scot/about-us/who-we-are/senior-management-team/)

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

The responsibilities delegated to the Chief Executive by the Board and to the members of the Senior Management Team are laid out in the Scheme of Internal Delegation. The Chief Executive



is charged with responsibility for overall corporate performance, management within HES and exercise of HES's statutory powers as a regulatory body. The Chief Executive is additionally responsible for functions including, but not limited to, approval of directorate plans and budget allocations, operational policies spanning multiple directorates, structure and staffing below Senior Management Team level and approval of expenditure, investment, and procurement up to thresholds agreed with the Board.

Day-to-day implementation of the Corporate Plan is delegated to members of the Senior Management Team.

## GROUP STRUCTURE

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

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

Scran Limited ceased trading on 31 March 2016 and was dormant for the year to 31 March 2021. The activities previously undertaken by Scran Limited are now undertaken directly by HES.

HES was also in a Limited Liability Partnership with Glasgow School of Art, Centre for Digital Documentation and Visualisation LLP (CDDV LLP). HES's share of CDDV LLP was not consolidated in the Group's financial statements as it is not considered material. HES and Glasgow School of Art agreed during 2019-20 to dissolve the partnership and the partnership was dissolved on 1 June 2021.

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

# STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

## AITHISG AIR OBAIR NAN OIFIGEARAN LE UALLAICHEAN SÒNRAICHTE

Under Section 13 of the Historic Environment Scotland Act 2014, HES is required to prepare in respect of each financial year a statement of accounts which comply with directions given by Scottish Ministers.

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

In preparing the financial statements, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by Scottish Ministers;
- Including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on a going concern basis; and
- Confirm that the Annual Report and Financial Statements as a whole is fair, balanced, and understandable and take personal responsibility for the Annual Report and Financial Statements and the judgements required for determining that it is fair, balanced, and understandable.

The Principal Accountable Officer of the Scottish Government has appointed the Chief Executive of HES as Accountable Officer of HES. The responsibilities of the Accountable Officer are described in the Memorandum to Accountable Officers from the Principal Accountable Officer published in the Scottish Public Finance Manual.

# GOVERNANCE STATEMENT

## AITHRIS RIAGHLACHAIS

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

### SCOPE OF RESPONSIBILITY

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

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

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

HES complied with the SPFM and guidance from Scottish Ministers in all material aspects for the year to 31 March 2021.

### RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

We have a Risk Management Policy and a Risk Management Strategy which set out our approach to risk management and the means through which we aim to improve our risk maturity. Our Risk Management Policy states that 'HES is committed to ensuring that effective and proportionate risk management underpins and supports the discharge of our current or future strategic priorities set out in our Corporate

Plan, our charitable purpose, our statutory and regulatory duties, good practice and ethical standards in public life'.

We maintain a risk register that details the most significant risks to the delivery of our strategic priorities. The risk management framework is based on a hierarchical structure of risk registers from directorates and projects up to corporate level. This framework enables the escalation of risks that cannot be managed at local level. Risk registers are regularly reviewed and updated. The Audit, Risk and Assurance Committee provides the Board with independent advice and assurance on the effectiveness of the internal control and risk management systems.

The Information Assurance Board (IAB), chaired by the Director of Finance and Performance as the Senior Information Risk Owner, has not met during the COVID-19 pandemic. Although considered of significant importance to the successful management of HES information, taking into account the unprecedented situation faced by HES and the desire to prioritise workloads for staff, the IAB has not met since 11 March 2020. The work of the Information Asset Owners, however, continues to take place. Information Assets have added supporting information relating to the identification of Personal Data. HES reported one

personal information breach to the Information Commissioner's Office, however there were no cases of significant information loss during 2020-21.

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

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

The systems of internal control have been in place for the year ended 31 March 2021 and up to the date of the approval of the Annual Report and Financial Statements.

## REVIEW OF EFFECTIVENESS

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

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

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

## FOLLOW-UP OF ISSUES REPORTED IN OUR 2019-20 GOVERNANCE STATEMENT

During 2019-20, the following issues were identified as requiring further assurance:

### Compliance assurance and reporting

A project to improve our compliance assurance and reporting began in 2020-21. This project was paused for most of the year due to the focus on our COVID-19 pandemic response. The project was restarted in March 2021. The project's objectives are to map our compliance landscape, standardise our approach to compliance policies and procedure, and enhance our monitoring and reporting of compliance across the organisation. To deliver this we have developed a database of laws and regulations and begun to map those to existing policies and procedures. We have also developed a new internal policy and procedure framework that

will be launched in 2021-22 and a new Assurance Map for the organisation. Completion of this project will improve assurance provided on this issue. An update on this issue will be reported in the 2021-22 Annual Report and Financial Statements.

### Project management

A project is underway to develop a new approach to corporate project management including the establishment of a Project Management Office (PMO) and related governance board. The aim of the PMO is 'to set projects up for success', add value to the project lifecycle from initiation to benefits realisation, and to drive value from the portfolio as a whole to support delivery of Heritage for All. In addition we have also made a number of improvements in specific areas around benefits realisation which will be embedded in project management through the work of the PMO. Further action is required to improve consistency of approaches to project management across the organisation. An update on this issue will be reported in the 2021-22 Annual Report and Financial Statements.

## 2020–21 ISSUES

In addition to the compliance assurance and reporting and project management points highlighted above and over which we need further assurances, three new issues that have been identified for 2020–21 are:

### High-level masonry

The COVID-19 situation curtailed inspection of the properties in our care during 2020–21. High-level inspections in early 2021–22 identified risk of falling masonry and prompted the closure of 22 properties. In doing so we fulfilled our statutory obligation to our staff and visitors in not exposing them to a possible risk. We have increased our inspection capacity and are currently undertaking a programme of detailed sample assessments to check if there is, in fact, a problem with high-level masonry at each property. As this report is published, it is not possible to say when we will be able to fully re-open the properties as it depends on the outcome of the assessments. Some properties will require conservation and maintenance work to be undertaken, and we are fortunate to have highly skilled and specialist staff across Scotland to carry out this work. We hope to resume visitor access at these properties as soon as it is safe to do so, but we will not compromise the safety of our visitors and staff.

### Risk and Control Documentation

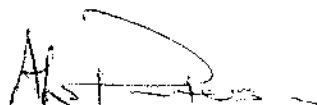
We have a Risk Management Policy in place which sets out our approach for managing risk across HES and guidance and online training are available to support its application. In addition we have a Risk Management Strategy which aims to improve our risk maturity. We received good assurance in the year on our corporate approach to risk management, especially in response to the pandemic. However, a number of internal audits during 2020–21 identified areas where we can improve our processes and practice for documenting risk management, specifically at those levels below the Corporate Risk Register. We will launch a new Risk Management Strategy in 2021 aimed at continuing our work to strengthen our system of risk management practice across HES.

### Accountability for Mandatory Training

Internal audit identified that compliance rates with mandatory training were lower than expected, due to a lack of clear accountability and responsibility for ensuring mandatory training was completed. We recognise that mandatory training is a small but significant part of ensuring key HES controls are understood and implemented. Actions have been agreed to improve how we monitor completion of mandatory training and ensure colleagues are accountable for completing that training.

## CONCLUSION

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



**Alex Paterson**  
Chief Executive and  
Accountable Officer  
21 October 2021

# REMUNERATION AND STAFF REPORT

## AITHISG CO-DHÌOLADH IS LUCHD-OBACH

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

### REMUNERATION POLICY

HES operates a pay and grading arrangement which is available to view on our website at [www.historicenvironment.scot/pay-and-pension](http://www.historicenvironment.scot/pay-and-pension).

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

The Board in approving the pay award has regard to:

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

Remuneration for the Chief Executive is decided in line with the Scottish Public Sector Pay Policy for Senior Appointments, agreed with the Scottish Government and is approved by the Board.

### 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 or inefficiency, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

### BOARD MEMBERS

None of the board members have been paid any remuneration or received any other benefits in relation to their role as a board member of HES or a related entity for the year to 31 March 2021 (2019–20: none).

## SENIOR MANAGEMENT TEAM SALARIES AND PENSION BENEFITS

The total salaries and pension entitlement earned by the Senior Management Team for 2020-21 was £1,018,000 (2019-20: £970,000). The salary and pension entitlement earned individually by the Senior Management Team members for the year to 31 March 2021 were as follows:

	2020-21			2019-20		
	SALARY	PENSION BENEFITS	TOTAL	SALARY	PENSION BENEFITS	TOTAL
	£000	£000	£000	£000	£000	£000
<b>Chief Executive</b>						
Alex Paterson	125-130	49	175-180	120-125	48	170-175
<b>Directors</b>						
Barbara Cummins	75-80	29	105-110	70-75	29	100-105
Stephen Duncan	75-80	29	105-110	70-75	29	100-105
Gary Love	75-80	50	125-130	70-75	30	100-105
Lisa McGraith	75-80	29	105-110	40-45	16	55-60
Dr David Mitchell	75-80	-	75-80	70-75	31	100-105
Donella Steel	75-80	38	115-120	70-75	29	100-105
Lindsey Ross	75-80	29	105-110	35-40	14	50-55
Kirsteen Rowlands <sup>1</sup>	5-10	2	10-15	65-70	18	80-85
Alison Turnbull	70-75	27	95-100	65-70	26	90-95

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

'Pension benefits' are calculated as the real increase in pension multiplied by 20 less the contributions made by the individual, except for seconded posts which are shown on recharge basis. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

- 1 Kirsteen Rowlands was seconded from the Scottish Government as Interim Director of Communications from 13 March 2019 to 4 June 2020. The recharge for the services provided during 2020-21 was £12,345 (2019-20 £91,036) and the salary and pension elements of the recharge have been included in the table above. The full year equivalent salary for 2020-21 would have been in the range of £65,000 to £70,000

## Bonuses

There were no bonuses paid to the Senior Management Team for 2020-21 (2019-20: nil).

## Compensation for loss of office

No member of the Senior Management Team received compensation for loss of office for 2020-21 (2019-20: nil).

## Pension benefits

The pension entitlements earned by the Senior Management Team for 2020-21 were:

	Real increase in pension and related lump sum at pension age	Accrued pension at pension age at 31 March 2021 and related lump sum	CETV at 31 March 2021	CETV at 31 March 2020	Real increase in CETV
	£000	£000	£000	£000	£000
<b>Chief Executive</b>					
Alex Paterson	2.5-5	10-15	186	139	31
<b>Directors</b>					
Barbara Cummins	0-2.5	15-20	275	241	18
Stephen Duncan	0-2.5	35-40	551	504	20
Gary Love	2.5-5 plus a lump sum of 2.5-5	40-45 plus lump sum of 105-110	877	809	39
Lisa McGraith	0-2.5	15-20	193	170	11
Dr David Mitchell	0	25-30	448	460	(31)
Donella Steel	0-2.5	25-30	415	374	24
Lindsey Ross	0-2.5	0-5	25	8	11
Alison Turnbull	0-2.5	5-10	61	41	14

Kirsteen Rowlands was seconded from the Scottish Government as Interim Director of Communications from 13 March 2019 to 4 June 2020. CETV disclosures are not required for a seconded role.

Pension benefits for the Senior Management Team were provided through the Civil Service pension arrangements. No payments were made to Partnership Pension Accounts.



### **Cash Equivalent Transfer Values (CETV)**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the scheme, not just their service in a senior capacity to which

disclosure applies. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **The real increase in the value of the CETV**

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

### **Fair pay disclosures**

The minimum, maximum and median total remunerations for 2020-21 were:

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
Minimum total remuneration	19	18
Maximum total remuneration	125	123
Band of highest paid member of the Senior Management Team	125-130	120-125
	<b>£</b>	<b>£</b>
Median total remuneration	24,287	23,537
Ratio of median total remuneration to maximum total remuneration	5.15	5.23

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

## CIVIL SERVICE PENSIONS

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

These statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible

members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the CETVs shown in this report – see below). All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for 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 calculated as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of

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

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. 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 the appointed provider - Legal & General. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement). The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium, and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. The pension figures quoted for officials show

pension earned in PCSPS or alpha as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.

Further details about the Civil Service pension arrangements can be found at the website [civilservicepensionscheme.org.uk](http://civilservicepensionscheme.org.uk)

## STAFF REPORT

	2020-21	2019-20
<b>Staff costs comprise:</b>	<b>£000</b>	<b>£000</b>
Wages and salaries		
- Permanent	37,499	36,060
- Other staff	1,649	2,039
<b>Total wages and salaries</b>	<b>39,148</b>	<b>38,099</b>
Social security costs	3,574	3,493
Employer's contributions to pension schemes	10,108	9,749
Agency temporary staff costs	304	756
<b>Total employment costs</b>	<b>53,134</b>	<b>52,097</b>
Less: Recoveries in respect of outward secondments	-	(14)
Add: Inward Secondment costs	29	-
<b>Total net costs</b>	<b>53,163</b>	<b>52,083</b>

<b>Employees who received benefits, excluding pension costs, of more than £60,000:</b>	<b>2020-21</b>	<b>2019-20</b>
<b>Banding</b>		
£60,000 - 69,999	9	7
£70,000 - 79,999	8	5
£120,000 - 129,999	1	1
<b>Total number of staff</b>	<b>18</b>	<b>13</b>

## Staff numbers

The average number of full-time equivalent (FTE) staff employed for 2020-21, by occupational group, were:

	2020-21 Permanent FTE	2020-21 Other FTE	2020-21 FTE	2019-20 Permanent FTE	2019-20 Other FTE	2019-20 FTE
Commercial and Tourism	476	23	499	479	50	529
Conservation	388	39	427	402	45	447
Heritage	130	14	144	133	16	149
Corporate Services	74	3	77	66	1	67
Finance and Performance	52	11	63	55	7	62
Communications	22	1	23	21	1	22
People	18	3	21	19	2	21
Development and Partnership	16	-	16	12	-	12
Internal Audit and Legal	6	1	7	6	-	6
Senior management	9	-	9	9	-	9
Agency / temporary staff	-	11	11	-	19	19
	<b>1,191</b>	<b>106</b>	<b>1,297</b>	<b>1,202</b>	<b>141</b>	<b>1,343</b>

The average number of staff employed for 2020-21 were:

	2020-21 Headcount	2019-20 Headcount
Full time	1,100	1,135
Part time	380	398
	<b>1,480</b>	<b>1,533</b>

The average number of staff by band and gender for 2020-21 were:

	Male Headcount	Female Headcount	2020-21 Total Headcount	Male Headcount	Female Headcount	2019-20 Total Headcount
Chief Executive	1	-	1	1	-	1
Director	3	5	8	3	5	8
Band F	26	16	42	25	16	41
Bands A-E	775	654	1,429	803	680	1,483
	<b>805</b>	<b>675</b>	<b>1,480</b>	<b>832</b>	<b>701</b>	<b>1,533</b>

### **Turnover**

The employee turnover rate for 2020–21 is 7.5% (2019–20: 16.7%). This figure can be broken down into voluntary (4.9%) and non-voluntary (2.6%).

### **Sickness absence**

For 2020–21, the average sickness absence was 5.4 days (2019–20: 11 days) and 6,737 total days (2019–20: 13,741 days). This is split 1.2 average number of working days lost to ill-health short-term absences (2019–20: 4.5 days) and 4.2 average number of working days lost to ill-health long-term absences (2019–20: 6.5 days). The HR team continues to work closely with management to ensure appropriate management of sickness absence. Regular case reviews are carried out in partnership with management, with a view to identifying, discussing, and supporting staff at an early stage to best understand their needs and to support them in achieving sustained attendance.

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

### **Colleague engagement survey**

In November 2020, HES ran a colleague engagement survey which was completed by 64% of staff across the organisation. The scoring was calculated using the Employee Net Promoter Score (eNPS) which is a great way to quickly gauge employee advocacy. Many organisations now rely on it as the primary metric to track employee engagement. eNPS can vary from -100 to +100, and a good score is anything positive, and if an organisation is able to get a score anywhere between 10 and 30, it is considered to be in a good position. In 2020, the HES score was 10 (2018: -10).

### **Employees with disabilities**

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

Applications from people with disabilities for employment or promotion are given full and fair consideration and as a Disability Confident Employer we operate a guaranteed interview scheme for disabled applicants who meet the essential criteria for our advertised roles.

### **Equal opportunities and diversity**

HES commitment to equality of opportunity is outlined in the following reports available on our website: [www.historicenvironment.scot/mainstreaming-2021-25-equality-outcomes](http://www.historicenvironment.scot/mainstreaming-2021-25-equality-outcomes)

These reports set out our policy and practice position on equality and inclusion with examples of activity, projects and partnerships that have influenced and informed our work in this area. Contained within these reports is information on our workforce profiles and gender pay gap position.

Our gender pay gap for this current reporting cycle remains low <1% mean calculation; 0% median calculation.

We acknowledge our workforce under-representation, particularly in relation to disabled and BAME employees. To counter this, we have made use of positive action in our graduate and internship training partnership programmes where since 2018 we have successfully targeted opportunities to the BAME and disabled communities.

We know this is an area of challenge for us and as part of our annual Equality Action Plan for 2021–22 we will be further developing our approach on the use of positive action in our recruitment and training offer; introducing a new Behaviour Framework and ensuring that equality underpins our learning and development programmes.

In demonstrating 'due regard' as outlined in the Equality Act 2010 we have introduced an equality impact assessment process and toolkit to assist in demonstrating our position against the general equality duty.

Our new Equality Outcomes, set out below, have been approved by the HES Board, were published in April 2021 and are available for download from our website.

- Our Society: We make a real difference to people's lives.
- Our Services to the Public: We deliver responsive services to meet the needs and expectations of diverse groups
- Our People: We attract, recruit, and develop a diverse Board, workforce, and volunteer base

### **Health, safety and security at work**

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

Trained health and safety staff representatives are present at all HES sites, as well as a team of health and safety advisers and fire advisers. They ensure that each site remains safe not only for staff but also for visitors, with dedicated visitor safety risk assessments and fire risk assessments being used

specifically to protect visitors from site hazards at ancient monuments. Our health and safety advisers are also trained in crime prevention and conduct regular site security audits to provide assurance over our security arrangements. The health and safety advisers have also produced COVID-19 guidance and risk assessments, to ensure our sites are COVID-19 secure and staff stay safe whether working from home or on site.

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

### **Learning and development**

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

HES aims to understand and recognise its own talent, as well as acknowledging and valuing staff input. This means building a culture where staff feel supported and respected, one which creates new opportunities and a culture of mentoring and support for

everyone. HES offers support to employees who wish to develop their careers through further training and education, including training courses, apprenticeships, work-based learning, and professional qualifications that benefit them and the organisation.

### **Resourcing**

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

### **Employee consultation**

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

### Trade union relationships

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

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The disclosures required by these regulations are within the tables below:

Number of employees who were relevant union officials during 2020-21	19
Full-time equivalent employee number	18.3
<hr/>	
<b>Banding</b>	<b>Number of employees</b>
0%	13
1-50%	6
<hr/>	
Total cost of time	£17,935
Total pay bill	£52,462,000 <sup>1</sup>
Percentage of total pay bill spent on facility time	0.03%
Time spent on paid activities as a percentage of total paid facility time	91%

### Volunteers

As an overview, and as expected, volunteer engagement almost entirely ceased over this period due to the COVID-19 pandemic. Only remote volunteer engagement was achieved. For 2020-21, HES provided opportunities to 28 volunteers (2019-20: 999), who dedicated 3,489 hours (2019-20: 11,778) to volunteering with us. These included our board members, volunteer gardeners, volunteer rangers, archaeology volunteers, volunteer tour guides, and visitor activity and event volunteers.

### Expenditure on consultancy

Expenditure on consultancy for 2020-21 was £144,000 (2019-20: £531,000).

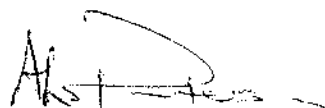
<sup>1</sup> Total pay bill use for Trade Union Facility Time Report excludes cost of the 2020-21 Voluntary Exit Scheme

## Exit packages

Exit package cost band	Voluntary departures agreed 2020-21 Number	Cost of exit package 2020-21 £000	Voluntary departures agreed 2019-20 Number	Cost of exit package 2019-20 £000
<£10,000	5	31	1	1
£10,000-£25,000	11	187	1	13
£25,000-£50,000	9	336	2	73
>£50,000	2	147	-	-
Total	27	701	4	87

HES launched a Voluntary Exit Scheme (VES) during 2020-21 and this has resulted in an increase in number and costs of voluntary departures agreed.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where HES has agreed early retirements, the additional costs are met by HES and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.



Alex Paterson  
Chief Executive and Accountable Officer  
21 October 2021



# REFERENCE AND ADMINISTRATIVE DETAIL

## TUAIRISGEUL AIR FIOSRACHADH RIANACHAIL

### **Principal Office and Registered Address**

Longmore House  
Salisbury Place  
Edinburgh EH9 1SH

### **Scottish charity number**

SC045925

### **Subsidiaries**

Historic Environment Scotland  
Enterprise Limited  
Scran Limited (dormant)

### **Bankers**

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

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

Bank of Scotland  
300 Lawnmarket  
Edinburgh EH1 2PH

### **Solicitors**

Morton Fraser  
Quartermile Two  
2 Lister Square  
Edinburgh EH3 9GL

### **External auditors**

Deloitte LLP  
Statutory Auditor  
110 Queen Street  
Glasgow G1 3BX  
United Kingdom


# APPROVAL

## AONTA

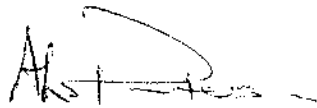
The Board and Accountable Officer confirm that the Annual Report and Financial Statements as a whole are fair, balanced, and understandable.

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

This Annual Report of Historic Environment Scotland, registered charity number SC045925, was approved by the Board and Accountable Officer and authorised for issue on 21 October 2021.



**Jane Ryder OBE**  
Chair



**Alex Paterson**  
Chief Executive and  
Accountable Officer

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

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

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### OPINION ON FINANCIAL STATEMENTS

We have audited the financial statements in the annual report and accounts of Historic Environment Scotland for the year ended 31 March 2021 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 Charity Statement of Financial Activities, the Consolidated and Charity Balance Sheet, the Consolidated and Charity Cash Flow 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 as at 31 March 2021 and of its incoming resources and

application of resources, including its income and expenditure, for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Historic Environment Scotland Act 2014 and directions made thereunder by the Scottish Ministers, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

#### BASIS FOR OPINION

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is 5 years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical

responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### CONCLUSIONS RELATING TO GOING CONCERN BASIS OF ACCOUNTING

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

#### RISKS OF MATERIAL MISSTATEMENT

We report in a separate Annual Audit Report, available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

## RESPONSIBILITIES OF THE ACCOUNTABLE OFFICER FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Accountable Officer'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.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- considering the nature of the body's control environment and reviewing the body's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired with management, internal audit and those charged with governance about their own identification and assessment of the risks of irregularities;
- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the body operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Historic Environment Scotland Act 2014, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of The Charities Accounts (Scotland) Regulations 2006; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the body's ability to operate or to avoid a material penalty. These included the Data Protection Act 2018, the Scottish Charity Regulator (OSCR) regulations and relevant employment legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of the performing the above, we identified the greatest potential for fraud was in relation to the utilisation of the job retention scheme – commonly referred to as the furlough scheme. Due to the rapid development of the schemes and regular short-notice to scheme criteria, applicability and operations, there is a heightened risk of fraud within these schemes. In response to this risk, we tested a sample of the monthly claims submitted and amount received from HMRC. We then tested a sample of employees from the claims submitted to test the validity of the claim.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud are inherently more difficult to

detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

## **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. In addition to our responsibilities to detect material misstatements in the financial statements in respect of irregularities, 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**

### **OPINION PRESCRIBED BY THE AUDITOR GENERAL FOR SCOTLAND ON AUDITED PART OF THE REMUNERATION AND STAFF REPORT**

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Historic Environment Scotland Act 2014 and directions made thereunder by the Scottish Ministers.

## **STATUTORY OTHER INFORMATION**

The Accountable Officer is responsible for the statutory other information in the annual report and accounts. The statutory other information comprises the Trustees Annual Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except on the Trustees' Annual Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

### OPINIONS PRESCRIBED BY THE AUDITOR GENERAL FOR SCOTLAND ON TRUSTEES' ANNUAL REPORT AND GOVERNANCE STATEMENT

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

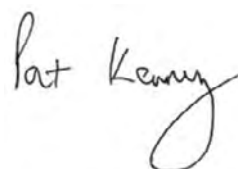
We have nothing to report in respect of these matters.

### CONCLUSIONS ON WIDER SCOPE RESPONSIBILITIES

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

### USE OF OUR REPORT

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



Pat Kenny, CPFA (for and on behalf of Deloitte LLP)  
110 Queen Street  
Glasgow  
G1 3BX  
United Kingdom  
21 October 2021

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



# FINANCIAL STATEMENTS

Year ended: 31 March 2021

# CUNNTASAN BLIADHNAIL

Bliadhna crìochnaichte: 31 Màirt 2021



## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITY FOR THE YEAR ENDED 31 MARCH 2021

		2020-21			Restated <sup>1</sup> 2019-20		
	Note	Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
<b>Income from:</b>							
Government grant in aid		79,400	-	79,400	38,370	-	38,370
Charitable activities	3	6,592	1,190	7,782	47,176	1,167	48,343
Trading activities	4	1,817	-	1,817	16,032	-	16,032
Donations and legacies		6	-	6	94	-	94
Other income	5	467	4,191	4,658	441	-	441
<b>Total income</b>		<b>88,282</b>	<b>5,381</b>	<b>93,663</b>	<b>102,113</b>	<b>1,167</b>	<b>103,280</b>
<b>Expenditure on:</b>							
Raising funds	6	(4,503)	-	(4,503)	(14,542)	-	(14,542)
Charitable activities	7	(71,385)	(1,400)	(72,785)	(74,715)	(1,374)	(76,089)
Grants	8	(7,887)	-	(7,887)	(13,461)	-	(13,461)
<b>Total expenditure</b>		<b>(83,775)</b>	<b>(1,400)</b>	<b>(85,175)</b>	<b>(102,718)</b>	<b>(1,374)</b>	<b>(104,092)</b>
<b>Net income / (expenditure)</b>		<b>4,507</b>	<b>3,981</b>	<b>8,488</b>	<b>(605)</b>	<b>(207)</b>	<b>(812)</b>
Transfers between funds	25	4,205	(4,205)	-	(108)	108	-
Gain on revaluation of fixed assets	28	873	-	873	1,967	-	1,967
<b>Net movement in funds</b>		<b>9,585</b>	<b>(224)</b>	<b>9,361</b>	<b>1,254</b>	<b>(99)</b>	<b>1,155</b>
<b>Reconciliation of funds</b>							
Total funds brought forward		8,298	2,962	11,260	7,044	3,061	10,105
Total funds carried forward	25	17,883	2,738	20,621	8,298	2,962	11,260

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

<sup>1</sup> Restated - refer to note 33 on page 116

The notes on pages 85 to 116 form part of these financial statements.

## CHARITY STATEMENT OF FINANCIAL ACTIVITY FOR THE YEAR ENDED 31 MARCH 2021

		2020-21			Restated <sup>1</sup>		Restated <sup>1</sup>
	Note	Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
<b>Income from:</b>							
Government grant in aid		79,400	-	79,400	38,370	-	38,370
Charitable activities	3	6,592	1,190	7,782	47,176	1,167	48,343
Gift aid		-	-	-	2,819	-	2,819
Donations and legacies		6	-	6	94	-	94
Other income	5	4,179	4,191	8,370	6,869	-	6,869
<b>Total income</b>		<b>90,177</b>	<b>5,381</b>	<b>95,558</b>	<b>95,328</b>	<b>1,167</b>	<b>96,495</b>
<b>Expenditure on:</b>							
Charitable activities	7	(71,385)	(1,400)	(72,785)	(74,715)	(1,374)	(76,089)
Grants	8	(7,887)	-	(7,887)	(13,461)	-	(13,461)
Other	10	(3,362)	-	(3,362)	(7,757)	-	(7,757)
<b>Total expenditure</b>		<b>(82,634)</b>	<b>(1,400)</b>	<b>(84,034)</b>	<b>(95,933)</b>	<b>(1,374)</b>	<b>(97,307)</b>
Net income / (expenditure)		<b>7,543</b>	<b>3,981</b>	<b>11,524</b>	<b>(605)</b>	<b>(207)</b>	<b>(812)</b>
Transfers between funds	25	4,205	(4,205)	-	(108)	108	-
Gain on revaluation of fixed assets	28	873	-	873	1,967	-	1,967
<b>Net movement in funds</b>		<b>12,621</b>	<b>(224)</b>	<b>12,397</b>	<b>1,254</b>	<b>(99)</b>	<b>1,155</b>
<b>Reconciliation of funds</b>							
Total funds brought forward		8,298	2,962	11,260	7,044	3,061	10,105
Total funds carried forward	25	20,919	2,738	23,657	8,298	2,962	11,260

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

<sup>1</sup> Restated - refer to note 33 on page 116

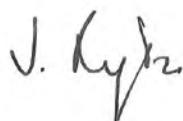
The notes on pages 85 to 116 form part of these financial statements.

## CONSOLIDATED AND CHARITY BALANCE SHEETS AS AT 31 MARCH 2021

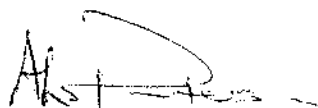
		2020-21 Group	2020-21 Charity	Restated <sup>1</sup> 2019-20 Group	Restated <sup>1</sup> 2019-20 Charity
	Note	£000	£000	£000	£000
<b>Fixed assets:</b>					
Intangible assets	15	1,815	1,815	50	50
Tangible assets	16	43,655	43,655	44,831	44,831
Heritage assets	17	361	361	361	361
Investments	18	-	1,157	-	1,157
<b>Total fixed assets</b>		<b>45,831</b>	<b>46,988</b>	<b>45,242</b>	<b>46,399</b>
<b>Current assets:</b>					
Stock	19	3,208	380	2,999	274
Debtors	20	3,646	9,735	4,591	7,549
Cash at bank and in hand		12,799	12,263	4,860	4,281
<b>Total current assets</b>		<b>19,653</b>	<b>22,378</b>	<b>12,450</b>	<b>12,104</b>
<b>Current liabilities:</b>					
Creditors: amounts falling due within one year	21	(34,172)	(35,018)	(35,188)	(36,015)
<b>Net current liabilities</b>		<b>(14,519)</b>	<b>(12,640)</b>	<b>(22,738)</b>	<b>(23,911)</b>
<b>Total assets less current liabilities</b>		<b>31,312</b>	<b>34,348</b>	<b>22,504</b>	<b>22,488</b>
Creditors: amounts falling due outside one year	22	(7,759)	(7,759)	(8,744)	(8,728)
Provisions for liabilities	24	(2,932)	(2,932)	(2,500)	(2,500)
<b>Net assets</b>		<b>20,621</b>	<b>23,657</b>	<b>11,260</b>	<b>11,260</b>
<b>Funds:</b>					
<b>Restricted funds</b>	25	<b>2,738</b>	<b>2,738</b>	<b>2,962</b>	<b>2,962</b>
General reserve	25	(4,842)	(1,806)	(12,595)	(12,595)
Designated funds	25	1,963	1,963	-	-
Revaluation reserve	28	20,762	20,762	20,893	20,893
<b>Unrestricted funds</b>		<b>17,883</b>	<b>20,919</b>	<b>8,298</b>	<b>8,298</b>
<b>Total funds</b>		<b>20,621</b>	<b>23,657</b>	<b>11,260</b>	<b>11,260</b>

These financial statements of Historic Environment Scotland, registered charity number SC045925, were approved by the Board and the Accountable Officer and authorised for issue on 21 October 2021.

They were signed on its behalf by



**Jane Ryder OBE**  
Chair



**Alex Paterson**  
Chief Executive and Accountable Officer

The notes on pages 85 to 116 form part of these financial statements.

<sup>1</sup> Restated – refer to note 33 on page 116

## CONSOLIDATED AND CHARITY CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	Note	2020-21 Group £000	2020-21 Charity £000	Restated <sup>1</sup> 2019-20 Group £000	Restated <sup>1</sup> 2019-20 Charity £000
<b>Reconciliation of net income / (net expenditure) to net cash flow from operating activities</b>					
Net income / (expenditure)		8,488	11,524	(812)	(812)
<b>Adjustments for</b>					
Depreciation	16	2,711	2,711	2,910	2,910
Amortisation	15	361	361	199	199
Impairment of fixed assets		488	488	12	12
Loss / (gain) on disposal of fixed assets		7	7	-	-
Increase in provisions	24	432	432	1,740	1,740
(Increase) / decrease in stock	19	(209)	(106)	(151)	2
Decrease / (increase) in debtors	20	945	(2,186)	(941)	(753)
(Decrease) / increase in creditors	21, 22	(2,001)	(1,966)	910	831
<b>Net cash from operating activities</b>		<b>11,222</b>	<b>11,265</b>	<b>3,867</b>	<b>4,129</b>
<b>Cash flows from investing activities</b>					
Purchase of fixed assets	15, 16	(3,283)	(3,283)	(2,029)	(2,029)
Proceeds on disposal of fixed assets		-	-	14	14
<b>Net cash used in investing activities</b>		<b>(3,283)</b>	<b>(3,283)</b>	<b>(2,015)</b>	<b>(2,015)</b>
<b>Net increase / (decrease) in cash</b>		<b>7,939</b>	<b>7,982</b>	<b>1,852</b>	<b>2,114</b>
Cash at the beginning of period		4,860	4,281	3,008	2,167
<b>Cash at the end of period</b>		<b>12,799</b>	<b>12,263</b>	<b>4,860</b>	<b>4,281</b>

<sup>1</sup> Restated - refer to note 33 on page 116

The notes on pages 85 to 116 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

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

#### a. Basis of preparation

Historic Environment Scotland (HES), is a Non-Departmental Public Body (NDPB), formed under the Historic Environment Scotland Act 2014 and is also a registered charity.

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

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

- The Accounts Direction issued by Scottish Ministers (reproduced as an appendix);
- Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), second edition, effective 1 January 2019 (Charities SORP); and related information sheets;
- The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102);
- The 2020-21 Government Financial Reporting Manual (FRM) issued by HM Treasury;

- The Charities and Trustee Investment (Scotland) Act 2005; and
- The Charities Accounts (Scotland) Regulations 2006.

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

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

#### b. Going concern basis

The Board and Accountable Officer have considered whether it is appropriate to prepare the financial statements on a going concern basis, with particular consideration to the impact of the COVID-19 pandemic, the deficit on unrestricted funds and the UK's exit from the EU. Further information is disclosed on pages 40 to 45 within the Financial Performance and Position. The Board and Accountable Officer are satisfied that income from government grant and commercial income will be sufficient to meet HES's obligations as they fall due for at least 12 months from the date of signing of these financial statements. For this reason, the financial statements are prepared on a going concern basis.

#### c. Basis of consolidation

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

#### d. Income

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

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

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

#### *Government grant in aid*

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

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

#### *Admissions, retail and other earned income*

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

#### *Membership income*

Historic Scotland annual membership income is deferred and released to income from charitable activities within the Statement of Financial Activities over the period to which the membership subscription relates.

Historic Scotland life membership income is recognised in 20 equal annual instalments and allocated to income from charitable activities and gift aid, within the Statement of Financial Activities, as appropriate.

## 1. ACCOUNTING POLICIES (continued)

There was a change of accounting policy for membership income for the year ending 31 March 2021. Prior year comparatives have been restated for this change in accounting policy and the impact of this change in accounting policy is set out in Note 33.

### **Other grant income**

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

### **e. Expenditure**

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

Expenditure is classified under the following activity headings:

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

- Expenditure on other comprises costs incurred by the Charity of providing personnel and support services to HESe.

Expenditure by activity heading includes an allocation of support costs. Support costs are those functions that assist the work of HES but do not directly undertake charitable activities. The bases on which support costs have been allocated are set out in note 9.

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

### **f. Grants payable**

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

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

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

### **g. Leases**

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

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

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

### **h. Fund accounting**

Unrestricted funds are available to spend on activities which further any of the purposes of HES. Designated funds are a portion of the unrestricted funds that has been set aside for a particular purpose.

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

### **i. Tangible fixed assets**

#### **Initial recognition**

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

#### **Properties in care**

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

HES does not have legal ownership of the majority of the PiCs, however, in the opinion of the Board and Accountable Officer these assets are integral

to the operation and being of HES and following guidance from Scottish Ministers are included within these financial statements.

#### ***Land, buildings and dwellings***

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

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

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

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

All operational land, building and dwellings are subject to a five-year rolling programme of professional valuations. The valuations are undertaken by the District Valuers of the Valuation Office Agency, acting in the capacity of external valuers, and are conducted in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

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

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

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

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.

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

#### ***Leasehold building improvements***

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

#### ***Motor vehicles, information and computer technology systems and plant and equipment***

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

#### ***Antiques and works of art***

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

#### ***Assets under construction***

Assets under construction comprise expenditure on the creation or enhancement of Tangible Fixed Assets not brought into use at the balance sheet date.

Transfers are made from assets under construction to the relevant category of Tangible Fixed Assets when the asset is brought into use.

#### ***Subsequent costs***

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

#### ***Capitalisation thresholds***

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

#### ***Donated fixed assets***

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

#### ***Depreciation***

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

## 1. ACCOUNTING POLICIES (continued)

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

**Land:** Not depreciated

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**Buildings and dwellings:**

On an individual basis not exceeding 60 years

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**Leasehold building improvements (included within buildings and dwellings):**

Over the term of the lease

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**Motor vehicles:** 5 years

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**ICT systems:** 3 years

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**Plant and equipment:** 5 years

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**Antiques and works of art**

**(non-heritage):** Up to 60 years

Assets under construction are not depreciated until the asset is brought into use.

### **j. Intangible fixed assets**

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

The capitalisation thresholds for intangible fixed assets are £1,000 for computer and software licenses and £5,000 for all other categories.

### **Amortisation**

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

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

**Archive rights:** 10 years

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**Computer and software licenses:**  
3 years

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### **k. Heritage fixed assets**

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

### **Properties in care**

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

### **Archives and Collections**

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

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

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

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

### **Conservation costs**

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

### **l. Investments**

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

### **m. Stock**

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



is estimated as selling price less costs to sell and retail cost is calculated using the average cost method. Provision is made for obsolete, slow-moving, or defective items where appropriate.

#### **n. Financial instruments**

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

#### **Financial assets**

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

Financial assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is charged to the statement of financial activity.

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

#### **Financial liabilities**

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

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

#### **o. Provisions**

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

#### **p. Pensions**

Past and present employees of HES are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS – known as ‘alpha’), multi-employer defined benefit schemes which is described in the staff costs note (note 13).

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

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

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

#### **q. Redundancy costs**

HES launched a Voluntary Exit Scheme (VES) during the 2020–21 with employees eligible to apply for voluntary redundancy. Employees received written confirmation during the year where the voluntary redundancy was approved but no redundancies were completed by 31 March 2021. Redundancy costs are recognised as expenditure in the statement of financial activities and as an accrual in the balance sheet.

#### **r. Realised element on depreciation of revaluation reserve**

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

#### **s. Foreign currency**

Transactions denominated in foreign currencies are translated to sterling at the rate ruling at the date of transaction. Any monetary assets and liabilities outstanding at the year-end are translated

## 1. ACCOUNTING POLICIES (continued)

into sterling at the rates ruling at 31 March. Exchange differences are recorded in the statement of financial activity.

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

There are no new or updated Financial Reporting Standards or Interpretations which are expected to have a material impact on the results or financial statement disclosures of HES.

## 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES

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

### **a. Judgements**

#### ***Going concern***

The Board and Accountable Officer's assessment of the going concern basis is a critical judgement and has been based on confirmation of government grant in aid and prudent financial forecasts.

The Board and Accountable Officer do not consider there to be any other critical accounting judgements requiring disclosure beyond the going concern assessment and application of the other accounting policies above.

### **b. Estimates**

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. However, there is not considered to be a significant risk of material adjustment in the next reporting period. 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 revision and future periods if the revision affects both current and future periods.

The critical estimates that have the most significant impact on the financial statements are set out below. Other than the below, the Board and Accountable Officer do not consider there to be any sources of estimation uncertainty requiring disclosure

#### ***Value of property***

At 31 March 2021 approximately 20% of the land, buildings and dwellings assets were valued by District Valuers of the Valuation Office Agency acting in the capacity of external valuers. HES undertakes this valuation exercise annually as part of a five-year rolling programme of professional valuations in accordance with the Charities SORP. The valuations were conducted in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

The valuation report has been used to inform the measurement of assets in these financial statements.

As noted, HES has not obtained a complete valuation of all land, buildings and dwellings assets for 2020-21. HES recognises that there may now be greater uncertainty in markets on which the valuations for the remaining assets were based (dating from 2015-16 to 2019-20), and on which asset measurements reflected in these statements have also been calculated.

#### ***Provisions for future liabilities***

HES leases a number of properties and has certain legal obligations to repair and maintain these properties. HES recognises a provision for leasehold dilapidations and this is estimated based on assessments of our legal obligations and the condition of properties. These assessments are informed by expert advice from external surveyors as well as our internal surveyors.

HES has certain legal obligations for the safety of visitors and staff to its sites and can sometimes receive claims for compensation when accidents happen. HES recognises a provision for compensation claims and this is estimated based on an assessment of our legal obligations and likelihood of payment. These assessments are informed by expert advice from our external insurers, external lawyers as well as our internal lawyers.

### 3. INCOME FROM CHARITABLE ACTIVITIES – GROUP AND CHARITY

	2020-21			Restated <sup>1</sup>		Restated <sup>1</sup>
	Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
Admissions	2,118	-	2,118	40,411	-	40,411
Membership	4,123	-	4,123	4,961	-	4,961
Audio Tours	19	-	19	993	-	993
Imaging sales – charitable	68	-	68	143	-	143
Third party services	146	-	146	180	-	180
Visitor events	55	-	55	211	-	211
Heritage Lottery Fund grants	-	-	-	-	592	592
Historic Scotland Foundation grants	-	160	160	-	220	220
Partnership funding	-	1,030	1,030	166	355	521
Other	63	-	63	111	-	111
	<b>6,592</b>	<b>1,190</b>	<b>7,782</b>	<b>47,176</b>	<b>1,167</b>	<b>48,343</b>

### 4. INCOME FROM TRADING ACTIVITIES – GROUP

	2020-21	2019-20
	Unrestricted £000	Unrestricted £000
Retail and catering	704	12,234
Imaging sales – trading	910	1,257
Events and venue hire	51	1,992
Other	152	549
<b>Total</b>	<b>1,817</b>	<b>16,032</b>

<sup>1</sup> Restated – refer to note 33 on page 116

## 5. OTHER INCOME

### Group

	2020-21			2019-20		
	Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
HMRC Job Retention Scheme Grant	-	4,191	4,191	-	-	-
Other	467	-	467	441	-	441
	<b>467</b>	<b>4,191</b>	<b>4,658</b>	<b>441</b>	<b>-</b>	<b>441</b>

### Charity

	2020-21			2019-20		
	Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
HMRC Job Retention Scheme Grant	-	4,191	4,191	-	-	-
Recharges for personnel and services	3,663	-	3,663	6,428	-	6,428
Intercompany loan interest	49	-	49	-	-	-
Other	467	-	467	441	-	441
	<b>4,179</b>	<b>4,191</b>	<b>8,370</b>	<b>6,869</b>	<b>-</b>	<b>6,869</b>

## 6. EXPENDITURE ON RAISING FUNDS – GROUP

	2020-21	2019-20
	Unrestricted £000	Unrestricted £000
Direct salaries	2,575	6,452
Direct costs	685	4,868
Support costs	1,067	2,731
Depreciation	176	491
<b>Total</b>	<b>4,503</b>	<b>14,542</b>

## 7. EXPENDITURE ON CHARITABLE ACTIVITIES – GROUP AND CHARITY

	<b>Commercial and Tourism</b>	<b>Heritage</b>	<b>Conservation</b>	<b>Development and Partnership</b>	<b>2020-21 Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Direct salaries	14,303	7,451	17,822	976	40,552
Direct costs	3,805	1,125	7,235	232	12,397
Support costs	5,917	2,698	7,915	373	16,903
Depreciation	978	463	1,358	65	2,864
Impairment	-	-	69	-	69
	<b>25,003</b>	<b>11,737</b>	<b>34,399</b>	<b>1,646</b>	<b>72,785</b>
Unrestricted	24,740	10,995	34,017	1,633	71,385
Restricted	263	742	382	13	1,400
	<b>25,003</b>	<b>11,737</b>	<b>34,399</b>	<b>1,646</b>	<b>72,785</b>

	<b>Commercial and Tourism</b>	<b>Heritage</b>	<b>Conservation</b>	<b>Development and Partnership</b>	<b>2019-20 Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Direct salaries	11,000	7,041	16,423	795	35,259
Direct costs	8,092	1,661	13,952	241	23,946
Support costs	4,659	2,118	7,259	242	14,278
Depreciation	836	381	1,332	45	2,594
Impairment	-	-	12	-	12
	<b>24,587</b>	<b>11,201</b>	<b>38,978</b>	<b>1,323</b>	<b>76,089</b>
Unrestricted	24,236	10,835	38,326	1,318	74,715
Restricted	351	366	652	5	1,374
	<b>24,587</b>	<b>11,201</b>	<b>38,978</b>	<b>1,323</b>	<b>76,089</b>

## 8. EXPENDITURE ON GRANTS – GROUP AND CHARITY

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
Grants payable	7,079	12,763
Direct salaries	522	467
Direct costs	65	73
Support costs	189	134
Depreciation	32	24
	<b>7,887</b>	<b>13,461</b>

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
Grants invested from current year funding	13,543	14,697
Grant returned to HES	(62)	(420)
Movement in grant commitments from future funding	(6,402)	(1,514)
<b>Grants payable</b>	<b>7,079</b>	<b>12,763</b>

## 9. SUPPORT COSTS – GROUP AND CHARITY

	<b>Raising Funds</b>	<b>Charitable Activities</b>	<b>Grants</b>	<b>2020-21 Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Office running costs	253	4,109	46	4,408
Information systems	304	4,943	55	5,302
Finance	137	2,224	25	2,386
HR	109	1,446	17	1,572
Communications	83	1,356	15	1,454
Chief Executive's Office	72	1,162	13	1,247
Information governance	33	540	6	579
Corporate analysis and performance	17	275	3	295
Governance	14	225	2	241
Health, safety and security	32	419	5	456
Corporate services	13	204	2	219
	<b>1,067</b>	<b>16,903</b>	<b>189</b>	<b>18,159</b>
	<b>Raising Funds</b>	<b>Charitable Activities</b>	<b>Grants</b>	<b>2019-20 Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Office running costs	660	3,494	32	4,186
Information systems	724	3,832	34	4,590
Finance	367	1,939	18	2,324
HR	229	1,106	13	1,348
Communications	271	1,432	13	1,716
Chief Executive's Office	171	909	8	1,088
Information governance	94	495	5	594
Corporate analysis and performance	46	243	2	291
Governance	38	198	2	238
Health, safety and security	95	455	5	555
Corporate services	36	175	2	213
	<b>2,731</b>	<b>14,278</b>	<b>134</b>	<b>17,143</b>

HR, health, safety and security and corporate services costs are allocated to activities on the basis of the average number of employees. The remainder of support costs are allocated on the basis of expenditure by activity excluding grants payable.

### Charity

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

## 10. EXPENDITURE ON OTHER – CHARITY

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
Direct salaries	2,119	4,535
Support costs	1,067	2,731
Depreciation	176	491
	<b>3,362</b>	<b>7,757</b>

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

## 11. GRANTS – GROUP AND CHARITY

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
Grants commitment at beginning of period	35,518	35,587
Grants awarded	7,834	13,648
Grants reduced	(689)	(524)
Grants paid in year	(11,498)	(13,193)
Grants commitment at end of period	<b>31,165</b>	<b>35,518</b>

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
Accrual for grants payable due within one year	22,798	26,024
Accrual for grants payable due outside one year	6,385	7,576
Grants retentions due within one year	1,283	1,401
Grants retentions due outside one year	699	517
	<b>31,165</b>	<b>35,518</b>



## Grants awarded

	2020-21			2019-20		
	Institutions £000	Individuals £000	Total £000	Institutions £000	Individuals £000	Total £000
Archaeology Programme funding	69	-	69	1,012	-	1,012
City Heritage Trust	1,243	-	1,243	-	-	-
Conservation Area Regeneration Scheme	43	-	43	4,412	-	4,412
Historic Environment Repair Grants	2,317	-	2,317	4,852	51	4,903
Historic Environment Support Fund	102	14	116	334	38	372
Organisational Support Fund	1,533	-	1,533	2,425	-	2,425
Places of Worship	388	-	388	524	-	524
Year of Coast and Waters	199	-	199	-	-	-
Historic Environment Recovery Fund	1,911	15	1,926	-	-	-
	<b>7,805</b>	<b>29</b>	<b>7,834</b>	<b>13,559</b>	<b>89</b>	<b>13,648</b>

Information of our grants policy can be found on page 45. Details of the grants awarded during the year ended 31 March 2021 can be found at: [www.historicenvironment.scot/grants-and-funding/grants-awarded-by-us](http://www.historicenvironment.scot/grants-and-funding/grants-awarded-by-us)

Detail of the grant programmes HES operates can be found at [www.historicenvironment.scot/our-grants](http://www.historicenvironment.scot/our-grants).

## 12. EXPENDITURE DISCLOSURES

	2020-21	2019-20
<b>External auditor's remuneration for audit of the financial statements</b>	<b>£000</b>	<b>£000</b>
Historic Environment Scotland	96	78
Historic Environment Scotland Enterprises Limited	10	13
	<b>106</b>	<b>91</b>

	2020-21	2019-20
<b>External auditor's remuneration for other services</b>	<b>£000</b>	<b>£000</b>
Historic Environment Scotland	-	-
Historic Environment Scotland Enterprises Limited	-	-
	<b>-</b>	<b>-</b>

	2020-21	2019-20
<b>Board members' expenses</b>	<b>£000</b>	<b>£000</b>
Accommodation, travel, and subsistence incurred by or on behalf of board members	-	<b>32</b>

	2020-21	2019-20
<b>Number of board members</b>	<b>£000</b>	<b>£000</b>
Number of board members	12	12
Number of board members claiming expenses or expenses paid on behalf of board members	-	10

	2020-21	2019-20
<b>Losses statement</b>	<b>£000</b>	<b>£000</b>
Losses resulting from unpaid direct debits, cash losses and bad debts	-	<b>19</b>

## 13. STAFF COSTS – GROUP AND CHARITY

Staff costs for the year to 31 March 2021 were £53,163,000 (2019-20: £52,083,000). Further analysis of these costs is shown within the Remuneration and Staff Report on page 62.

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme

(known as alpha) are unfunded multi-employer defined benefit schemes but HES is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)).

For the year to 31 March 2021, employers' contributions of £9,976,000 (2019-20: £9,613,000) were payable to the PCSPS and alpha at one of four rates in the range 26.6% to 30.3% (2019-20: 26% to 30.3%) of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually

every four years following a full scheme valuation. The anticipated employers' contributions for the year to 31 March 2022 are £10,974,000.

The contribution rates are set to meet the cost of the benefits accruing during the year ended 31 March 2021 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 £128,000

(2019–20: £136,000) were paid to the appointed stakeholder pension provider. Employer contributions are age related and range 8% to 14.75% of pensionable earnings. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £5,000 (2019–20: £5,000), 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £13,000 (2019–20: £13,000). No contributions were prepaid at that date (2019–20: £nil).

Key management personnel remuneration is disclosed in the Remuneration and Staff Report on pages 62 to 72.

## 14. RELATED PARTIES – GROUP AND CHARITY

### Group Undertakings:

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

### Transactions undertaken with group undertakings during the year were:

	2020–21 £000	2019–20 £000
Supply of personnel and support services from HES to HESe	3,663	6,427
Intercompany loan interest from HESe to HES	49	-
Gift aid donation from HESe to HES	-	2,819
	3,712	9,246

### Amount receivable from/due to group undertakings:

	Debtors receivable 2020–21 £000	Creditors outstanding 2020–21 £000	Debtors receivable 2019–20 £000	Creditors outstanding 2019–20 £000
HESe – Loan	6,383	-	-	-
HESe – Intercompany account	-	305	3,176	-
Scran	-	1,157	-	1,157
	6,383	1,462	3,176	1,157

## 14. RELATED PARTIES – GROUP AND CHARITY (continued)

### **Partnership:**

#### ***Centre for Digital Documentation and Visualisation (CDDV) LLP***

During the year ended 31 March 2010 Historic Scotland entered into a Limited Liability Partnership with Glasgow School of Art to form CDDV LLP. It was agreed that CDDV would deliver the digital documentation of the five Scottish World Heritage sites and five international Heritage sites in a project known as the Scottish Ten, as well as undertaking commercial projects. This work continued with Historic Environment Scotland. HES and Glasgow School of Art agreed during 2019-20 to dissolve the partnership and the partnership was dissolved on 1 June 2021. During 2020-21 HES levied charges of £Nil (2019-20: £Nil) to CDDV and incurred charges of £Nil (2019-20: £9,000) from CDDV. There were no balances outstanding at the year-end (2019-20: £Nil) payable by HES. At the year-end £Nil (2019-20: £29,000) was due from CDDV. The financial statements did not consolidate HES's share of CDDV LLP as it was not considered material.

### **Other related parties:**

The following transactions and balances are disclosed as the individuals concerned, or individuals closely connected to them, are considered to have control or influence in both parties to the transactions concerned. The transactions were all undertaken under the normal course of business for Historic Environment Scotland. Standard terms and conditions were applied and there were no special terms and conditions such as interest or security.

#### ***JPS Restoration***

HES director Dr David Mitchell's brother-in-law owns the company JPS Restoration. HES incurred costs of £1,000 in 2020-21 (2019-20: £8,000). Amounts due from HES as at 31 March were £Nil (2019-20: £2,000).

#### ***Society of Antiquaries of Scotland***

The spouse of Dr Rebecca Jones, HES Head of Archaeology and World Heritage, is director of The Society of Antiquaries of Scotland, and board member Terry Levinthal is a fellow. HES incurred costs of £Nil in 2020-21 (2019-20: £3,000). HES made payments of previously awarded grants of £376,000 in 2020-21 (2019-20: £241,000). Amounts due from HES were £Nil (2019-20: £Nil).

#### ***Iona Community***

HES board member Paul Stollard is an associate member for The Iona Community. HES received payments in 2020-21 of £25,000 (2019-20: £29,000). HES incurred costs in 2020-21 of £57,000 (2019-20: £150,000). Amounts due from HES were £8,000 (2019-20: £Nil). The Scottish Government agreed to a rent waiver of £73,000 for the years 2020 to 2024 to mitigate planned rental increases.

#### ***The Scape Trust***

HES Head of Survey and Recording Robin Turner is Trustee, non-executive director for Scape Trust. HES paid previously awarded grants of £131,000 in 2020-21 (2019-20: £156,000). Amounts due from HES were £Nil (2019-20: £Nil).

#### ***The Malt Whisky Trail Ltd***

HES director Stephen Duncan was a Board Member of The Malt Whisky Trail Ltd. HES incurred costs in 2020-21 of £5,000 (2019-20: £4,000). Amounts due from HES were £Nil (2019-20: £Nil).

#### ***Association of Leading Visitor Attractions***

HES director Stephen Duncan was a board member of The Association of Leading Visitor Attractions. HES incurred costs in 2020-21 of £10,000 (2019-20: £5,000). Amounts due from HES were £1,000 (2019-20: £Nil).

#### ***Glasgow City Council***

HES board member Jane Williamson is an employee of Glasgow City Council. HES paid previously awarded grants of £Nil in 2020-21 (2019-20: £9,000). Amounts due from HES were £Nil (2019-20: £Nil).

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

## 15. INTANGIBLE ASSETS – GROUP AND CHARITY

	Archive rights £000	Computer & software licences £000	Assets under construction £000	Total £000
<b>Cost</b>				
As at 1 April 2019	54	1,473	-	1,527
Additions	-	-	-	-
Transfers	-	-	-	-
Disposals	-	(4)	-	(4)
As at 31 March 2020	54	1,469	-	1,523
Additions	-	42	134	176
Transfers	-	1,950	-	1,950
Disposals	-	-	-	-
<b>As at 31 March 2021</b>	<b>54</b>	<b>3,461</b>	<b>134</b>	<b>3,649</b>
<b>Accumulated amortisation</b>				
As at 1 April 2019	(24)	(1,254)	-	(1,278)
Charge for the year	(8)	(191)	-	(199)
Disposals	-	4	-	4
As at 31 March 2020	(32)	(1,441)	-	(1,473)
Charge for the year	(8)	(353)	-	(361)
Disposals	-	-	-	-
<b>As at 31 March 2021</b>	<b>(40)</b>	<b>(1,794)</b>	<b>-</b>	<b>(1,834)</b>
<b>Net Book Value</b>				
As at 31 March 2019	30	219	-	249
As at 31 March 2020	22	28	-	50
<b>As at 31 March 2021</b>	<b>14</b>	<b>1,667</b>	<b>134</b>	<b>1,815</b>

Amortisation of archive rights is included within expenditure on charitable activities within the statement of financial activity. The software, licences and website amortisation costs are included with information systems support costs and are allocated as described in note 9 above.

## 16. TANGIBLE FIXED ASSETS – GROUP AND CHARITY

	Land £000	Buildings £000	Dwellings £000	Motor vehicles £000
<b>Cost or Valuation</b>				
As at 1 April 2019	3,205	35,441	3,705	3,044
Additions	-	41	-	78
Transfers	-	-	-	-
Disposals	-	-	-	(127)
Revaluation and Indexation	199	816	201	-
As at 31 March 2020	3,404	36,298	3,975	2,995
Additions	-	-	2	187
Transfers	-	-	69	-
Disposals	-	-	(7)	-
Revaluation and Indexation	(183)	(2,910)	320	-
Impairment	-	(69)	-	-
<b>As at 31 March 2021</b>	<b>3,221</b>	<b>33,319</b>	<b>4,359</b>	<b>3,182</b>
<b>Accumulated Depreciation &amp; Impairment</b>				
As at 1 April 2019	(246)	(3,305)	(308)	(2,158)
Charge for the year	-	(1,227)	(140)	(276)
Disposals	-	-	-	125
Impairment	(12)	-	-	-
Revaluation and Indexation	-	582	169	-
As at 31 March 2020	(258)	(3,950)	(312)	(2,309)
Charge for the year	-	(1,261)	(153)	(264)
Transfers	-	-	(33)	-
Disposals	-	-	1	-
Impairment	-	-	-	-
Revaluation and Indexation	251	3,249	145	-
<b>As at 31 March 2021</b>	<b>(7)</b>	<b>(1,962)</b>	<b>(352)</b>	<b>(2,573)</b>
<b>Net Book Value</b>				
As at 31 March 2019	2,959	32,136	3,397	886
As at 31 March 2020	3,146	32,348	3,627	686
<b>As at 31 March 2021</b>	<b>3,214</b>	<b>31,357</b>	<b>4,007</b>	<b>609</b>
<b>Historic Cost</b>				
As at 31 March 2019	1,450	14,446	-	886
As at 31 March 2020	1,450	13,951	-	683
<b>As at 31 March 2021</b>	<b>1,450</b>	<b>13,381</b>	<b>-</b>	<b>609</b>

ICT systems	Plant & equipment	Antiques & works of art	Assets under construction	Total
£000	£000	£000	£000	£000
6,355	6,865	2,331	234	61,180
240	107	-	1,563	2,029
-	-	-	-	-
(188)	(4)	-	-	(319)
-	-	-	-	1,216
6,407	6,899	2,331	1,797	64,106
367	535	-	2,016	3,107
136	(69)	-	(2,086)	(1,950)
-	-	-	-	(7)
-	-	-	-	(2,773)
			(419)	(488)
<b>6,910</b>	<b>7,365</b>	<b>2,331</b>	<b>1,308</b>	<b>61,995</b>
(4,715)	(5,902)	(775)	-	(17,409)
(933)	(264)	(70)	-	(2,910)
176	4	-	-	305
-	-	-	-	(12)
-	-	-	-	751
(5,472)	(6,129)	(845)	-	(19,275)
(681)	(282)	(70)	-	(2,711)
-	33	-	-	-
-	-	-	-	1
-	-	-	-	-
-	-	-	-	3,645
<b>(6,153)</b>	<b>(6,378)</b>	<b>(915)</b>	<b>-</b>	<b>(18,340)</b>
1,640	963	1,556	234	43,771
935	806	1,486	1,797	44,831
<b>757</b>	<b>987</b>	<b>1,416</b>	<b>1,308</b>	<b>43,655</b>
1,640	963	1,556	234	21,175
935	806	1,486	1,797	21,108
<b>757</b>	<b>1,023</b>	<b>1,416</b>	<b>1,308</b>	<b>19,944</b>

## 16. TANGIBLE FIXED ASSETS – GROUP AND CHARITY (continued)

### **Valuation of land, buildings and dwelling**

At 31 March 2021, approximately 20% of the land, buildings and dwelling assets were valued by District Valuers of the Valuation Office Agency.

### **Valuation assumptions**

In determining the fair value, the valuers have had regard, except where any part has been declared surplus, to the relevant active market being one which reflects the existing use of the premises. Excluded are any element of hope value for an alternative use and any possible increase in value due to special investment or financial transactions which would leave the owner with a different interest from the one which is to be valued.

The valuers have reflected in the fair value any value attributable to any possibilities of extensions or further buildings on undeveloped land or redevelopment of existing buildings (all for the existing use) providing such construction can be undertaken without major interruption to the continuing business.

The assumption has been made that the properties valued will continue to be held by HES for the foreseeable future having regard to the prospect and viability of the continuance of that occupation.

Where a non-specialised property has been valued using the comparative method of valuation, the total value has been apportioned between its residual amount (the land) and depreciable amount (the remainder, effectively the building).

For those properties where there is no market-based evidence to support fair value, the Depreciated Replacement Cost (DRC) approach has been used. These are properties which are rarely sold in the market, except by way of a sale of the business or entity of which they are part, due to uniqueness arising from their specialised nature and design, their configuration, size, location or otherwise. For specialised properties, the land and building parts have been valued separately and when combined these figures give the asset's total value.

Where DRC is used, the valuer has had regard to the RICS UKGN, titled 'Depreciated Replacement Cost (DRC) Method of Valuation for Financial Reporting', as supplemented by Treasury guidance.

For each specialised property, the Gross Replacement Cost (GRC) of providing a new modern equivalent asset has been assessed. This GRC has then been adjusted to reflect obsolescence to arrive at a Net Replacement Cost (also known as Depreciated Replacement Cost – DRC) which reflects the remaining service potential of the actual asset and is the depreciable amount. The valuers have assumed that functional obsolescence is de-minimis and therefore we have not reflected this in our DRC valuations. All DRC valuations are inclusive of professional fees and irrecoverable VAT but exclude finance charges, in accordance with HM Treasury guidance. Operational land, including land associated with buildings valued to DRC, has been assessed to fair value, having regard to the

cost of purchasing a notional replacement site in the same locality, equally suitable for the existing use and of the same size. Where the use is too specialised to categorise in market terms, regard has been had to the range of uses prevailing in the locality.

### **Historic cost value of dwelling**

The value of land, buildings and dwellings assets on a historical cost basis is shown in the table above. Any historic cost of dwellings purchased prior to 2003–04 will be included within the buildings category.



## 17. HERITAGE ASSETS – GROUP AND CHARITY

### Collections

	2020-21 £000	2019-20 £000
Cost and net book value as at beginning and end of period	361	361

The cost and net book value of heritage assets relates to a collection of seven paintings purchased by HES in the year ended 31 March 2006. There have not been any acquisitions or disposals of heritage assets in the past five years requiring to be disclosed.

## 18. INVESTMENTS – CHARITY

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

	2020-21 £000	2019-20 £000
HESe	-	-
Scran	1,157	1,157
<b>As at end of period</b>	<b>1,157</b>	<b>1,157</b>

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

### *HESe*

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

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

	2020-21 £000	2019-20 £000
Income	1,817	16,032
Expenditure	(4,853)	(13,213)
<b>(Loss) / profit</b>	<b>(3,036)</b>	<b>2,819</b>
<b>Gift aid to HES</b>	<b>-</b>	<b>2,819</b>

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

	2020-21 £000	2019-20 £000
Current assets	3,963	3,519
Creditors: amounts falling due within one year	(609)	(3,503)
Creditors: amounts falling due after more than one year	(6,390)	(16)
<b>Net Assets</b>	<b>(3,036)</b>	<b>-</b>

### **Scran**

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

Scran was dormant for 2020–21 and did not have any income or expenditure for the current or prior year.

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

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
Current assets	1,157	1,157
<b>Net Assets</b>	<b>1,157</b>	<b>1,157</b>

Scran's current assets at 31 March 2020 and 31 March 2021 relate solely to amounts owed by Historic Environment Scotland as a result of the transfer of its net assets on 1 April 2016.

## **19. STOCK**

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

	<b>2020-21</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2019-20</b>
	<b>Group</b>	<b>Charity</b>	<b>Group</b>	<b>Charity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Retail stocks net of obsolescence provision	2,819	-	2,713	-
Work stocks - raw materials and consumables	389	380	286	274
	<b>3,208</b>	<b>380</b>	<b>2,999</b>	<b>274</b>

The value of retail stocks is shown net of a provision for obsolete and discontinued stock. The value of the provision as at 31 March 2021 was £198,000 (2019–20: £253,000).

Retail stocks included as cost of sales for 2020–21 were £209,000 (2019–20: £4,932,000).

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

## 20. DEBTORS

	2020-21 Group £000	2020-21 Charity £000	2019-20 Group £000	2019-20 Charity £000
Trade debtors	475	211	604	423
Taxes and social security	564	564	391	387
Amounts owed by group undertakings	-	6,383	-	3,176
Prepayments	1,218	1,192	1,165	1,159
Accrued income	365	361	1,364	1,350
Reimbursement of provisions	931	931	944	944
Other debtors	93	93	123	110
	<b>3,646</b>	<b>9,735</b>	<b>4,591</b>	<b>7,549</b>

## 21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020-21 Group £000	2020-21 Charity £000	Restated <sup>1</sup> 2019-20 Group £000	Restated <sup>1</sup> 2019-20 Charity £000
Accrual for grants payable	22,798	22,798	26,024	26,024
Grants retention	1,283	1,283	1,401	1,401
Trade payables	1,074	993	278	276
Amounts owing to group undertakings	-	1,462	-	1,157
Other payables	1,506	1,480	1,229	1,217
Accruals	6,280	5,937	5,174	4,977
Deferred income	1,231	1,065	1,082	963
	<b>34,172</b>	<b>35,018</b>	<b>35,188</b>	<b>36,015</b>

## 22. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2020-21 Group £000	2020-21 Charity £000	Restated <sup>1</sup> 2019-20 Group £000	Restated <sup>1</sup> 2019-20 Charity £000
Accruals for grants payable	6,385	6,385	7,576	7,576
Grants retentions	699	699	517	517
Deferred income	675	675	651	635
	<b>7,759</b>	<b>7,759</b>	<b>8,744</b>	<b>8,728</b>

<sup>1</sup> Restated - refer to note 33 on page 116

## 23. DEFERRED INCOME

Deferred income relates to membership and other income received in advance of entitlement.

	<b>2020-21 Group £000</b>	<b>2020-21 Charity £000</b>
Total deferred income at the beginning of the period	1,733	1,598
Amounts released during the period	(1,010)	(962)
Amounts deferred during the period	1,183	1,104
<b>Total deferred income at the end of the period</b>	<b>1,906</b>	<b>1,740</b>

## 24. PROVISIONS FOR LIABILITIES – GROUP AND CHARITY

	<b>Compensation payments £000</b>	<b>Holiday pay £000</b>	<b>Dilapidations £000</b>	<b>Total £000</b>
Balance as at 1 April 2020	1,084	69	1,347	2,500
Provisions made in the year	17	-	616	633
Provisions used during the year	(100)	-	-	(100)
Provisions released during the year	(32)	(69)	-	(101)
<b>Balance as at 31 March 2021</b>	<b>969</b>	<b>-</b>	<b>1,963</b>	<b>2,932</b>

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

During 2020-21 the provision for holiday pay was released. No further claims had been received and the time scale had elapsed.

The provision for leasehold dilapidations relates to properties where HES has a legal responsibility as tenants for such costs.

## 25. FUNDS

	Restated <sup>1</sup> As at 1 April 2020 £000	Income £000	Expenditure £000	Transfer between reserves £000	Gains & losses £000	As at 31 March 2021 £000
<b>Restricted funds – Group and Charity</b>						
Heritage Lottery Fund Engine Shed	2,741	-	(100)	(17)	-	2,624
Arts and Humanities Research Council (AHRC) – Capability for Collections Fund	-	498	(458)	-	-	40
Stirling Council Path-works	-	106	(106)	-	-	-
AHRC – Towards a National Collection	-	231	(235)	-	-	(4)
AHRC – Rock Art	176	-	(147)	-	-	29
HMRC Job Retention Scheme grant	-	4,191	-	(4,191)	-	-
Funds less than £100,000	45	355	(354)	3	-	49
<b>Total restricted funds – Group and Charity</b>	<b>2,962</b>	<b>5,381</b>	<b>(1,400)</b>	<b>(4,205)</b>	<b>-</b>	<b>2,738</b>
<b>Unrestricted funds – Group</b>						
General reserve	(12,595)	88,282	(83,775)	3,246	-	(4,842)
Designated fund	-	-	-	1,963	-	1,963
Revaluation reserve	20,893	-	-	(1,004)	873	20,762
<b>Total unrestricted funds – Group</b>	<b>8,298</b>	<b>88,282</b>	<b>(83,775)</b>	<b>4,205</b>	<b>873</b>	<b>17,883</b>
<b>Unrestricted funds – Charity</b>						
General reserve	(12,595)	90,177	(82,634)	3,246	-	(1,806)
Designated fund	-	-	-	1,963	-	1,963
Revaluation reserve	20,893	-	-	(1,004)	873	20,762
<b>Total unrestricted funds – Charity</b>	<b>8,298</b>	<b>90,177</b>	<b>(82,634)</b>	<b>4,205</b>	<b>873</b>	<b>20,919</b>
<b>All funds – Group</b>	<b>11,260</b>	<b>93,663</b>	<b>(85,175)</b>	<b>-</b>	<b>873</b>	<b>20,621</b>
<b>All funds – Charity</b>	<b>11,260</b>	<b>95,558</b>	<b>(84,034)</b>	<b>-</b>	<b>873</b>	<b>23,657</b>

<sup>1</sup> Restated – refer to note 33 on page 116

	Restated' As at 1 April 2019 £000	Income £000	Expenditure £000	Transfer between reserves £000	Gains & losses £000	Restated' As at 31 March 2020 £000
<b>Restricted funds – Group and Charity</b>						
Heritage Lottery Fund Engine Shed	2,701	383	(343)	-	-	2,741
Travel Subsidy	36	-	-	(36)	-	-
Heritage Lottery Fund Scotland's Urban Past	-	209	(257)	48	-	-
Heritage Partnership Project	-	100	(100)	-	-	-
Rock Art	368	-	(192)	-	-	176
Funds less than £100,000	(44)	475	(482)	96	-	45
<b>Total restricted funds – Group and Charity</b>	<b>3,061</b>	<b>1,167</b>	<b>(1,374)</b>	<b>108</b>	<b>-</b>	<b>2,962</b>
<b>Unrestricted funds – Group</b>						
General reserve	(12,507)	102,113	(102,718)	517	-	(12,595)
Revaluation reserve	19,551	-	-	(625)	1,967	20,893
<b>Total unrestricted funds – Group</b>	<b>7,044</b>	<b>102,113</b>	<b>(102,718)</b>	<b>(108)</b>	<b>1,967</b>	<b>8,298</b>
<b>Unrestricted funds – Charity</b>						
General reserve	(12,507)	95,328	(95,933)	517	-	(12,595)
Revaluation reserve	19,551	-	-	(625)	1,967	20,893
<b>Total unrestricted funds – Charity</b>	<b>7,044</b>	<b>95,328</b>	<b>(95,933)</b>	<b>(108)</b>	<b>1,967</b>	<b>8,298</b>
<b>All funds – Group</b>	<b>10,105</b>	<b>103,280</b>	<b>(104,092)</b>	<b>-</b>	<b>1,967</b>	<b>11,260</b>
<b>All funds – Charity</b>	<b>10,105</b>	<b>96,495</b>	<b>(97,307)</b>	<b>-</b>	<b>1,967</b>	<b>11,260</b>

Restricted funds	Restriction and use
Heritage Lottery Fund Engine Shed	For the construction of the Engine Shed, a dedicated building conservation centre.
AHRC – Capability for Collections Fund	For the purpose of purchasing capital equipment for research.
Stirling Council Pathworks	For improvement to Doune Castle and Roman Camp pathways.
AHRC – Towards a National Collection	To cover the costs of running the programme Towards a National Collection, creating a unified virtual 'national collection'.
AHRC – Rock Art	To fund the Rock Art research programme, dedicated to recording, re-researching and raising awareness of over 3,000 prehistoric carvings.
HMRC Job Retention Scheme grant	To reimburse employment costs arising from the health, social and economic emergency resulting from Covid-19.
Designated funds	Purpose
Properties in care conservation fund	HES established a new designated fund as at 31 March 2021 to support conservation of our Properties in Care. The fund is expected to be fully utilised during the year to 31 March 2022. .

## 26. NET ASSETS BY FUND

<b>Net Assets</b>	<b>Fixed assets £000</b>	<b>Cash £000</b>	<b>Other net current liabilities £000</b>	<b>Creditors falling outside one year £000</b>	<b>Provisions £000</b>	<b>2020-21 Total £000</b>
<b>Group</b>						
Restricted funds	2,624	114	-	-	-	2,738
General reserve	22,445	10,722	(27,318)	(7,759)	(2,932)	(4,842)
Designated fund	-	1,963	-	-	-	1,963
Revaluation reserve	20,762	-	-	-	-	20,762
<b>Total Funds</b>	<b>45,831</b>	<b>12,799</b>	<b>(27,318)</b>	<b>(7,759)</b>	<b>(2,932)</b>	<b>20,621</b>
<b>Charity</b>						
Restricted funds	2,624	114	-	-	-	2,738
General reserves	23,602	10,186	(24,903)	(7,759)	(2,932)	(1,806)
Designated fund	-	1,963	-	-	-	1,963
Revaluation reserve	20,762	-	-	-	-	20,762
<b>Total Funds</b>	<b>46,988</b>	<b>12,263</b>	<b>(24,903)</b>	<b>(7,759)</b>	<b>(2,932)</b>	<b>23,657</b>
<b>Net Assets</b>	<b>Fixed assets £000</b>	<b>Cash £000</b>	<b>Restated' Other net current liabilities £000</b>	<b>Restated' Creditors falling outside one year £000</b>	<b>Provisions £000</b>	<b>Restated' 2019-20 Total £000</b>
<b>Group</b>						
Restricted funds	2,741	221	-	-	-	2,962
General reserve	21,608	4,639	(27,598)	(8,744)	(2,500)	(12,595)
Revaluation reserve	20,893	-	-	-	-	20,893
<b>Total Funds</b>	<b>45,242</b>	<b>4,860</b>	<b>(27,598)</b>	<b>(8,744)</b>	<b>(2,500)</b>	<b>11,260</b>
<b>Charity</b>						
Restricted funds	2,741	221	-	-	-	2,962
General reserve	22,765	4,060	(28,192)	(8,728)	(2,500)	(12,595)
Revaluation reserve	20,893	-	-	-	-	20,893
<b>Total Funds</b>	<b>46,399</b>	<b>4,281</b>	<b>(28,192)</b>	<b>(8,728)</b>	<b>(2,500)</b>	<b>11,260</b>

1 Restated - refer to note 33 on page 116



## 27. LEASING – GROUP AND CHARITY

Total payments for operating leases for 2020–21 were £2,050,000 (2019–20: £1,903,000).

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

	<b>Land &amp; Buildings</b>	<b>Equipment</b>	<b>2020–21 Total</b>	<b>Land &amp; Buildings</b>	<b>Equipment</b>	<b>2019–20 Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Not later than one year	1,979	1	1,980	1,933	1	1,934
Later than one year and not later than five years	7,632	-	7,632	6,410	-	6,410
Later than five years	12,401	-	12,401	12,609	-	12,609
	<b>22,012</b>	<b>1</b>	<b>22,013</b>	<b>20,952</b>	<b>1</b>	<b>20,953</b>

## 28. REVALUATION RESERVE – GROUP AND CHARITY

	<b>2020–21</b>	<b>2019–20</b>
	<b>£000</b>	<b>£000</b>
As at beginning of period	20,893	19,551
Revaluation and indexation of cost / valuation	(2,772)	2,050
Revaluation and indexation of accumulated depreciation	3,645	(83)
<b>Gain on revaluation of fixed assets</b>	<b>873</b>	<b>1,967</b>
Transfer of realised element of revaluation reserve to unrestricted reserve	(1,004)	(625)
<b>As at end of period</b>	<b>20,762</b>	<b>20,893</b>

## 29. FINANCIAL COMMITMENTS – GROUP AND CHARITY

HES has given indicative authorisation to grant applicants. While these do not represent a firm offer of grant, they reflect future potential offers and are an indication of the pressure on grants which HES faces. As at 31 March 2021, indicative authorisations totalled:

	2020-21	2019-20
	£000	£000
Commitments due in:		
Less than one year	2,661	4,071
More than one year and less than five years	8,829	7,140
More than five years	-	-
<b>Total</b>	<b>11,490</b>	<b>11,211</b>

In addition, HES has capital commitments in respect of implementing a new Enterprise Resource Planning (ERP) system. As at 31 March 2021 these commitments totalled:

	2020-21	2019-20
	£000	£000
Commitments due in:		
Less than one year	20	1,350
More than one year and less than five years	-	799
More than five years	-	-
<b>Total</b>	<b>20</b>	<b>2,149</b>

## 30. FINANCIAL INSTRUMENTS

As at 31 March 2021 the carrying value of financial instruments totalled:

	2020-21	2020-21	2019-20	2019-20
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Assets measured at amortised costs	13,732	19,311	5,978	8,377
Liabilities measured at amortised costs	40,025	41,037	42,199	43,145

### 31. CONTINGENCY LIABILITIES – GROUP AND CHARITY

There are no contingent liabilities that required to be disclosed as at 31 March 2021.

As at 31 March 2020, HES had potential exposure to litigations brought by former employees of its predecessors. Based on the latest available information, the estimated potential liability was approximately £120,000, although there was a high level of uncertainty attached to that estimate. The Scottish Government had confirmed that were there to be any awards against HES, that the Scottish Government would reimburse HES for these costs and so there would be a net £nil financial impact for HES. It was not possible to identify the anticipated timing of any outflow of resources in relation to this contingent liability. HES considered that disclosure on the particulars of the contingent liabilities would be seriously prejudicial to the interests of HES and had therefore utilised the exemption from disclosure permitted under FRS 102 on these particulars.

### 32. POST BALANCE SHEET EVENTS – GROUP AND CHARITY

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

### 33. CHANGE IN ACCOUNTING POLICY – GROUP AND CHARITY

In the prior year to 31 March 2020, HES's accounting policy for the recognition of membership income was on a cash basis. As income for annual and life memberships partly relate to future years, the accounting policy was changed to recognise membership income over the period to which it relates. Management believe that this change in accounting policy provides more reliable and relevant information.

The prior year comparatives have been restated to reflect this change in accounting policy. The impact on each financial statements line item affected is as follows:

<b>Consolidated statement of financial activity for the year ended 31 March 2020</b>	<b>As previously reported £000</b>	<b>Adjustment £000</b>	<b>Restated £000</b>
Net expenditure – total	(768)	(44)	(812)
Total funds brought forward – total	11,383	(1,278)	10,105
Total funds carried forward – total	12,582	(1,322)	11,260

Equivalent adjustments were made to income from charitable activities, and the unrestricted total for each of the above.

Equivalent adjustments were also made to the charity statement of financial activities.

<b>Consolidated balance sheet as at 31 March 2020</b>	<b>As previously reported £000</b>	<b>Adjustment £000</b>	<b>Restated £000</b>
Creditors: amounts falling due within one year	(34,501)	(687)	(35,188)
Creditors: amounts falling due after one year	(8,109)	(635)	(8,744)
General reserve	(11,273)	(1,322)	(12,595)

The adjustments to creditors above had equivalent impacts on net current liabilities, total assets less current liabilities, and net assets. The adjustment to the general reserve had an equal impact on unrestricted funds and total funds.

Equivalent adjustments were also made to the charity balance sheet

## ACCOUNTS DIRECTION



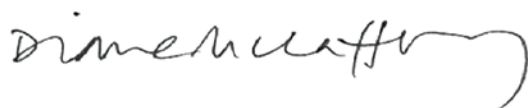
### HISTORIC ENVIRONMENT SCOTLAND

#### 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 31 March 2016, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) and the Charities SORP which is in force for the year for which the statement of accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
3. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers



Deputy Director, Culture and Historic Environment Division

Dated: 29 September 2015





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

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