



HISTORIC ENVIRONMENT SCOTLAND ANNUAL REPORT AND FINANCIAL STATEMENTS AITHISG BHLIADHNAIL 2015-16



HISTORIC
ENVIRONMENT
SCOTLAND

ÀRAINNEACHD
EACHDRAIDHEIL
ALBA

The financial statements included in this report are for Historic Environment Scotland (HES). As HES commenced operating on October 1, 2015 when it took over the activities of the two predecessor bodies, Historic Scotland and the Royal Commission on the Ancient and Historical Monuments of Scotland (RCAHMS), the financial statements represent the six months from that date. The Financial review within the

Trustee report gives a summary of the income and expenditure of both Historic Scotland and RCAHMS for the period April 1, 2015 to September 30, 2015, these figures when added to HES' results represent a full year of activities.*

The Key Performance Indicators measure the delivery of the annual business plan, which set out the combined priorities for Historic Scotland, RCAHMS, and the HES.



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We are the lead public body for Scotland's historic environment, responsible for leading and enabling the delivery of Scotland's first strategy for the historic environment,
Our Place in Time

Chair's Report

Aithisg a' Chathraiche

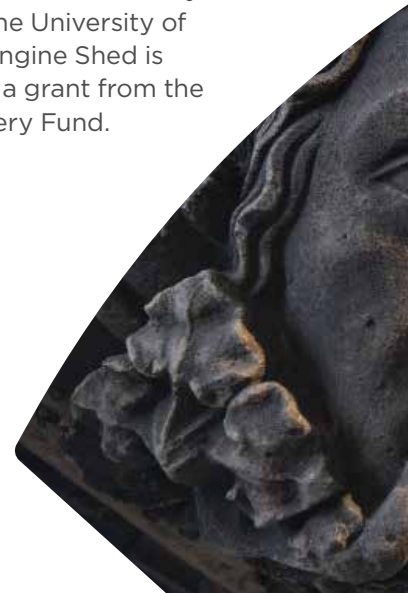
It is a great pleasure to introduce HES's first Annual Report, marking the establishment of the new organisation.

HES was created by the Historic Environment Scotland Act 2014 and assumed responsibilities as a new organisation on October 1, 2015. The period covered by this Annual Report therefore marks the completion of a transition programme, as well as a new beginning.

HES was established in the context of Scotland's first ever strategy for the historic environment *Our Place in Time*. The strategy outlines a ten year vision for the sector, which sees Scotland's historic environment understood and valued, cared for and protected, enjoyed and enhanced. In realising that vision, the strategy is explicit that this will help to ensure that the cultural, social and economic contribution of our heritage continues to make a major contribution to the national well-being.

Scottish Ministers' expectation is that HES, as the new NDPB, is the lead body for the historic environment and will be responsible for overall delivery of the strategy. The Board and staff have worked to develop a clear understanding and articulation of that role, which combines continuity and legacy with the ambitious plans and the values appropriate to meet the challenges and opportunities created by the new role and responsibilities. A major milestone was therefore Ministerial approval and the publication of our first Corporate Plan *For all our Futures* in May 2016. Alongside this we developed a new corporate identity which graphically represents the organisation's values as a key part of the historic environment, and also represents that role and ambition to act as a corner stone for the sector overall.

The approach we have adopted from the outset, as set out in our Corporate Plan, is driven by our key values: to be collaborative, professional, innovative, open and respectful, leading by example and prioritising collaboration with new and existing partners. In developing our new approach, we have continued with the work of our predecessor organisations Historic Scotland and RCAHMS. For example, climate change is a major priority for our new organisation, and an area in which we will be developing our lead role, based on our in-depth evidence and research. A key element of this has been continuing work in creating Scotland's first dedicated building conservation centre, the Engine Shed, which is due to open in spring 2017. £8.9 million is being spent on sensitively restoring a historic former military building, creating laboratory and learning facilities, which will be available for professional and public access and link with other major providers such as Forth Valley College and the University of Stirling. The Engine Shed is supported by a grant from the Heritage Lottery Fund.

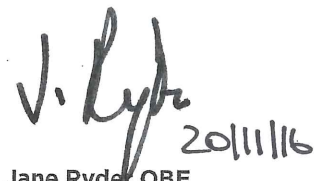


We continue as one of the largest operators of visitor attractions in Scotland, managing over 300 sites on behalf of Scottish Ministers across the country from Shetland to Dumfries and Galloway and including iconic sites such as Edinburgh and Stirling Castle, Skara Brae, and the magnificent Borders Abbeys. In many areas we surpassed our key performance targets, such as numbers of visitors to sites (3.83 million), membership numbers (162,590), and generating income of over £42 million from our sites and commercial activities.

We also continued our annual grants commitment of over £14.5 million, enabling hundreds of projects to restore and regenerate historic buildings across the country. That investment had a 'leverage' rate of 4.9 to 1, meaning that for every £1 we invested, nearly £5 of investment was attracted from elsewhere (compared with 3.8 to 1 in 2014-15).

We are also a statutory regulator, and this period saw the smooth transition to the new regulatory regime, resulting in greater transparency of decision making (through our new planning portal) and a right of appeal which

was not previously available. Balancing all of these different roles and responsibilities is clearly a challenge, but one to which our Board and staff are wholly committed. It has been a great privilege to chair the organisation through these first few months, to see the dedication of the Board and staff, and to see the clarity of vision and ambition beginning to flourish. This Annual Report is only the start of a journey which we are confident will see the historic environment thrive and be valued for generations to come.



Jane Ryder OBE
Chair, HES



50/50 – EQUALITY

We are committed to the Partnership for Change working towards a 50/50 gender balanced Board by 2020.



6%
REDUCTION
in electricity
consumption across
the HES estate.

162,590
MEMBERS





58

APPRENTICES

employed – helping to perpetuate traditional craft skills across the country.

3.83
MILLION
VISITORS TO
PROPERTIES IN CARE
(5% increase)



£14.5 MILLION

annual grants commitment to the historic environment, given to local and national schemes, helping hundreds of projects across the country.

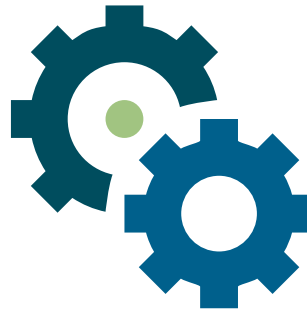
HES AT A GLANCE



KEY ACHIEVEMENT

TRANSPARENCY

INTRODUCED NEW PUBLIC DECISIONS PORTAL FOR DESIGNATIONS AND SCHEDULED MONUMENT CONSENT, TO PROVIDE OPERATIONAL TRANSPARENCY.



KEY ACHIEVEMENT

INNOVATING

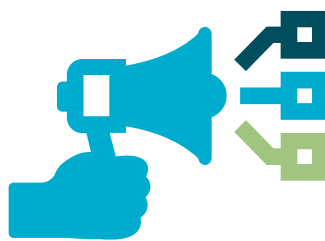
UTILISED INNOVATIVE NEW SURVEYING, RECORDING, AND PRESENTATION METHODS, USING LASER SCANNING AND DIGITAL PLATFORMS TO MAKE THE HISTORIC ENVIRONMENT MORE ACCESSIBLE THAN EVER BEFORE.



KEY ACHIEVEMENT

PROTECTING

CREATED A SCHEME OF DELEGATION TO GUIDE HOW WE MANAGE AND PROTECT THE 330 PLUS PROPERTIES AND ASSOCIATED COLLECTIONS IN OUR CARE.



KEY ACHIEVEMENT

PROMOTING

DEVELOPED AN INTERIM ACCESS POLICY TO PROMOTE GREATER DIVERSITY, ENGAGEMENT AND PARTICIPATION AMONG GROUPS WHO ACCESS OUR PROPERTIES.



KEY ACHIEVEMENT

CLIMATE

PUBLISHED FIRST HES CARBON MANAGEMENT ACTION PLAN, EXPLAINING OUR COMMITMENT TO CLIMATE CHANGE MANAGEMENT.



KEY ACHIEVEMENT

COMMUNITY

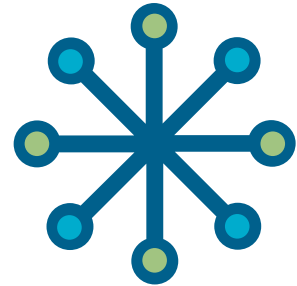
ORGANISED SCOTLAND'S URBAN PAST (SUP) INITIATIVE TO INVESTIGATE AND DOCUMENT COMMUNITY EXPERIENCES.



KEY ACHIEVEMENT

TRADITIONAL CRAFT SKILLS

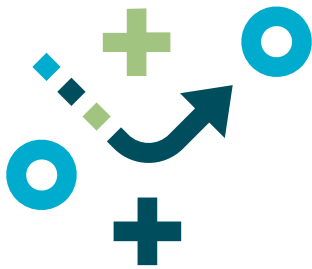
CONTINUED TO NURTURE CRAFT SKILLS AND PROGRESSED THE CONSTRUCTION OF SCOTLAND'S DEDICATED BUILDING CONSERVATION HUB.



KEY ACHIEVEMENT

SHARING KNOWLEDGE

IMPROVED LOCAL AND NATIONAL HISTORIC ENVIRONMENT RECORDS THROUGH NEW SURVEYING AND RECORDING STRATEGY THAT COMPLEMENTS EXISTING SHED STRATEGY.



KEY ACHIEVEMENT

STRATEGY

INITIATED DELIVERY OF SCOTLAND'S FIRST HISTORIC ENVIRONMENT STRATEGY, PLAYING A LEAD ROLE IN ACTIVE FACILITATION, DISCUSSION AND MEASUREMENT OF THE STRATEGY.



KEY ACHIEVEMENT

WORLD HERITAGE

MAINTAINED CLOSE WORKING RELATIONSHIP WITH PARTNERS TO MANAGE AND PROTECT SCOTLAND'S SIX UNESCO WORLD HERITAGE SITES.



KEY ACHIEVEMENT

ARCHAEOLOGY

LAUNCHED SCOTLAND'S FIRST ARCHAEOLOGY STRATEGY, SETTING OUT A SHARED VISION FOR THE ENTIRE SECTOR.

The Trustees' Report includes the governance statement, set out below.

Trustees' Report

Structure, Governance and Management

Aithisg nan Urrasairean

structar, riaghlachas is manaidsearachd

THE ORGANISATION

HES is a new public body created under The HES Act 2014. On October 1, 2015, the staff, functions, assets and liabilities of Historic Scotland transferred to HES. These financial statements are for the year ended March 31, 2016 but as the Charity did not commence operating until October 1 the financial results represent the six months activity to April 2016. The Key Performance Indicators, however, are reported for the full financial year 2015-16 as a measure of delivery of the Annual Business Plan which set out the priorities for Historic Scotland, RCAHMS and then HES.

HES is a Non Departmental Public Body (NDPB) sponsored by the Directorate for Culture, Tourism and Major Events in Scottish Government. HES was registered as a Scottish Charity (SC045925) on August 20, 2015 with the following charitable purposes:

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

HES wholly owns two subsidiaries: *Scran Ltd* and *Historic Environment Scotland Enterprises Limited*, which operate commercial services. *Historic Environment Scotland Enterprises Limited* commenced trading on April 1, 2016, so there are no reported results for this subsidiary in the year. The assets and liabilities of the Scran Trust including its subsidiary *Scran Ltd*, were transferred to HES on February 22, 2016. The results of *Scran Ltd* from this date to March 31, 2016 are consolidated with HES in these statements. *Scran Ltd* ceased trading on the March 31, 2016.



REFERENCE AND ADMINISTRATION DETAILS

Principal Office and Registered Address

Longmore House
Salisbury Place
Edinburgh EH9 1SH

Charity Number

SC045925

Bankers

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

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

Bank of Scotland
300 Lawnmarket
Edinburgh EH1 2PH

Solicitors

Morton Fraser
2 Lister Square
Quartermile Two
Simpson Loan,
Edinburgh EH3 9GL

Auditors

External:
KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Internal:
Scottish Government internal audit
St Andrew's House
Regent Road
Edinburgh EH1 3DG



BOARD OF TRUSTEES

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

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

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



**Chair:
Jane Ryder OBE**

Board Chair Jane Ryder is a specialist in corporate governance and regulation. She

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



Dr Janet Brennan

Dr Janet Brennan is Chair of the Scottish Castles Association, and a conservationist and author.

Dr Brennan's appointment is from January 19, 2015 to January 18, 2017.



Alan Clarke

Alan Clarke is the former CEO of the Northern Ireland Tourist Board, and has more than 40

years' experience in tourism, leisure and marketing. He retired from this role in September 2014.

Mr Clarke's appointment is from January 19, 2015 to January 18, 2017.



Trudi Craggs

Trudi Craggs is qualified as a solicitor in Scotland and is a partner in CMS Cameron McKenna

LLP. She is a specialist in planning and transport, advising both public and private sectors on all aspects of the planning system.

Ms Craggs' appointment is from January 19, 2015 to January 18, 2019.



**Professor
David Gaimster**

Professor David Gaimster has been Director of The Hunterian at the

University of Glasgow since 2010. The Hunterian is both Scotland's largest university museum service and the oldest museum in Scotland.

Professor Gaimster's appointment is from January 19, 2015 to January 18, 2018.



Andrew Holmes

Andrew Holmes is a qualified civil engineer and former Director of City Development for the City of Edinburgh

Council. He retired in 2008.

Mr Holmes' appointment to our Board is from January 19, 2015 to January 18, 2019.



Dr Coinneach Maclean

Dr Coinneach Maclean is an archaeologist and former Deputy Chief Executive of

the National Trust for Scotland. He is a Gaelic speaker, brought up on the island of South Uist.

Dr Maclean's appointment is from January 19, 2015 to January 18, 2018.



Dr Fiona McLean

Dr Fiona McLean is Vice Chair of the Board of Governors for the University of the

Highlands and Islands.

Dr McLean's appointment is from January 19, 2015 to January 18, 2018.



Dr Paul Stollard

Dr Paul Stollard is an architect who has specialised in the fire safety of buildings for more than 30 years.

Dr Stollard's appointment is from January 19, 2015 to January 18, 2019.



Dr Ken Thomson

Dr Ken Thomson became Principal of Forth Valley College in August 2013, following six years

as Depute Principal. He took a lead role in the merger of two colleges in 2005 to form the fifth largest college in Scotland.

Dr Thomson's appointment is from January 19, 2015 to January 18, 2017.

SENIOR MANAGEMENT TEAM

The Chief Executive / Accountable Officer role was split in the first six months that HES has operated between:

Paul Smart

October 1, 2015 to November 4, 2015

David Middleton

November 5, 2015 to March 31, 2016

Subsequently that role was then assumed by:

David Mitchell

April 1, 2016 to September 11, 2016

Alex Paterson

September 12, 2016 onwards

A Senior Management Team manages the operations of the organisation. The Senior Management Team in 2015-16 was made up of:

Paul Smart

October 1, 2015 to April 15, 2016

David Middleton

November 5, 2015 to March 31, 2016

Rebecca Bailey

October 1, 2015 to December 8, 2015

Lesley Ferguson

October 1, 2015 to December 8, 2015

Robin Turner

October 1, 2015 to December 8, 2015

Graham Turnbull

October 1, 2015 to December 8, 2015

Adam Jackson

October 1, 2015 to August 30, 2016

Diana Murray

October 1, 2015 to August 30, 2016

David Mitchell

October 1, 2015 to present

Stephen Duncan

October 1, 2015 to present

Gary Love

October 1, 2015 to present

Jo McCoy

October 1, 2015 to May 10, 2016

Jennie Smith

October 1, 2015 to present

Lisa McGraith

October 1, 2015 to present

Barbara Cummins

October 1, 2015 to present

Further information on Trustees can be found on the HES website: <https://www.historicenvironment.scot/about-us/who-we-are/our-board/board-members/>

RELATED PARTIES

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.

OBJECTIVES AND ACTIVITIES

Established by the HES Act 2014, HES has the general function of investigating, caring for and promoting Scotland's historic environment.

We are the lead public body for Scotland's historic environment responsible for leading and enabling delivery of *Our Place in Time*, Scotland's first strategy for the Historic Environment.

Our mission is:

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

We look after more than 300 properties of national importance on behalf of Scottish Ministers; we are responsible for internationally significant collections, which includes millions of drawings, photographs, and aerial images from around the world; we act as a regulatory body in Scotland's planning system; we invest in national and local initiatives through our grants schemes; and our conservation experts provide guidance, training and technical expertise for the preservation of the historic environment, as well as to tackle climate change.

ACHIEVEMENTS AND PERFORMANCE

2015-16 was a year of considerable change for the organisation as we made the transition from two separate organisations into a single new organisation. It was also a successful year as we achieved continuity in quality and volume of activity and service delivery, while at the same time managing the impact of significant organisational change.

Under the umbrella of the Transition Programme, 13 projects were in place prior to October 2015, aimed at delivering legislative and regulatory changes, and establishing the necessary infrastructure for HES to operate. The programme was closed on December 31, 2015.

Key achievements for the year were mapped to the strategic priorities of the Historic Scotland/RCAHMS Business Plan for 2015-16. This reflected the priorities of *Our Place in Time*, namely: 'Understand', 'Protect', and 'Value'. Through alignment with *Our Place in Time* we also contributed to the achievement of wider Scottish Government priorities set out in *Scotland Performs, Scotland's Economic Strategy*, and the 2014-15 Programme for Government — *One Scotland*.

The published 2015-16 Annual Business Plans set out the strategic and governance contexts for the year together with the key deliverables and the Key Performance Indicators used by each of the directorates — including Conservation, Heritage Management, Survey and Recording, Collections, Education and Outreach, Commercial, Tourism and Enterprise, and Grants — by which our performance would be measured. Further information on that is included later in this section.

Throughout the year we actively participated in and engaged with the work of the Strategic Historic Environment Forum (SHEF), the Historic Environment Operational Group, and the Measuring Success, Local and National Government, Heritage Tourism and Participation working groups. We continued to invest in developing skills and building capacity in the sector by working in partnership with the construction, repairs and maintenance sectors to deliver the Scottish Government Traditional Skills Strategy, including delivering training for 58 traditional skills apprentices.

Scotland's Archaeology Strategy was produced in collaboration with the Scottish Strategic Archaeology Committee, Scotland's Museums and Galleries and published in September 2015. The strategy is focused on ensuring that archaeology plays a key role in our understanding of Scottish place-making and identity.

We undertook numerous programmes of field investigation, aerial survey, research and scientific studies with the purpose of improving the quality and extent of our knowledge and understanding of the historic environment.

We surpassed our Key Performance Targets for visitor numbers (3.83 million), membership numbers (162,590), and income generated (over £42 million)



We consolidated and expanded the scope of the five-year research programme, *Discovering the Clyde*. It focuses on the examination of the relationship of people with the river through time using survey, data and archive material, and through engagement with local people.

The Historic Land use Assessment Project completed the online digital map of Scotland that records the visible traces of past land-use for use by individuals who want to understand a local landscape; by agents who are developing proposals for land use change; by specialists undertaking landscape character assessments or for gathering data for strategic plans; and researchers who want to explore the extent, development and origin of historic environment.

HES is a formal partner to all of Scotland's six World Heritage Site (WHS) Management Plans. We continued to support each WHS in a number of ways, through direct management, grants and the delivery of key Management Plan objectives, as well as hosting educational events and contributing to technical evaluation panels, amongst other activities.

We continued to manage a conservation programme based on condition surveys and annual monument audits to protect the properties in our care.

In 2015-16 we invested through our grants programmes to support the care, protection and promotion of the historic environment. £6.6 million was paid out in the latter part of the year reported in these annual accounts. Details of the specific schemes that have been awarded by HES in the six months since it commenced operating can be found at <https://www.historicenvironment.scot/grants-and-funding/>. Work has been undertaken to review the impact of grant schemes in discussion with stakeholders. This work will be used to inform improvement changes to the schemes. These changes will be introduced, once the Scottish Government has been consulted, in 2016-17.



We continued to invest in developing traditional skills, and building capacity in that sector by working with partners in the construction, repairs and maintenance sectors to deliver the Scottish Government Traditional Skills Strategy




In the full year April 1, 2015 to March 31, 2016, visitors to staffed Properties in Care increased by 5% year-on-year in what was already a record-breaking year for many sites. In the six months that HES operated since October 2015, staffed sites received 936,000 visitors: a 10% increase on the same period the previous year. Although the period did benefit from the Easter weekend falling in March in 2016.


Free educational visits were accessed by around 100,000 learners in 2015-16. We continue to welcome and engage with over 100,000 learning visitors across a range of Properties in Care and engage with many more community groups, as well as audiences across the country through programmes and projects including the Junior Guides, Young Archaeologists and our Stewardship scheme.

HES also enables access to the historic environment across Scotland through the Scottish Civic Trust, and funds Scotland's contribution to European Heritage Days, as well as participating in Doors Open Days — Scotland's largest free celebration of heritage and the built environment.

We are constantly improving and increasing access to information about the historic environment through various online resources such as Canmore, Scran, and the National Collection of Aerial Photography (NCAP), reaching audiences around the globe. An additional 74,000 items in the archive collection were made available through cataloguing, with an additional 63,000 images digitized and made available online in a variety of formats; and a selection of the PIC collections being made available online through <http://collections.historic-scotland.gov.uk/simpleSearch.jsp>



Climate change is a major priority for our organisation and an area in which we will be developing our lead role, through continued research and evidence gathering



SUPPORTING THE GOVERNMENT'S PURPOSE

Our strategic outcomes and objectives, together with those of others across the public, private and voluntary sectors, combine to deliver the Scottish Government's Purpose of creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. They also support the delivery of Scotland's Economic Strategy, and the Programme for Government.

By working with our partners in the public, private and voluntary sectors to successfully achieve our strategic outcomes and objectives, we will contribute to the achievement of the Scottish Government's Strategic Objectives and the following National Outcomes in Scotland Performs:

HES OUTCOMES

	LEAD	UNDERSTAND	PROTECT	VALUE	PERFORM
We are better educated, more skilled and more successful, renowned for our research and innovation	*	*	*	*	*
We live in well designed, sustainable Places where we are able to access the amenities and services we need	*	*	*	*	
We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others	*	*	*	*	
We value and enjoy our built and natural environment and protect it and enhance it for future generations	*	*	*	*	
We take pride in a strong, fair and inclusive national identity	*	*	*	*	*
We reduce the local and global Environmental impact of our consumption and production	*	*	*	*	*
Our public services are high quality, continually improving, efficient and responsive to local people's needs	*	*	*	*	*
Wealthier & Fairer	Smarter	Healthier	Safer & Stronger		Greener
Scotland's Strategic Objectives					

We continued our annual grants commitment of £14.5 million, enabling hundreds of projects to restore and regenerate historic buildings across Scotland



KEY PERFORMANCE INDICATORS (KPIs)

MEASURE	2015-16 TARGET	2015-16 RESULT
Conserve the monuments and historic buildings managed by Historic Scotland on behalf of Scottish Ministers	PIC baseline condition index established	Achieved
Continue to build membership numbers (high point)	157,000	162,764
Maintain 92% of Historic Scotland staffed sites with a VisitScotland rating of 4 stars or above	92%	92.6%
Attract over 3.59 million visitors to our sites	3.59m	3.83m
Performance in the planning system:	80%	98.77%
• We will meet 80% of our statutory timescales.		
• To Sept 30, 2015 – Reach a view on 82% of scheduled monument consent applications within 5 weeks	82%	94.07%
• Oct 15 to Mar 16 – Issue 82% of scheduled monument consent decisions within 8 weeks	82%	96.81%
Maintain the 2011-12 grants budget and continue to invest at least £14.5 million in grant schemes	£14.5m	Achieved
Generate income over £38.5 million from our sites and other commercial activities	£38.5m	£42.054m
Deliver 3% efficiencies, equating to £1.3 million against expenditure levels on Scottish Government funding	£1.2m	7.3% £3.4m
Achieve a performance rating across our sites from the Mystery Visit Programme of 80%	80%	89.8%
High quality research and student training based at or partnered by RCAHMS / HES	4 CDAs	4CDAs
Number of new site records, catalogue records, events and updates in Canmore that build content to meet user requirements	1,150,000	1,870,246
Number of items in the collection subject to active preservation* * benefitted from increase in staff resource	15,000	77,808

MEASURE	2015-16 TARGET	2015-16 RESULT	
Number of digital images made accessible online	70,000	86,110	
Number of registrations to allow online interaction with digital content	12,000	45,199	
A reduced ecological footprint (reduction in CO ₂ emissions). Please note that this figure is for former RCAHMS / John Sinclair House only	2%	13.5%	
Reduce energy consumption at our sites	15%	13%^a	
Levels of staff engagement	62%	60%^b	
Improve organisational resilience through a reduction in average working days lost to 5	5	7.28^c	
Scottish cultural materials used in Scottish primary (P) and secondary (S) schools	S = 100% P = 65%	99^d.2%	68.1%
Number of communities and individuals involved in activities facilitated by RCAHMS/[HES]	16,000	7,744^e	
Number of search room visitors, public enquiries and website visits	9,000,000	8,412,050^f	
Number of Information Systems partners	24	23	

a. There are a number of factors contributing to our failure to meet the target for energy consumption including the impact of colder average temperatures than the previous year (resulting in backward step from 2014-15's achievements); and the addition of several new properties, John Sinclair House being the most significant of these.

b. A number of business areas did perform in excess of 60% and, overall, the Engagement Index score of 60% is above the average for the Civil Service and only 3 percentage points below the level of a high performing organisation.

c. This was a very stretching target. We continue to pro-actively manage absence, and in particular long-term absence, with a view getting the right solution for HES and for individuals.

d. We continue to have excellent usage in both primary and secondary schools. There is a normal fluctuation in use in secondary schools reflecting changes in the Curriculum and staffing in individual schools.

e. The lower 2015-16 outturn reflects a gap between substantial engagement projects and a change of focus for Scran training.

f. This KPI was based on the launch of a major new digitised collection with associated public promotion, which did not happen in 2015-16.

2016/17 Key Performance Indicators in the Corporate Plan can be read on the HES [website](#).

Shetland
£24,260

Please note that this is just a sample of some of our grants schemes.
For further information visit our [Grants webpages](#)

*the maps below relate to Grants funding for the entire year – April 1, 2015 to March 31, 2016

ARCHAEOLOGY PROGRAMME GRANTS

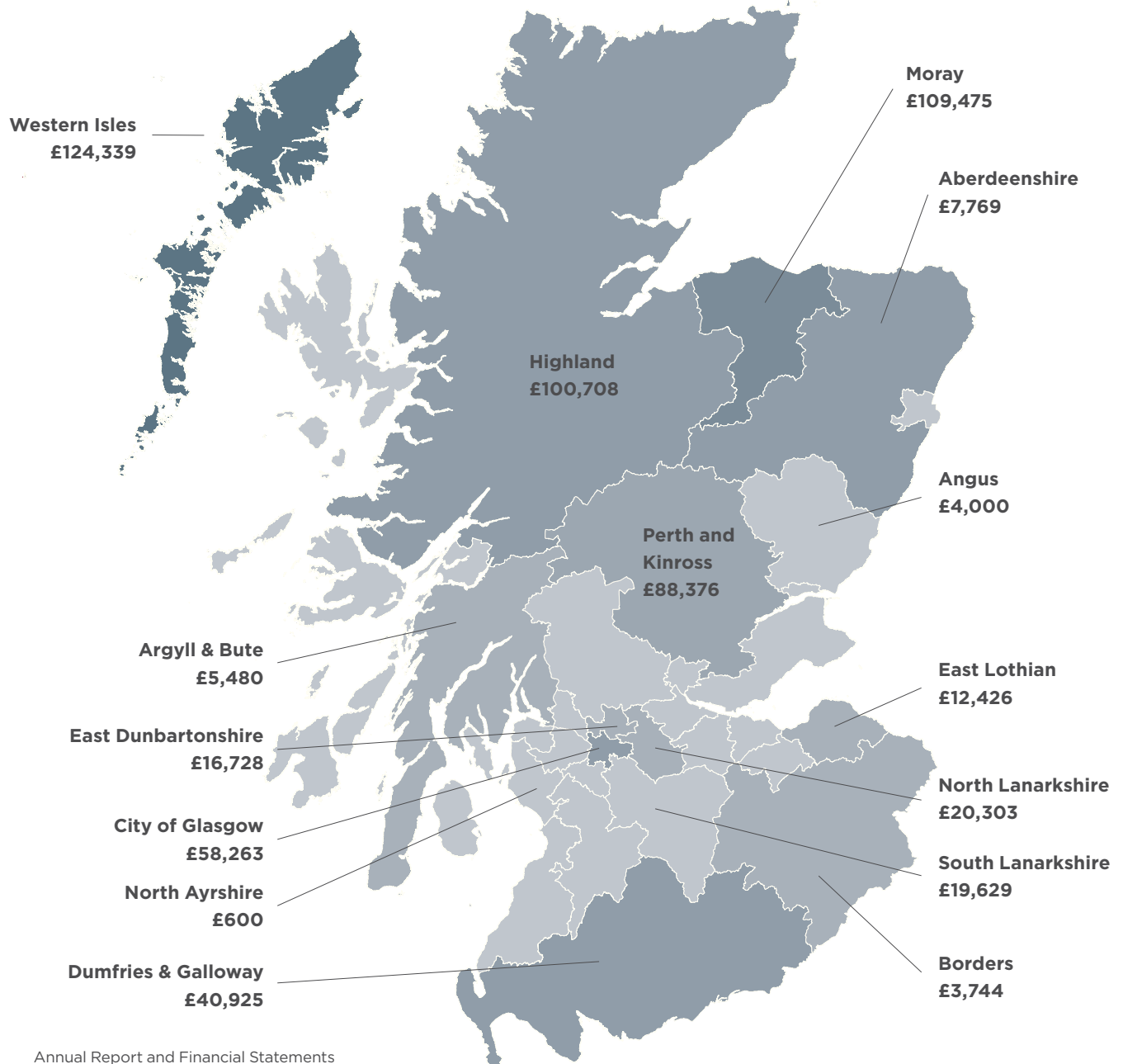
Archaeological excavations, surveys and other projects supported in 2015-16

PRÒGRAM ÀRC-EÒLAIS

Cladhach àrc-eòlais, suirbhidhean, agus pròiseactan eile ris an deach taic a thoirt an 2015-16

Total grants offered **£687,861**
Scotland-wide projects £120,488

For a full breakdown of projects in each region please go to
<http://www.historic-scotland.gov.uk/corporatereports>

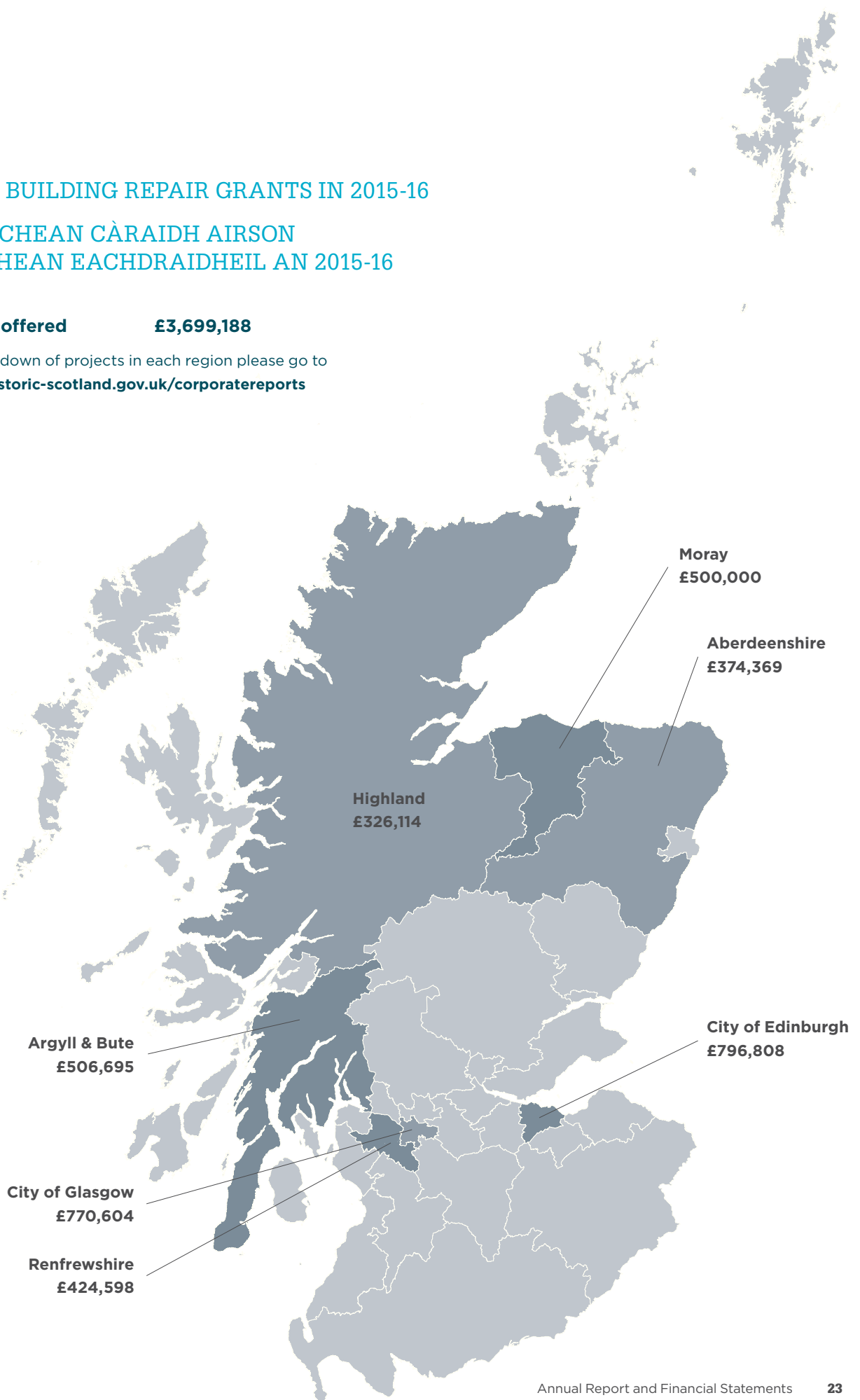


HISTORIC BUILDING REPAIR GRANTS IN 2015-16

GRANTAICHEAN CÀRAIDH AIRSON TOGLAICHEAN EACHDRAIDHEIL AN 2015-16

Total grants offered **£3,699,188**

For a full breakdown of projects in each region please go to
<http://www.historic-scotland.gov.uk/corporatereports>

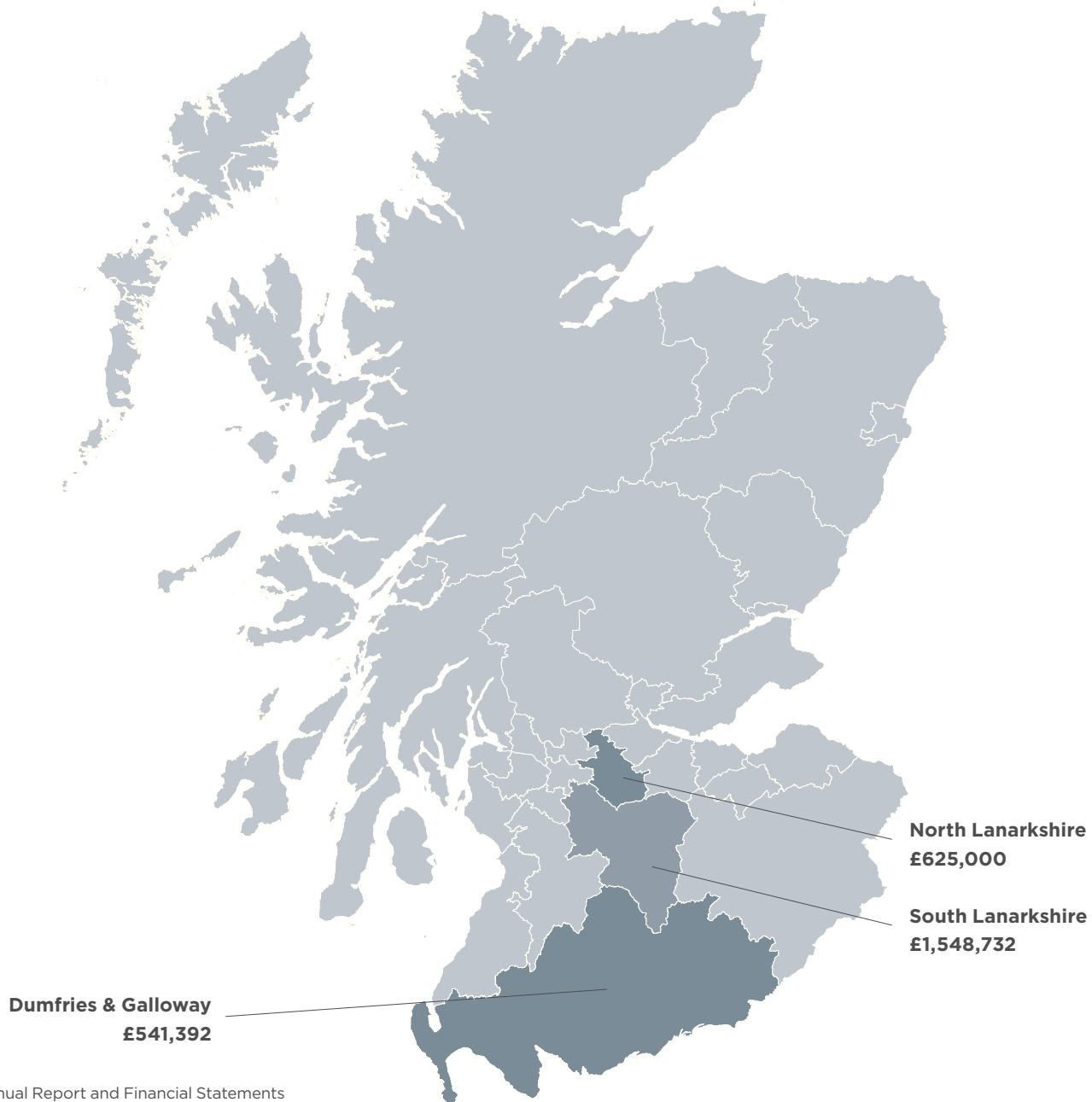


CONSERVATION AREA REGENERATION SCHEME GRANTS

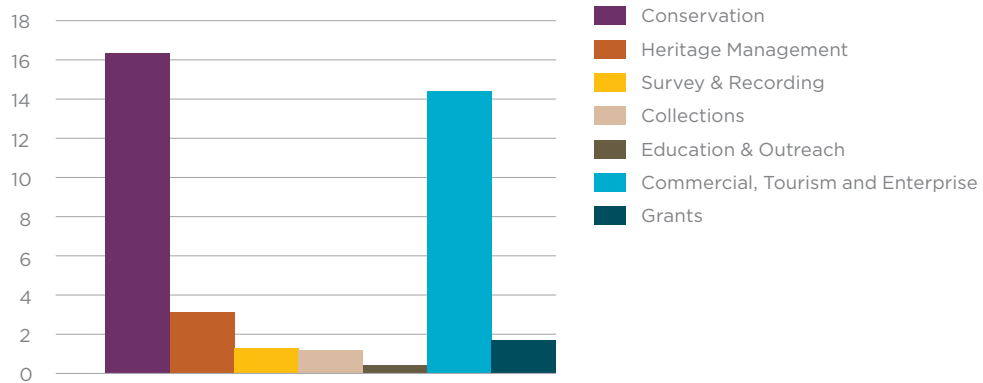
SGEAMA TABHARTASAN ATH-BHEÒTHACHADH NA RAOIN GHLEIDHTEACHAIS

Total grants offered **£2,715,124**

For a full breakdown of projects in each region please go to
<http://www.historic-scotland.gov.uk/corporatereports>



Expenditure by directorate including support and governance



Remuneration and Staff Report

Aithisg co-dhìoladh is luchd-obrach

Part 1: Unaudited Information

REMUNERATION POLICY

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

HES operates a pay and grading arrangement available to view on our [website](#).

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

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

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

SERVICE CONTRACTS

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

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

Part 2: Audited Information

SALARIES

Salary and pension entitlements of the HES Senior Management Team members were as follows:

NAME	TITLE	Full Year Equivalent figures			Actual reported
		SALARY £000	PENSION BENEFITS £000	TOTAL £000	TOTAL £000
Diana Murray	Senior Executive	65-70	37	100-105	40-45
Gary Love	Director, Human Resources	65-70	30	95-100	40-45
David Mitchell	Director, Conservation	65-70	20	85-90	40-45
Stephen Duncan	Director, Commercial & Tourism	65-70	27	95-100	40-45
Barbara Cummins	Director, Heritage Management	65-70	27	95-100	40-45
Lisa McGraith	Director, Communications	65-70	25	90-95	40-45
Graham Turnbull	Head of Enterprises, Legal and Compliance	65-70	22	90-95	35-40
Adam Jackson	Head of Corporate and Business Planning	50-55	30	80-85	30-35
Rebecca Bailey	Head of Education and Outreach	50-55	30	80-85	30-35
Lesley Ferguson	Head of Collections	50-55	24	75-80	30-35
Robin Turner	Head of Survey and Recording	50-55	35	85-90	30-35
Jo McCoy	Head of Information Systems	45-50	22	65-70	25-30
Jennie Smith	Head of Finance	50-55	28	80-85	30-35
David Middleton (From Nov 5, 2015)	Chief Executive	110-115	44	155-160	55-60
Paul Smart (From Oct 1, 2015)	Accountable Officer, Oct 1 - Nov 4 Head of Programme Delivery - From Nov 5	65-70	20	85-90	40-45

SALARY

'Salary' includes gross salary; performance pay and overtime. Amounts relate to HES employment only.

BENEFITS IN KIND

The monetary value of benefits-in-kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.

BONUSES

HES do not pay bonuses.

PAY MEDIAN

HES employs seasonal employees to staff visitor sites, average staff numbers will therefore be lower in the period that HES has operated. Many seasonal staff were employed ready for the Easter break and as at March 31, 2016 the median pay of all staff was £21,323.

The banded remuneration of the highest paid director in HES in the financial year 2015-16 was £110,000-£115,000. This was 5.25 times the median remuneration of the workforce of £21,323.

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

COMPENSATION FOR LOSS OF OFFICE

No directors received compensation for loss of office.



We managed to achieve continuity in quality and volume of activity, while at the same time managing the impact of significant organisational change



PENSION BENEFITS

NAME	TITLE	Accrued pension at pension age as at 31-03-16 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31-03-16 £000	Real increase in CETV since April 1, 2015 £000
Diana Murray	Senior Executive	30-35 lump sum 100-105	0-2.5 lump sum 5-10	717	34
Gary Love	Director, Human Resources	30-35 lump sum 90-95	0-2.5 lump sum 2.5-5.0	587	24
David Mitchell	Director, Conservation	15-20	0-2.5	252	5
Stephen Duncan	Director, Commercial & Tourism	20-25	0-2.5	329	9
Barbara Cummins	Director, Heritage Management	5-10	0-2.5	122	11
Lisa McGraith	Director, Communications	5-10	0-2.5	87	5
Graham Turnbull	Head of Enterprises, Legal and Compliance	5-10	0-2.5	158	17
Adam Jackson	Head of Corporate and Business Planning	5-10	0-2.5	149	15
Rebecca Bailey	Head of Education and Outreach	15-20 lump sum 10-15	0-2.5 lump sum 0-2.5	252	14
Lesley Ferguson	Head of Collections	20-25 lump sum 35-40	0-2.5 lump sum 0-2.5	456	20
Robin Turner	Head of Survey and Recording	15-20	0-2.5	527	26
Jo McCoy	Head of Information Systems	10-15	0-2.5	176	9
Jennie Smith	Head of Finance	5-10	0-2.5	130	14
David Middleton (From Nov 5, 2015)	Chief Executive	50-55 lump sum 160-165	0-2.5 lump sum 5-10	1246	43
Paul Smart (From Oct 1, 2015)	Accountable Officer, Oct 1 - Nov 4 Head of Programme Delivery - From Nov 5	25-30 lump sum 75-80	0-2.5 lump sum 2.5-5.0	577	20

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

CIVIL SERVICE PENSIONS

Pension benefits are provided through the Civil Service pension arrangements. Staff may be in one of five defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos** or **alpha**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Members may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for **classic** and 4.6% and 8.05% for **premium**, **classic plus**, **nuvos** and **alpha**.

Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue

at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** and **alpha**, a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (March 31) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pension Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**. You can take your **alpha** benefits from your alpha Normal Pension Age (NPA) without any early payment reduction. In **alpha**, NPA is the later of age 65, or your State Pension age.

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice/pensionscheme.org.uk>

CASH EQUIVALENT TRANSFER VALUES

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 benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out 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.

REAL INCREASE IN CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



Alex Paterson
Chief Executive and
Accountable Officer

20/11/16

Governance Statement for the six months ended March 31, 2016


Aithisg Riaghlachais son nan sia mìosan a chrìochnaich air an 31mh den Mhàirt 2016

INTRODUCTION

I took up the role of Accountable Officer on September 12, 2016. This has been a period of change for the organisation and there has been in place two Accountable Officers during the first six months of HES. Dr David Mitchell became Interim Accountable Officer from the April 1, until I took up the role. This Governance Statement outlines how I have discharged my responsibility as Accountable Officer, by receiving assurance from the former Interim Accountable Officer that the controls over the organisation's resources during the course of the first six months of HES operated effectively.

SCOPE OF RESPONSIBILITY

The Accountable Officer and Trustees of HES have joint responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's strategic priorities, whilst safeguarding the public funds and assets for which the Accountable Officer is personally responsible, in accordance with the responsibilities assigned to the organisation.



We engage with over 100,000 learning visitors throughout the year, via programmes and projects including the Junior Guides, Young Archaeologists and our Stewardship scheme



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

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

GOVERNANCE FRAMEWORK

HES is a charity and an executive Non Departmental Public Body, established by the [HES Act 2014](#). The 2014 Act sets out our statutory functions. We receive the majority of our funding from the Scottish Government as Grant in Aid. The Board of Trustees of HES is statutorily responsible for overseeing the delivery of HES's functions and for the overall performance of the organisation. The responsibilities of the Board cover the following main areas:

- Strategy, Planning and Performance Review
- Commitment and deployment of physical, fiscal and human resources
- Ensuring operation within the limits of statutory authority, complying with delegated authority agreed with the Scottish Government and set out in the Framework Document, and adherence to conditions relating to the use of public funds
- Representing the interests of stakeholders and furthering relationships with them
- Ensuring the appropriate standards of corporate governance and personal conduct on the part of Trustees and staff are maintained. [Scottish Government Civil Service Code](#).

To discharge these responsibilities the Board of Trustees met five times in the first six months of HES. At each meeting the Board receives a report on: key operational matters from the Chief Executive; a financial report; minutes of sub-committees to the Board; and reports on specific topics as necessary. Risk related items are highlighted as necessary. The Board may also meet outside of the normal meeting cycle to consider specific matters such as the development of strategy.

As HES Chief Executive I am appointed by and I am responsible to the HES Board. The Chief Executive has chaired a Senior Management Team comprising senior staff from HES. The SMT receives regular reports on progress on the delivery of commitments and considers major strategic decisions required to ensure continued delivery. The Senior Management Team meets fortnightly.

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

Further information on the mission and aims of HES and the role of the Scottish Ministers and the Chief Executive is set out in the [HES Framework Document](#).

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The process within HES accords with the SPFM and has been in place for the six months ended March 31, 2016 and accords with guidance from the Scottish Ministers.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

The Board has set up an Audit and Risk Committee, chaired by a non-executive member, to provide independent advice and assurance on the effectiveness of the internal control and risk management systems. The Audit and Risk Committee meets on a quarterly basis to receive reports from the Acting Director of Finance, Scottish Government Internal Audit and KPMG on behalf of Audit Scotland concerning internal control issues and recommendations and are notified of actions to be taken to address any issues or weaknesses identified. The Audit and Risk Committee also consider the adequacy of arrangements for the assessment and management of risk and the adequacy of arrangements for corporate governance. The Committee supports the HES Board and the Accountable Officer on the effectiveness of the internal control environment. Membership of the Audit and Risk Committee comprises two external members and two HES Board members.

Members during the six months to March 31, 2016 were:

David McGibbon (Chair)
Paul Jardine (Independent)
Trudi Craggs (Trustee)
Andrew Holmes (Trustee)

The risk management system is based on a hierarchical structure of risk registers from directorates and projects up to corporate level. This structure enables the escalation of risks that cannot be managed at local level.

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

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

I have noted the development of strategic risk management during 2015-16 and plans to further improve risk management in 2016-17.

HES maintains a risk register that details the most significant risks for the delivery of the charity's strategic priorities and which is reviewed and updated quarterly. In addition, each directorate within HES has compiled a register of risks to the delivery of the priorities specific to their area which is regularly reviewed by the Audit and Risk Committee.



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

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

REVIEW OF EFFECTIVENESS

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

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



Appropriate action is in place to address any weaknesses identified and to ensure the continuous improvement of the system.

SIGNIFICANT ISSUES

I have taken assurance from the HES Board, both external and internal audit and the Senior Management Team and as a result of their assessment of the processes and controls in their areas I am satisfied that HES has robust, proportionate and appropriate systems of control in place.


I also recognise that improvement is possible. HES will work with Internal Audit to develop an internal audit plan to provide further assurance on areas I have identified, which are:

- Our compliance with statutory and regulatory obligations at our Properties in Care;
- Our systems and how we are measuring our performance against the priorities laid out in our corporate and business plan; and
- Business continuity planning.




Alex Paterson
Chief Executive and
Accountable Officer

20/11/16



**This is only the start of a journey
which we are confident will see the
historic environment thrive and be
valued for generations to come**



FINANCIAL REVIEW

As HES commenced trading on October 1, 2015 the results in these annual accounts represent trading for the latter 6 months of the financial year. HES relies on Grant in Aid received from the Scottish Government and income generated by its commercial activities. Visitor income is HES's major source of commercial income generated but this is seasonal: visitor numbers to the Properties in Care increase over the spring and summer months reducing in autumn and winter. There is therefore greater reliance on Grant in Aid, drawn down on the basis of need from the Scottish Government, in the part of the financial year represented by these financial statements. However, HES did benefit from Easter being in March, generally representing the start of the visitor season, boosting income at the very end of the financial year.

HES received £36m Grant in Aid funding from the Scottish Government to fund revenue spend and the capital programme. This represents 84% of the total grant allocated to HES and its two predecessor bodies for the full financial year. Other income totalled £17.6m of which £14m was earned income from commercial activities.

REVIEW OF RESULTS

HES's first year results show an accounting surplus of £15m and an accumulated unrestricted deficit carried forward of £13m, these results are a consequence of the accounting recognition requirements of Investment Grants under the Charity SORP (FRS102). The balances of Historic Scotland and RCAHMS transferred to HES were adjusted by increasing creditors and reducing reserves by £31.6m. The accounting results of HES are expected to fluctuate

greatly on a year to year basis dependent upon the current profile of Investments Grants. HES budgets to pay out £14.5m annually and draws down Grant in Aid when payments are due.

Although earned revenue reduces in the latter part of the financial year as reported in the table below, the cost of raising funds is constant through the year, in the period that HES has traded it has incurred costs of £15m on raising funds.

Expenditure on Charitable Activities includes a number of activities including: the cost of maintaining Properties in Care; our regulatory role; survey and recording of the environment, caring for our Collections and education and outreach."

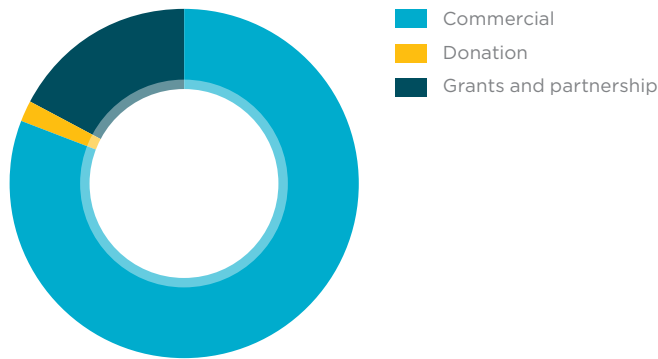
	HES income arising from operations commencing October 1, 2015	Income from Historic Scotland and RCAHMS April 1, 2015 to September 30, 2015*	TOTAL
Grant in Aid	£36.0m	£7.1m	£43.1m
Earned revenue and other grants and donations	£17.6m	£30.4m	£48.0m
TOTAL	£53.6m	£37.5m	£91.1m

HES's subsidiary *Scran Limited* was donated by Scran Trust on February 22, 2016. The consolidated results of HES include the results of *Scran Limited* from this date to the end of the financial year. Prior to this transfer HES provided management and administration support to Scran Trust and *Scran Limited*, the income of £438k arising from this is shown as consultancy within the Trading Activities category.

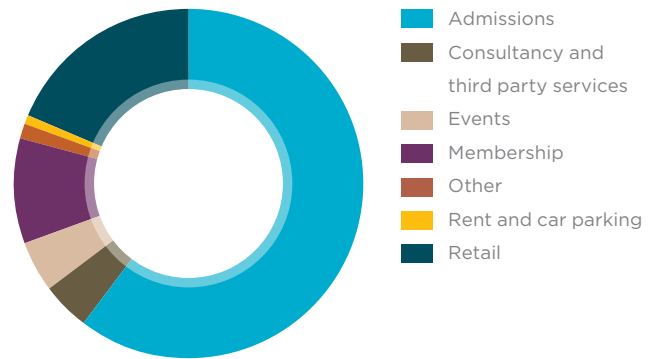
*The figures of Historic Scotland and RCAHMS show the results if they were accounted for under the charity SORP (Financial Reporting Standard 102)

HES INCOME ARISING FROM OPERATIONS COMMENCING OCTOBER 1

Income excluding Grant in Aid



Commercial Income



Revenue expenditure charged to the Statement of Financial Activity (SOFA) for the six months was £38.7m.

	HES expenditure arising from operations commencing October 1, 2015	Expenditure from Historic Scotland and RCAHMS April 1, 2015 to September 30, 2015*	TOTAL
Grants charged to SOFA excluding overhead allocation	£1.4m	£9.5m	£10.9m
Other expenditure	£37.3m	£34.1m	£71.4m
TOTAL	£38.7m	£43.6m	£82.3m

*The figures of Historic Scotland and RCAHMS show the results if they were accounted for under the charity SORP (Financial Reporting Standard 102)

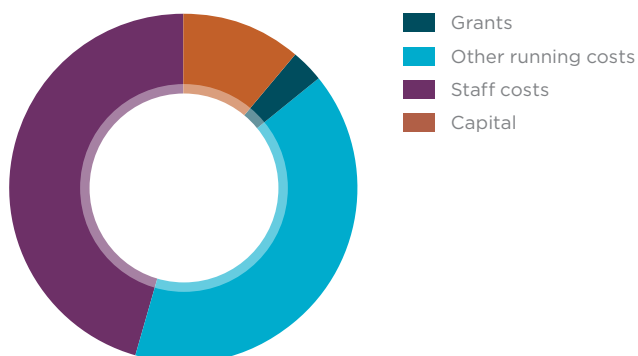
Annually HES is committed to distributing £14.5m of investment grants to other voluntary sector and charities and individuals, either directly or via local authorities, to enable them to invest in and protect Scotland's historic environment. Many grants are payable over a number of years and are paid following proof of approved expenditure by the recipient, at the year-end HES had accrued grants of £34.2m, which, includes commitments for projects which have yet to

commence of £22.4m. In the six months to March 31, 2016 grants of £1.4m were charged to the Statement of Financial Activity as the majority of grant commitments were made before the transfer of activities to HES.

Staff costs account for over 50% of the organisation's running costs when excluding grants payable. Staff costs include £531k relating to early departure costs following a voluntary exit scheme, HES is committed to having

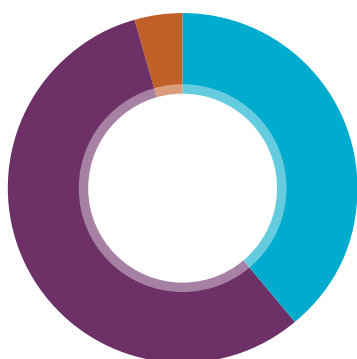
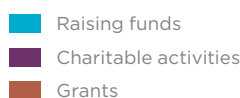
no compulsory redundancies. Further information regarding staff costs is detailed below. Remaining expenditure relates to the direct and indirect cost of running, repairing and maintaining Properties in Care on behalf of Scottish Ministers, providing access to HES's and Scottish Minister's collections and providing advice and guidance to the Scottish Government, other organisations and individuals.

Total Expenditure



The Statement of Financial Activity splits expenditure into three categories: raising funds, charitable activities and grants distributed. Expenditure on raising funds includes the cost of opening ticketed sites across the portfolio of properties managed by HES, the cost of the retail activity and the cost of producing images and publications sold by the organisation. Charitable expenditure comprises the costs of opening and maintaining and repairing sites which are free to the public to view, free publications and advice and educational activities

Split of expenditure



CASH BALANCES

At the year-end HES had cash balances totalling nearly £6m, HES operates a Government Banking Service bank account as well as several commercial accounts with Royal Bank of Scotland (under Scottish Government Banking Services contract). Additionally, Scran Ltd has a commercial bank account with the Bank of Scotland. Operational balances are maintained in commercial accounts and surpluses are regularly transferred to the Government Banking Service account, therefore HES does not benefit from interest received on cash balances.

RESERVES POLICY AND GOING CONCERN

HES relies on Scottish Government Grant in Aid to enable it to continue its current level of charitable activities and expects this support to continue for the foreseeable future. Due to government annularity rules HES does not normally retain reserves, when reporting our results to Government we exclude the value of our Investment grant commitments as these projects

are yet to commence. There is some provision to use the HS Foundation for small surpluses at the year end with the approval of the Scottish Government Sponsors. Historic Scotland and RCAHMS on merger transferred unrestricted reserves of £4.15m to HES on October 1, 2015, these reserves were restated on the basis of the Charity SORP (FRS 102) requiring the accrual of grant commitments resulting in a negative position of £27.4m and the HES group carries forward £13.5m of negative unrestricted reserves. Gifts, bequests and donations can be retained by HES. At the year-end HES had restricted reserves of £0.9m which represents grants received in advance of expenditure and is represented by cash and grants to fund capital developments, which show ongoing restricted activities. Every year HES revalues its Land and Buildings following a formal valuation or an indexation increase, gains are represented in the Revaluation reserve on an asset by asset basis. Net losses are charged to the SOFA following the reduction of any previously recognised gains recorded in the revaluation reserve.

SUBSIDIARY UNDERTAKINGS

At the year end Scran Ltd had an accumulated loss of £0.8m, as a result of annual losses accumulated over a number of years, whilst it was a subsidiary of Scran Trust. The losses are funded by share capital of £1.9m. In the one month that Scran Ltd traded as a subsidiary of HES it achieved a profit of £110k.

PRINCIPAL RISKS

The Trustees recognise that investment is required for the conservation of Properties in Care and the Collections. Surveys are carried out to monitor the condition of the Properties; in order that the Trustees have assurance that the Properties provide a safe environment for visitors, any Property not deemed to be safe would need to be closed. Maintaining the condition of Collections sometimes requires specialist storage. This investment is funded by Grant in Aid from the Scottish Government, which is subject to the current challenges the Scottish Government has in meeting its budgeting requirements; and budgeted income from HES's income generation.

Most of HES's own income generation arises from admissions to Properties in Care and related retail income, a principal risk to this is the effect of Brexit on tourism, in particular: changes in border control, changes in visa requirements and the availability of staffing due to a possible reduction in EU migrant workers. Other risks to income generation relate to maintaining the quality, security and safety of the visitor experience.

STATUS OF LAND AND BUILDINGS AND SIGNIFICANT CHANGES TO FIXED ASSETS

The HES Act 2014 allowed the transfer of some Fixed Assets of Historic Scotland and RCAHMS to HES. Scottish Ministers retained the ownership or guardianship of Properties in Care and their

associated collections. HES receives the benefit of income generated by the shops, car parks and visitor centres within these properties and includes the value of these ancillary assets on the Balance Sheet at a value of £21.1m. Assets including land and buildings outside of the boundary of the Properties in Care, were transferred to HES on October 1, 2015, the value of these at the year end was £8.3m. Additionally organisation operating assets such as motor vehicles, computer equipment and office furniture and equipment with a value of £2.4m were transferred to HES.

In the six months up to March 31, 2016 there was capital spend of £4.9m. £3.2m of the capital spend related to the construction of the Engine Shed, Scotland's Building Conservation Centre, with the conversion of a former military building in Stirling's Forthside area. That project is sensitively restoring and adapting the historic fabric and adding two extensions to create office, laboratory and learning facilities. Anticipated further spend to complete the development is £4.2m. The Engine Shed is joint funded, with funding from the European Regional Development Fund, Heritage Lottery Fund, and the Scottish Government.

Other projects relate to works carried out around Edinburgh Castle and investment in information systems.

HERITAGE ASSETS AND OTHER ANTIQUES, WORKS OF ART

HES is fortunate to have a number of portraits by Sir Henry Raeburn, they are recorded at cost, £361k, on the balance sheet as this is believed to be a reasonable estimate of value. Works of Art valued in the balance sheet at £1.8m relate to the Stirling Castle Tapestries, seven hand-woven tapestries hanging on the walls of the Queen's Inner Hall in the royal palace. HES has many other items in its collections but it is not feasible to have these valued due to the cost of the exercise and due to the unique nature of the collection.

PROMPT PAYMENT CODE

HES complies with the Confederation of British Industry's Prompt Payers Code, where payment is made within 30 days of receipt of invoices, in addition, the First Minister told Parliament in October 2008 that "this Government will aspire to the 10 day target of paying the bills of small businesses around Scotland". HES aspires to achieve this target for all companies.

For goods and services completed to the satisfaction of the organisation 96% of invoices for goods and services from suppliers were paid within the 30 day credit period and 80% were paid within the 10 day period.

POST BALANCE SHEET EVENTS

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

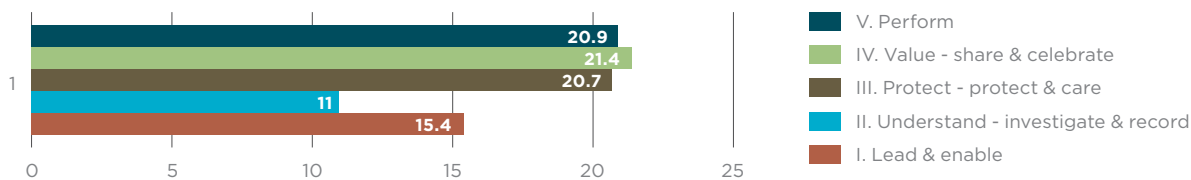
PLANS FOR FUTURE PERIODS

In May 2016, we published *For all our Futures*, the first HES's Corporate Plan, which sets out our strategic vision as Scotland's lead public body for the historic environment — *Scotland's historic environment is cherished, understood, shared and enjoyed with pride, by everyone* — and identifies our strategic objectives for the three full years to 2019. Our Corporate Plan adopts five strategic themes: Lead, Understand, Protect, Value and Perform.

Our first annual Corporate Business Plan for 2016-17 was published alongside our Corporate Plan. This aligns with our Corporate Plan setting out what we will do to deliver the first year of this plan, how we will deliver it, together with key performance targets and resources.

The funding required for these commitments is allocated as follows:

Corporate Plan spend in 2016/17



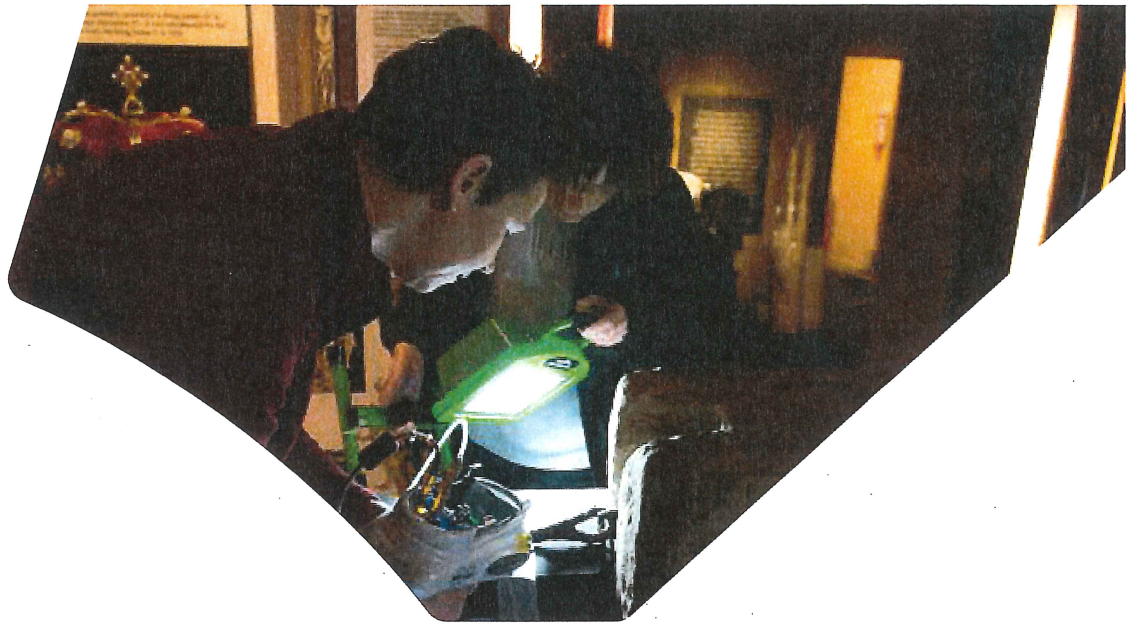
Key commitments for 2016-17 include the following:

Lead

- Deliver on our climate change commitments in relation to Scotland's Climate Change Adaptation Programme.
- Explore what community empowerment means for our sector and how this interrelates with all aspects of the historic environment, including community ownership and planning.
- Fulfil our grant obligations, complete our review of grant programmes and implement findings.
- Contribute to maintaining and enhancing Scotland's international standing in cultural heritage, supporting cultural diplomacy and delivering benefits for Scotland.

Understand

- Enhance the National Record through programmes of field investigation, survey, research and scientific studies to improve the quality and extent of our knowledge and understanding of the historic environment.
- Publish our Corporate Research Strategy, work to expand our Independent Research Organisation (IRO) status, and disseminate our research work on our own and with others through publication, digital, conferences and seminars.
- Collaborate with the Sites and Monuments Record Forum to deliver the Scotland's Historic Environment Data strategy to improve public access to information about Scotland's historic environment.



Protect

- Deliver an ongoing works programme, routine conservation works and funded projects across the estate.
- Review the management of our collections and archives with a view to improving collections care, management and access.
- Deliver our statutory functions within the planning system and feed into the review of the planning system to ensure that policies and decisions reflect historic environment priorities.
- Work in partnership to deliver the Scottish Government Traditional Skills Strategy and progress training routes for vocational training in archaeology.

Value

- Provide a high quality visitor experience.
- Seek new ways to provide improved access to the historic environment, associated collections and archives, and to our specialists.
- Publish a Digital Strategy.
- Develop a new Gaelic Language Plan for publication in 2017.

Perform

- Develop and publish a HES Investment Plan, which includes the Asset Management Plan for Properties in Care.
- Establish and operate a new trading company and deliver an increase in income from Properties in Care and commercial activities.
- Implement a new approach to delivering equalities outcomes and produce our first Equality Outcomes and Mainstreaming Report (for publication in April 2017).
- Publish a new Carbon Management Plan for 2015-2020.
- Review procurement within HES to ensure we meet good practice, embrace ethical standards, sustainability and efficiency.

J. Ryder
20/11/16

Jane Ryder OBE
Chair, HES

Statement of HES and Chief Executive's responsibilities

Aithisg uallaichean Àrainneachd Eachdraidheil Alba is an àrd-oifigeir

Under section 19 of the Public Finance and Accountability (Scotland) Act 2000 the Scottish Ministers have directed HES to prepare a statement of accounts for each financial year in conformity with the accounts direction on page 79 of these financial statements, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Charity during the year.

The financial statements are prepared on an accrual basis and must give a true and fair view of the organisation's consolidated balance sheet and its statement of financial activity and income and expenditure, changes in reserves and cash flows for the financial year.

HES is a Non Departmental Public Body and the appointment and salary of the Chief Executive is determined by the HES Board following consultation and agreement with Scottish Government (SG). Following appointment of the Chief Executive, the Principal Accountable Officer of the SG appoints the Chief Executive of HES as the Accountable Officer. As Accountable Officer, the Chief Executive is responsible to the HES Board who in turn are accountable to Scottish Ministers, with this relationship managed through the nominated SG Sponsorship Division.

The responsibilities of the Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding HES assets, are set out in the Memorandum to Accountable Officers from the Principal Accountable Officer.

In preparing the accounts the Accountable Officer is required to comply with the Charities SORP and the Scottish Public Finance 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 Charities SORP and the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Charity will continue in operation.

This Annual Report is only the start of a journey which we are confident will see the historic environment thrive and be valued for generations to come.



Independent Auditor's report to the members of Historic Environment Scotland, the Auditor General for Scotland and the Scottish Parliament

Aithisg neach-sgrùdaidh neo-eisimeileach do bhall ÀEA, an àrd-neach-sgrùdaidh son na h-Alba, is pàrlamaid na h-Alba

We have audited the financial statements of Historic Environment Scotland and its group for the year ended March 31, 2016 under the Historic Environment Scotland Act 2014 and section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheet, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Financial Reporting Standard (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Accountable Officer and Auditor

As explained more fully in the Statement of HES and Chief Executive's responsibilities, the Chief Executive (as Accountable Officer), is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the body and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the 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 affairs of the body and its group as at March 31, 2016 and of their incoming resources and application of resources, including their 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.

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.

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Historic Environment Scotland Act 2014 and directions made thereunder by the Scottish Ministers; and
- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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:

- proper accounting records have not been kept; or
- the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

We have nothing to report in respect of these matters.

Andrew Shaw

Andrew Shaw,
(for and on behalf of KPMG LLP)
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

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

1 December 2016

Consolidated Statement of Financial Activity for the Year Ended March 31, 2016

Aithisg bhonntaichte air gnìomhachd ionmhasail son na bliadhna crìochnaichte 31 Màirt 2016

	Note	Unrestricted £000	Restricted £000	Total £000
Income from:				
Government Grant in Aid		36,019	-	36,019
Charitable Activities	2	8,595	2,693	11,288
Other Grants and Donations	3	1,816	261	2,077
Trading Activities	4	4,064	-	4,064
Other income		183	-	183
Total		50,677	2,954	53,631
Expenditure on:				
Raising Funds	5	15,084	-	15,084
Charitable Activities	6	21,374	541	21,915
Grants distributed	7	1,658	-	1,658
Loss on sale of fixed assets	18	18	-	18
Total		38,134	541	38,675
Net income		12,543	2,413	14,956
Total deficits transferred in	11, 30	(10,285)	(73)	(10,358)
Transfers between funds	11	1,396	(1,396)	-
Gain on revaluation of fixed assets	29	414	-	414
Net movement in funds		4,068	944	5,012
Reconciliation of funds				
Total funds brought forward		-	-	-
Total funds carried forward	11	4,068	944	5,012

The notes on pages 51 to 78 form part of these financial statements.

Consolidated and Charity and balance sheet as at March 31, 2016
Clàr-airgid bonntaichte is carthannas aig 31 Màirt 2016

	Note	Group £000	Charity £000
Fixed Assets:			
Intangible assets	17	211	211
Tangible assets	18	35,907	35,907
Heritage assets	19	361	361
Investments	20	-	1,152
Total fixed assets		36,479	37,631
Current Assets:			
Stock	21	1,379	1,350
Debtors	22	4,941	4,790
Cash at bank and in hand		5,966	5,721
Total current assets		12,286	11,861
Liabilities:			
Creditors: Amounts falling due within one year	23	(31,571)	(32,300)
Net current liabilities		(19,285)	(20,439)
Total assets less current liabilities		17,194	17,192
Creditors: Amounts falling due after more than one year	24	(11,264)	(11,262)
Provisions for liabilities	26	(918)	(918)
Total net assets		5,012	5,012
The funds of the charity:			
Restricted income funds	11	944	944
Unrestricted funds	11	(13,470)	(13,470)
Revaluation reserve	11, 29	17,538	17,538
Total unrestricted funds		4,068	4,068
Total charity funds		5,012	5,012



Alex Paterson
Chief Executive and
Accountable Officer

20/11/16



Jane Ryder OBE
Chair, HES

20/11/16

Cashflow for year ended March 31, 2016

Aithisg bhonntaichte air sruth-airgid son na bliadhna crìochnaichte 31 Màirt 2016

	Note	£000
Reconciliation of net income to net cash flow from operating activities		
Net income for the year ended March 31, 2016		14,956
Adjustments for		
Depreciation charges	17, 18	1,022
Loss on disposal of fixed assets	18	18
Acquisition of Scran Trust and Scran Ltd	3	(352)
Decrease in provisions	26, 30	213
Decrease in stock	21	32
(Increase) in debtors	22	(2,113)
(Decrease) in creditors	23, 24	(9,703)
Net cash provided by operating activities		4,073
Cashflows from investing activities		
Purchase of property, plant and equipment	18	(4,869)
Net cash transferred in from predecessor bodies	30	6,456
Net cash acquired from acquisitions	3	306
Net cash used in investing activities		1,893
Change in cash and cash equivalents in the reporting period		5,966
Cash and cash equivalents at April 1, 2015		-
Cash and cash equivalents as at March 31, 2016		5,966

The notes on pages 51 to 78 form part of these financial statements.

1. ACCOUNTING POLICIES

a) Basis of Preparation

HES is a Non Departmental Public Body, formed under the HES Act 2014 on October 1, 2015. HES is the result of a merger between Historic Scotland and the Royal Commission on the Ancient and Historical Monuments of Scotland and became a registered charity on August 20, 2015. The accounts have been prepared for the financial year 2015/16 but no comparatives are shown as HES only commenced operations on October 1, 2015. The opening balances transferred to HES are listed in note 30.

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and, where material, current asset investments and inventories to fair value as determined by the relevant accounting standard. The presentation currency of these financial statements is sterling. All amounts have been rounded to the nearest £1,000. The accounts have been prepared in accordance with the Accounts Direction given by Scottish Ministers in accordance with paragraph 13 of Schedule 1 of the HES Act 2014, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. The Accounts Direction has been reproduced as an appendix to these accounts. In accordance with the Accounts Direction, these accounts have been produced in compliance with the edition of the Government Financial Reporting Manual (FReM) which is in force for the

year in which the statement of accounts are prepared. As a charitable Non Departmental Public Body (NDPB), the accounts are prepared under Financial Reporting Standard (FRS) 102 and the Charities Statement of Recommended Practice (SORP) FRS 102.

HES meets the definition of a public benefit entity under FRS 102.

b) Going Concern Basis

The accounts have been prepared on the going concern basis.

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

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

c) Basis of Consolidation

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

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

1. ACCOUNTING POLICIES CONTINUED

d) Foreign currency

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

e) Income

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

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

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

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

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

f) Fund Accounting

Unrestricted funds are available to spend on activities which further any of the purposes of the charity. Restricted funds must be used in accordance with the wishes of the donor or grantor. Total unrestricted and restricted funds are shown on the face of the Statement of Financial Activity. Surpluses arising from restricted activities are shown separately within Restricted Reserves on the Balance Sheet. Where HES has incurred expenditure on a restricted activity and where it is certain that related income will be received to cover this expenditure, then the Restricted Deficit will be represented on the Balance Sheet.

g) Grants Payable

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

h) Property, Plant and Equipment (PPE)

All of the feuhold property comprising the non-monument estate is the subject of a 5 year rolling programme of professional valuations in accordance with the SORP. Approximately 20% of the estate is valued each year by District Valuers (DV) of the Valuation Office acting in the capacity of External Valuers. For this report valuations have been prepared by DVs as at March 31, 2016 on the undernoted basis in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. These valuations are updated annually by HES using appropriate indices and, following valuation, the remaining life may be restated.

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

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

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

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

The feuhold property comprising of the monument estate is not included in the rolling programme of valuations as it would be impossible to obtain a reliable valuation for these, and HES has included these at nil value.

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

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

Capital expenditure incurred in relation to the Charity's commercial and charitable activities is initially identified as 'assets under construction' within the Property, Plant and Equipment note. On completion of the asset it is transferred to the relevant asset category.

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

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

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

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

Subsequent costs are included in the asset's carrying amount or, if appropriate, is 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.

The capitalisation thresholds for the principal categories of assets are:

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

1. ACCOUNTING POLICIES (CONTINUED)

j) Depreciation

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

Land	Not depreciated
Buildings and dwellings	On an individual basis not exceeding 60 years
Plant and motor vehicles	5 years
Office equipment	5 years
Computer equipment	3 years
Development costs & Intangible Assets	On an individual basis not exceeding 10 years
Antiques and works of art	Up to 60 years (non-heritage)

Assets in the course of construction are not depreciated until the asset is brought into use. Archives, which comprise maps, plans, photographs and books, are not depreciated, as the annual costs incurred in their maintenance and updating are sufficient to maintain their value.

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

k) Donated Assets

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

l) Intangible Assets

In accordance with FRS 102, HES recognises an intangible asset when it is probable the asset will bring future economic benefits, and where costs can be measured reliably. Intangible assets are valued initially at cost and depreciated over their useful life.

m) Heritage Assets

Heritage assets are defined as tangible items with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. HES does not have legal ownership of the majority of the heritage assets it cares for however, in the opinion of the Accountable Officer these assets are integral to the operation and being of HES and following guidance from Scottish Ministers are included within these financial statements. The ability to value these assets is noted below.

Archives and Collections

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

- National Record of Scotland's Historic Environment – over 5 million archival items relating to all aspects of the historic environment of Scotland
- Properties in Care Associated Collections (PICACs) – over 35,000 objects of cultural significance relating to the history and archaeology of Properties in Care (PICs)
- National Collection of Aerial Photography (NCAP) – over 15 million photographs and digital images
- In addition, HES also holds responsibility for some 100,000 recently-excavated archaeological artefacts being studied prior to allocation to museums via the Treasure Trove system.

It is the opinion of the Accountable Officer that due to the number of items, lack of comparative market values and the diverse nature of the collection, reliable cost or valuation information cannot be obtained. HES does not therefore recognise these assets on its Balance Sheet. The exception is an acquisition of seven Raeburn paintings which are recorded at their historical cost on the Balance Sheet (Note 19).

Heritage Assets in the guardianship of Scottish Ministers

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

Crown Properties

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

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

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

Other Properties

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

Many of these buildings, sites and monuments, although cared for by HES, are not owned by the Scottish Ministers. They are held in guardianship, a legal agreement between the owner and Scottish Ministers under which the title to the property remains with the owner, but Scottish Ministers, through HES, have full control and management of the property.

It is the opinion of the Accountable Officer that owing to the incomparable nature of the monuments that the valuation of these sites lack reliability. HES does not therefore recognise these assets on its Balance Sheet.

Conservation Costs

Expenditure which is required to conserve and maintain heritage assets, in line with HES responsibility to protect and enhance the historic environment, is recognised in the SoFA when it is incurred.

n) Realised element on depreciation of revaluation reserve

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

o) Investments

Investments in wholly owned subsidiaries are carried at net asset value which in the opinion of the Accountable Officer equates to fair value of the investments.

p) Stock

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

q) Pension costs

Past and present employees of HES are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), a multi-employer defined benefit scheme which is described in the staff note (note 12). HES is unable to identify its share of the assets and liabilities and it accounts for the scheme as a defined contribution scheme. Full superannuation costs are an expense of HES at rates determined by HM Treasury.

1. ACCOUNTING POLICIES (CONTINUED)

r) Early departure costs

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

During the 15/16 financial year HES staff were given the opportunity to leave under the Voluntary Exit Scheme (VES). Costs were fully met by HES and are included in staff costs.

s) Leases

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

Rentals payable in respect of operating leases are charged to the SoFA on a straight line basis over the term of the lease.

t) Debtors

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

u) Creditors and Provisions

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

v) Allocation of Support Costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include Finance, Communications, IT, Human Relations, Payroll and Governance costs which support the activities of HES. These costs have been allocated between the costs of raising funds and expenditure on charitable activities. The bases on which support costs have been allocated are set out in note 8.

w) Financial Instruments

The financial assets and liabilities held by HES qualify as basic financial instruments as described in Section 11 of FRS 102. Cash is held on deposit in Natwest Government Banking Service account, the Royal Bank of Scotland and the Bank of Scotland and is available on demand. Trade debtors and trade creditors consist of balances outstanding at the financial year end.

2. INCOME FROM CHARITABLE ACTIVITIES – GROUP

	Unrestricted £000	Restricted £000	Total £000
Admissions	8,595	-	8,595
Heritage Lottery Funding and ERDF	-	2,617	2,617
Partnership Funding	-	76	76
	8,595	2,693	11,288

3. INCOME FROM DONATIONS – GROUP

	Unrestricted £000	Restricted £000	Total £000
Donations			
Membership	1,397	-	1,397
Scran Trust Transfer	352	-	352
Other	67	261	328
Total	1,816	261	2,077

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

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

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

Cashflow statement impact:

Cost of acquisition	-
Net cash acquired	306
	306

4. INCOME FROM TRADING ACTIVITIES

	Unrestricted £000
Trading Activities	
Retail	2,620
Events	657
Consultancy and third party services	653
Rent and car parking	134
Total	4,064

5. EXPENDITURE ON RAISING FUNDS – GROUP

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

6. EXPENDITURE ON CHARITABLE ACTIVITIES – GROUP

	Conservation £000	Heritage Management £000	Survey & Recording £000	Collections £000	Education & Outreach £000	Commercial, Tourism & Enterprise £000	Total £000
Direct Salaries	6,059	1,766	850	187	246	37	9,145
Direct costs	5,780	499	110	175	35	31	6,630
Support costs	4,440	894	379	127	112	26	5,978
Governance costs	120	24	10	4	3	1	162
	16,399	3,183	1,349	493	396	95	21,915

7. EXPENDITURE ON GRANT DISTRIBUTION – GROUP

	Note	£000
Grants payable	10	1,358
Direct Salaries		155
Direct costs		62
Support costs		81
Governance costs		2
		1,658

8. SUPPORT COSTS – GROUP

	Support costs	Governance	Total
	£000	£000	£000
Finance	916	96	1,012
Chief Executive office	2,087	169	2,256
Board	-	8	8
Information Systems	1,740	-	1,740
Communications	2,351	-	2,351
Office running costs	521	-	521
HR	2,534	-	2,534
	10,149	273	10,422

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

9. GOVERNANCE COSTS – GROUP

	£000
Board costs	8
Strategic management	169
External audit fee	96
	273

The external audit fee of Scran Limited is £9,000.

10. INVESTMENT GRANTS – GROUP AND CHARITY

	£000
Balance transferred from business combination on October 1, 2015	38,037
Net of new grants committed and lapsed charged to Statement of Financial Activity	1,358
Grants recovered in year	152
Retentions released	253
Grants paid in year	(6,646)
	33,154

Where grant funded developments have a retention sum or where legal documents are incomplete HES retains an element of the grant until such time that the sums are payable and at March 31, 2016 these amounted to £1,333,000.

Between October 1, 2015 and March 31, 2016 HES paid out £6,646,000 of investment grants. This was made up of:

	Grants to Institutions £000	Grants to Individuals £000	Total £000
CDDV	76	-	76
Voluntary Sector	520	-	520
HES Organisational Support Fund	454	-	454
Building Repairs	1,634	113	1,747
Places of Worship	616	-	616
Grants City Heritage Trust	1,402	-	1,402
Grants Con Area Reg Scheme	816	-	816
Grants Archaeology	468	74	542
Grants Ancient Monuments	195	-	195
Grants HE Supp Fund	15	2	17
Grants Recurring Commitment	239	-	239
Grants Thatching	16	6	22
	6,451	195	6,646

Ancient Monuments

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

Archaeology Programme Grants

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

Building Repair

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

City Heritage Trusts

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

Conservation Area Regeneration Scheme (CARS)

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

HES Organisational Support Fund

Annual grants are provided to support the repair of significant buildings.

Historic Environment Support Fund

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

Places of Worship

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

Thatched Building Maintenance Grant Scheme

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

Voluntary Sector

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

The HES website provides further information on the different grants funded and lists new grants approved since October 2015. The website can be accessed at:

<https://www.historicenvironment.scot/grants-and-funding/grants-awarded-by-us>

10. INVESTMENT GRANTS – GROUP AND CHARITY (CONTINUED)

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

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

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

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

11. ANALYSIS OF FUNDS AND NET ASSETS – GROUP AND CHARITY (CONTINUED)

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

Net Assets	Fixed assets	Cash	Other net current liabilities	Creditors falling outside one year	Provisions	Total
	£000	£000	£000	£000	£000	£000
Group						
Unrestricted funds	18,009	5,954	(25,251)	(11,264)	(918)	(13,470)
Restricted funds	932	12	-	-	-	944
Revaluation reserve	17,538	-	-	-	-	17,538
Total funds	36,479	5,966	(25,251)	(11,264)	(918)	5,012
Charity						
Unrestricted funds	19,161	5,709	(26,160)	(11,262)	(918)	(13,470)
Restricted funds	932	12	-	-	-	944
Revaluation reserve	17,538	-	-	-	-	17,538
Total funds	37,631	5,721	(26,160)	(11,262)	(918)	5,012

12. STAFF COSTS

(i) Staff costs	£000
Wages and salaries	14,994
Social security costs	989
Employer's contributions to pension schemes	2,813
Early departure costs	531
Agency Temporary Staff Costs	448
Total employment costs	19,775
Less Recoveries in respect of Outward Secondments	(101)
Total Net Costs	19,674

Employees receiving benefits, excluding pension costs, pro-rated for the year, of more than £60,000 in 2015/16:

Banding	Number of staff
£60,000-69,000	8
£110,000-119,000	1
Total	9

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” are unfunded multi-employer defined benefit schemes but HES is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at March 31, 2012.

You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2015-16, employers' contributions of £ 2,756,955 were payable to the PCSPS at one of four rates in the range 20% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation.

The contribution rates are set to meet the cost of the benefits accruing during 2015-16 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 £58,198 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 3% to 12.5% of pensionable earnings up to September 30, 2015 and from 8% to 14.75% of pensionable earnings from October 1, 2015. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £2,159 0.8% of pensionable pay up to September 30, 2015 and 0.5% of

12. STAFF COSTS (CONTINUED)

pensionable pay from October 1, 2015, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the **partnership** pension providers at the balance sheet date were £10,712. Contributions prepaid at that date were £nil.

No employees retired early on ill health grounds in 2015-2016.

(ii) Number of employees

The average number of full time equivalent staff employed in the period October 1 to March 31, 2016, by occupational group:

	Number of employees
Senior Management	15
Heritage Management	87
Conservation	405
Commercial & Tourism	370
Survey & Recording	36
Collections	21
Education & Outreach	11
Enterprise	5
Central services staff	138
Agency/temporary staff	19
	1,107

iii) Reporting of Civil Service and other compensation schemes - exit packages

Exit package cost band	Number of Compulsory redundancies	Number of other departures agreed *	Total number of exit packages by cost band (total cost) *
<£10,000	-	3	3
£10,000-£25,000	-	3	3
£25,000-£50,000	-	4	4
£50,000-£100,000	-	4	4
Total number of exit packages by type	-	14	14
Total resource cost	-	£530,834	£530,834

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 the department has agreed early retirements, the additional costs are met by the department 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.

Employees with disabilities

HES is committed to equality of opportunity for all its employees. We recognise that people with disabilities have the same range of skills and qualities as non-disabled people. It is important that full advantage is taken of these skills so that every person is given the opportunity to make the fullest contribution in line with their abilities. Applications from people with disabilities for employment or promotion are given full and fair consideration, we operate a guaranteed interview scheme for any applicants meeting the essential requirements of the job. Where an employee becomes disabled, HES will re-train and re-deploy wherever applicable. The number of new employees who declared

a disability in the financial year 2015/16 was 3, 37 did not disclose an answer to this question.

Equal opportunities and diversity

As a new Public Body, HES has never undertaken an equal pay audit, however, independently Historic Scotland undertook an audit in March 2013 while the Royal Commission on Ancient and Historical Monuments undertook an audit in August 2011. By April 2017 HES will be required, by the Scottish Specific Duties of the Equality Act 2010, to publish Equality Outcomes, Mainstreaming Reports, gender pay and equal pay statements. It would be appropriate that an equal pay audit is undertaken in conjunction with this work.

13. TRUSTEE REMUNERATION AND EXPENSES

No Trustees received any remuneration from HES. Expenses relating to travel and subsistence claimed by six Trustees as reported in these statements is £2,640.

14. KEY MANAGEMENT PERSONNEL

The Key Management Personnel include the Trustees of HES and its Senior Management Team. The total amount of employee pay and benefits paid to Senior Management Team in the period October 1, 2015 to March 31, 2016, as reported in these statements, was £580,358.

This figure includes payments to the HES Chief Executive and Head of Programme Delivery who were seconded from the Scottish Government.

15. AUDITOR'S REMUNERATION

The auditor's remuneration for 2015/16 consisted of a total audit fee of £105,627.

Internal audit is carried out by the Scottish Government Internal Audit, the notional fee for this service is £30,000.

16. RELATED PARTIES – GROUP AND CHARITY

RCAHMS, one of the predecessor bodies of HES had control over Scran Trust by virtue of common Trustees. On merger the Trustees agreed to transfer the assets, liabilities and undertakings of Scran Trust to HES, this transfer occurred on February 22, 2016 and this donation is recorded in note 3 above. Prior to this transfer HES invoiced Scran Trust for management charges as reported within these statements of £128,014.

Scran Limited was a wholly owned subsidiary of Scran Trust and became a subsidiary of HES on February 22, 2016. Prior to this transfer HES invoiced Scran Ltd for management charges as reported within these statements of £257,027 and £53,371 for the period after the transfer.

HES allocated grants of £350,000 to the Historic Scotland Foundation Trust, the Foundation 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, this grant was paid after March 31, 2016.

The Historic Scotland Foundation provided HES with grants to fund: Water Tower work at Edinburgh Castle £26,194, Elgin Stones £210,342, Trinity House £8,893. At March 31, 2016 the amount due from the Foundation was £369,140.

During 2009-10 Historic Scotland entered into a Limited Liability Partnership with Glasgow School of Art to form The Centre for Digital Documentation and Visualisation (CDDV) LLP. It was agreed 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.

Work with CDDV is continuing with HES. In 2015/16 payments totalling £78,000 were made to CDDV for project work undertaken.

The spouse of a Trustee carried out translation work for HES during the year. The total cost of this work amounted to £50.

HES gave a building repair grant of £12,405 to the Scottish Waterways Trust, Dr Diana Murray is a Trustee of this Trust and a Senior Manager of HES.

HES gave grants to the Society of Antiquaries of Scotland, Dr Rebecca Jones, Head of Archaeology Strategy is the spouse of Dr Simon Gilmour, Director of Society of Antiquaries of Scotland, as follows:

Boyne to Brodgar, £5,330, a project to advance relationships with Ireland. The decision panel for this grant included Dr Jones.

Dig it 2015! a joint project with Archaeology Scotland. The grant was allocated by the Voluntary Sector Panel and is allocated as follows: 2015/16 £78,810, 2016/17 £81,000 and 2017/18 £80,000.

Scottish Archaeological Research Framework. The grant was allocated by the Voluntary Sector Panel and is allocated as follows: 2015/16 £37,000, 2016/17 £38,000 and 2017/18 £39,000.

Also the Society of Antiquaries of Scotland have received funding to enable them to publish the following:

£8,000 towards a monograph on the Portmahomack excavations.

£2,000 towards a monograph on the M74 excavations.

£5,000 towards a monograph on the Bearsden Roman Fort excavations.

£12,028 towards a monograph on the Auldham excavations.

£5,000 towards gold open access PSAS article on Langwell Cist.

17. INTANGIBLE ASSETS – GROUP AND CHARITY

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

Amortisation of Archive rights is included within Charitable Activities within the Statement of Financial Activity. The Computer and software licence amortisation costs are included with IS support costs and are allocated as described in note 8 above.

18. TANGIBLE FIXED ASSETS – GROUP AND CHARITY

	Land	Buildings	Dwellings	Motor Vehicles
	£000	£000	£000	£000
Cost				
at April 1, 2015	-	-	-	-
Balances transferred from business combination on October 1, 2015	2,465	21,373	3,404	2,870
Additions during the year	-	-	-	110
Indexation	9	77	13	-
Disposals during year	-	-	-	(97)
Revaluation	(8)	(492)	6	-
As at March 31, 2016	2,466	20,958	3,423	2,883
Accumulated Depreciation				
at April 1, 2015	-	-	-	-
Balances transferred from business combination on October 1, 2015	-	(1,669)	(270)	(2,286)
Charge for the year	-	(346)	(57)	(130)
Eliminated on disposal	-	-	-	97
Revaluation	-	741	75	-
As at March 31, 2016	-	(1,274)	(252)	(2,319)
Net book value as at March 31, 2016	2,466	19,684	3,171	564
Historic cost net book value	1,171	6,612	-	564

Any historic cost value of dwellings purchased over 12 years ago will be included within the buildings category.

Computer Equipment	Plant & Equipment	Antiques & works of art	Assets under Construction	Total
£000	£000	£000	£000	£000
-	-	-	-	-
4,868	6,596	2,331	2,064	45,971
707	98	-	3,954	4,869
-	-	-	-	99
(407)	(149)	-	-	(653)
-	-	-	-	(494)
5,168	6,545	2,331	6,018	49,792
-	-	-	-	-
(3,970)	(5,640)	(514)	-	(14,349)
(228)	(188)	(38)	-	(987)
389	149	-	-	635
-	-	-	-	816
(3,809)	(5,679)	(552)	-	(13,885)
1,359	866	1,779	6,018	35,907
1,359	866	1,779	6,018	18,369

19. HERITAGE ASSETS – GROUP AND CHARITY

	£000
At April 1, 2015	-
Balances transferred from business combination on October 1, 2015 and as at March 31, 2016	361

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

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

HES does not have legal ownership of the majority of the heritage assets it cares for however, in the opinion of the Accountable Officer these assets are integral to the operation and being of HES and are therefore included within these financial statements. A description of the assets and consideration of their value is set in note 1(m) of these financial statements.

20. INVESTMENT – CHARITY

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

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

The results of the subsidiary for the period of ownership, February 22, 2016 to March 31, 2016 were:

	£000
Turnover	182
Expenditure	(72)
Profit	110

21. STOCKS

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

	Group	Charity
	£000	£000
Retail stocks net of obsolescence provision	1,139	1,110
Work Stocks – raw materials and consumables	240	240
	1,379	1,350

Retail stocks included as cost of sales amounted to £5,076,000 in the year. Retail stocks are written down to net realisable value by £526,000 and this is included in cost of sales.

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

22. DEBTORS

	Group	Charity
	£000	£000
Trade debtors	1,438	1,245
Amounts owed by group undertakings	-	94
Taxes and social security	32	-
Prepayments	897	897
Accrued income	2,485	2,465
Other debtors	89	89
	4,941	4,790

23. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	Charity
	£000	£000
Accrual for grants payable	23,333	23,333
Trade payables	209	197
Amounts owing to group undertakings	-	855
Other taxation and social security	1,319	1,319
Other payables	656	606
Accruals and deferred income	6,054	5,990
	31,571	32,300

24. CREDITORS – AMOUNTS FALLING DUE OUTSIDE ONE YEAR

	Group	Charity
	£000	£000
Accruals and deferred income	11,264	11,262
	11,264	11,262

25. DEFERRED INCOME

	Group	Charity
	£000	£000
Balance at April 1, 2015	-	-
Balance transferred from business combination on October 1, 2015	171	171
Income released in the year	(170)	(163)
Income deferred in the year	419	357
Balance as at March 31, 2016	420	365

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

26. PROVISION FOR LIABILITIES – GROUP AND CHARITY

	Pension costs	Compensation payments	Waste water	Holiday pay	Dilapidations	Charity
	£000	£000	£000	£000	£000	£000
Opening balance at April 1, 2015	-	-	-	-	-	-
Balances transferred from business combination on October 1, 2015	109	64	53	-	479	705
Raising Funds						
Provisions made in the year	-	78	-	37	-	115
Provisions used during the year	(10)	(19)	-	-	-	(29)
Charitable Activities						
Accruals and deferred income	1	111	-	54	-	166
Provisions used during the year	(14)	(27)	-	-	-	(41)
Grants distributed						
Provisions made in the year	-	1	-	1	-	2
Balance as at March 31, 2016	86	208	53	92	479	918

The provision for pension costs relates to the compensation element of the former Early Retirement Package payable to officers who were over the age of 50 but below the age of 60. On attaining the age of 60 the compensation element ceases.

Compensation payments relate to claims for accidents to staff of HES and visitors to the monuments. The estimate is based on information received about the progress of claims and likelihood of any potential liability. It is expected that final settlement of these claims will be made within 2016-17.

The provision for waste water relates to sewage treatment works at Urquhart Castle where a dispute continues with the contractor.

A holiday pay provision has been established to cover an expected pay out to staff following a recent EU ruling on changes on how overtime for holiday pay should be assessed.

A dilapidations provision was established at John Sinclair House to cover identified dilapidations work required.

27. LEASING – GROUP AND CHARITY

Total payments for operating leases the year to March 31, 2016 are £768,975.

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

	Land & Buildings	Equipment	Total
	£000	£000	£000
Not later than one year	1,489	4	1,493
Later than one year and not later than five years	4,738	5	4,743
Later than five years	3,577	-	3,577
	9,804	9	9,813

28. LOSSES STATEMENT

Losses resulting from unpaid direct debits, cash losses and bad debts recorded during the year total £44,707.

29. REVALUATION RESERVE – GROUP AND CHARITY

	£000
Balances transferred from business combination on October 1, 2015	17,142
Revaluation of assets	322
Indexation	99
Backlog depreciation	(7)
Transfer to General Fund of Realised Element of Revaluation Reserve	(18)
Impairment	-
As at March 31, 2016	17,538

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

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

There was no requirement to report financial results of Historic Scotland and RCAHMS using the Charity SORP(FRS102), the adjustment column shows the effect of this transition on the opening position of HES.

31. FINANCIAL COMMITMENTS

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 March 31, 2016, indicative authorisations under the Historic Buildings Repair Grants Scheme totalled:

	£000
Capital commitments due in:	
Less than one year	8,143
More than one year and less than five years	10,555
More than five years	-
Total	18,698

In addition to financial commitments under the Historic Buildings Repair Grants Scheme, HES has capital commitments in respect of building works on properties in its care. As at March 31, 2016, these commitments totalled:

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

32. FINANCIAL INSTRUMENTS

The carrying value of financial instruments:

	Group	Charity
	£000	£000
Assets measured at amortised costs	7,525	7,149
Liabilities measured at amortised costs	42,416	43,197

33. POST BALANCE SHEET EVENTS

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



HISTORIC ENVIRONMENT SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

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

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

Signed by the authority of the Scottish Ministers

Deputy Director, Culture and Historic Environment Division

Dated: 29 September 2015

Sustainability report

Aithisg so-sheasmhaich

INTRODUCTION

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

This sustainability report has been prepared in accordance with Scottish Government guidelines and highlights Historic Environment Scotland's high level performance for financial year 2015-16 in a number of key areas: greenhouse gas (GHG) emissions, energy, waste management, business travel,

water consumption, action on biodiversity, sustainable procurement and adaptation. The purpose of this reporting is to improve performance management in relation to sustainability, through greater accountability and transparency.

Since 2010, Historic Scotland made a considerable effort to reduce its operational GHG emissions. Our *Carbon Management Plan*, published in 2011, set an ambitious target to reduce these emissions by 25% (against a baseline year of 2008-09) by April 2015. This was to be achieved by reducing the carbon emissions associated with energy use in our buildings, waste generation, business travel and water consumption. Due to a variety of factors, we missed this target, achieving a total reduction of 17% in the

year 2014-15. This plan has now expired, but as an interim measure while we develop our approach to carbon management as a new organisation, Historic Environment Scotland (HES), we have measured against the Historic Scotland baseline. Some adjustments have been made to the historic data contained within this report, when compared with the data contained in previous reports. This has occurred where errors have been found, or where more accurate data has been obtained following publication. Emissions have been calculated using the UK Government GHG Conversion Factors, except for waste where we have used the Zero Waste Scotland Carbon Metric for waste.

2015-16 Performance Summary

AREA	ACTUAL PERFORMANCE	TARGET	STATUS
Total GHG Emissions	8,487 tCO ₂ e	-25%	-17%
Total Energy Consumption	18,134,375 kWh	-15%	-13%
Total Waste Disposal	1,063 tonnes		
Recycle Rate	50 %		
Total Water Consumption	70,727 m ³		
Total Energy Expenditure	£ 1,280,984		
CRC Expenditure	£ £35,625		
Total Waste Expenditure	£ £164,945		
Total Business Travel Expenditure	£ £363,284		
Total Water Expenditure	£ £188,595		

RECENT CHANGES TO PUBLIC SECTOR SUSTAINABILITY REPORTING

From 2011-12 to 2014-15, Historic Scotland voluntarily published an annual sustainability report, following best practice guidance issued by Scottish Ministers, enabling HS to raise awareness of this area of its work and consolidate its exemplar status. Continuing to produce a report in this format gives continuity and enables us to track Historic Environment Scotland's progress against that of its predecessor organisations.

Part 4 of the *Climate Change (Scotland) Act 2009* stipulates that Scottish Ministers may set reporting requirements on selected public bodies and, in early 2015, Scottish Ministers chose to use this power. The *Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015* introduced mandatory reporting requirements for all major player public organisations. This means that from financial year 2015-16, Historic Environment Scotland is required, by law, to produce an annual sustainability/ climate change report.

In order to consolidate and standardise data and improve reporting consistency, standard templates were created for each segment of the public sector (e.g. non-departmental public bodies, NHS, local authorities, etc.). These templates were tested for the 2014-15 reporting year, when we voluntarily submitted a report <http://www.keepsotlandbeautiful.org/sustainability-climate-change/sustainable-scotland-network/climate-change-reporting/201415-reports/> before mandatory reporting came into force for 2015-16. Findings from the year of voluntary reporting were used to refine the system, resulting in the introduction of a new portal for the 2015-16 reporting year. Historic Scotland and subsequently Historic Environment Scotland have been intimately involved in the development of reporting mechanisms through their representation on the Scottish Government's Climate Leaders Officers Group and close relationship with the Sustainable Scotland Network. This, and Historic Scotland's previous experience in sustainability reporting, has set the organisation in a good position to adopt these new statutory requirements.

For All Our Futures, our Corporate Plan for 2016-19 has embedded our leadership role in climate change in its objectives and sets Key Performance Indicators (KPIs) to which we will work and report over the coming years. We will therefore continue to publish a high-level sustainability report within our *Annual Report & Accounts*, in addition to submitting a Mandatory Climate Change Report via the Sustainable Scotland Network portal.

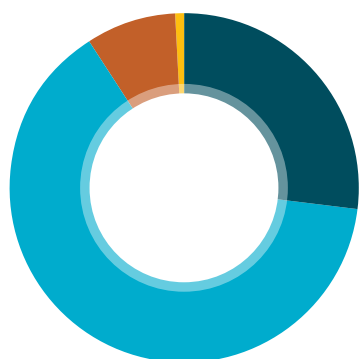
GHG EMISSIONS OVERVIEW

GHG emissions (tCO₂e)

	2008-09	2011-12	2012-13	2013-14	2014-15	2015-16	Change
Grand total	10,176	8,276	8,588	8,317	8,431	8,487	-17%
Energy	6,317	5,535	5,902	5,092	5,445	5,443	-14%
Waste	3,263	1,999	1,968	2,533	2,277	2,293	-30%
Business travel	547	693	668	648	662	693	27%
Water	49	49	50	45	47	59	20%

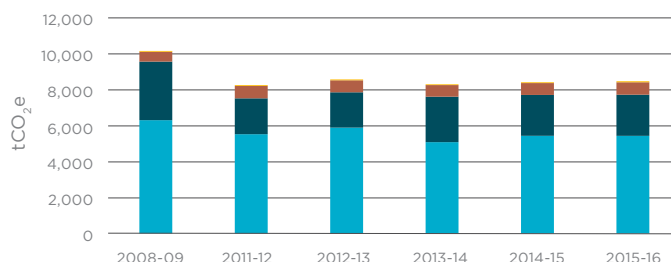
GRAPHICAL ANALYSIS

2015-16 Carbon Footprint



- 64.1% Energy
- 27.0% Waste
- 8.2% Business travel
- 0.7% Water

Annual Carbon Performance



TARGETS AND COMMENTARY

The merger on 1 October 2015 of Historic Scotland (HS) and the Royal Commission on the Ancient and Historical Monuments of Scotland (RCAHMS) to create a new body, HES, has added around 95 staff, plus another headquarters building to an Estate of 335 historic properties, plus depots and offices, and the 1005 staff of Historic Scotland. In order to calculate the full carbon footprint of our operations, we have added the data from April to September 2015 from RCAHMS

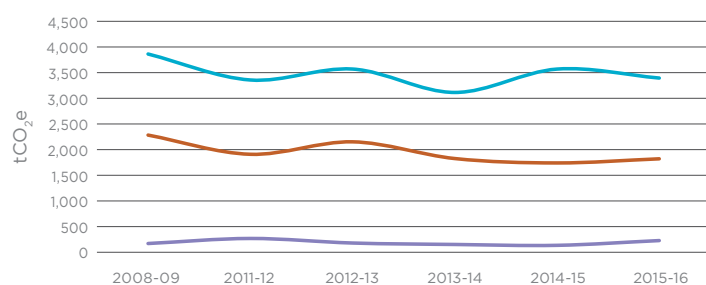
and HS to the data from October 2015 to March 2016 from HES. This made it likely that the figures would be quite different that those recorded in previous years for HS. Our contracts for energy, travel management service and water all changed at different times during 2015-16; due to variations in reporting format, this further complicated the collation and analysis of data.

During 2015-16, HES achieved an overall reduction in GHG emissions of 17% against the baseline year, matching the

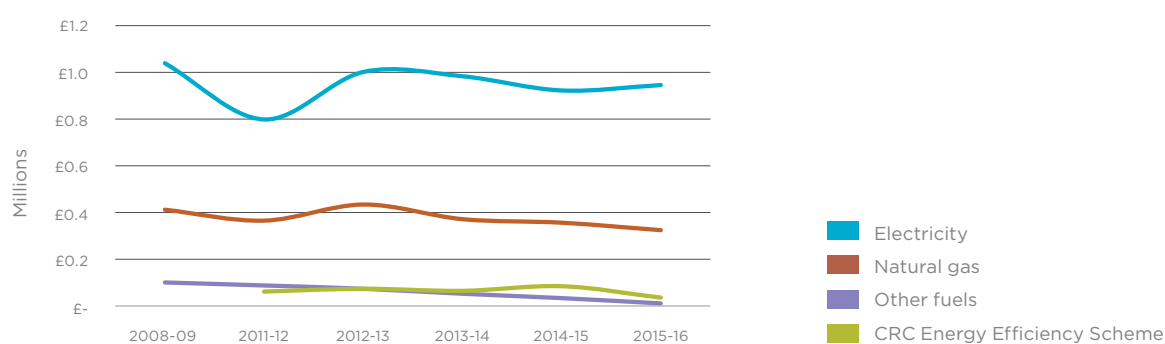
figure achieved by HS in 2015-16, despite having a larger Estate and more staff than Historic Scotland. This consists of a 14% reduction in energy emissions, a 30% reduction in waste emissions, a 27% increase in business travel emissions and a 20% increase in water emissions. The sustained reduction in energy and waste emissions indicates that we continue to reap the benefits of investment in energy efficiency measures and waste management made in previous years. This is discussed in more detail below.

ENERGY		2008-09	2011-12	2012-13	2013-14	2014-15	2015-16	Change
GHG emissions (tCO ₂ e)	Electricity	3,863	3,357	3,570	3,114	3,569	3,394	-12%
	Natural gas	2,283	1,909	2,152	1,826	1,740	1,821	-20%
	Other fuels	171	269	180	152	135	228	34%
Actual consumption (kWh)	Total Energy	20,876,906	18,911,128	20,098,336	17,534,663	17,167,130	18,134,375	-13%
	Electricity	7,787,221	7,425,676	7,760,354	6,990,145	7,221,669	7,344,074	-6%
	Natural gas	12,342,571	10,398,443	11,618,945	9,921,750	9,409,112	9,871,990	-20%
	Other fuels	747,114	1,087,009	719,037	622,768	536,349	918,311	23%
Financial indicators	Total Energy	£1,551,671	£1,251,390	£1,509,204	£1,407,086	£1,312,506	£1,280,984	-15%
	Electricity	£1,039,079	£798,364	£1,001,574	£983,323	£922,463	£945,620	-9%
	Natural gas	£412,048	£365,255	£434,177	£371,542	£356,444	£324,481	-21%
	Other fuels	£100,543	£87,771	£73,453	£52,221	£33,599	£10,883	-89%
	CRC Energy Efficiency Scheme		£61,517	£73,570	£64,766	£84,571	£35,625	N/A
	3rd party re-charge: Electricity	£-96,588	£-122,329	£-131,564	£-94,964	£-98,217	£-28,780	-70%
	3rd party re-charge: Natural gas	£-85,691	£-44,958	£-76,675	£-82,251	£-60,964	£-29,855	-65%

GHG Emissions: Energy



Expenditure: Energy



TARGETS AND COMMENTARY

Energy use in our buildings represents 64.1% of our overall carbon footprint. In 2015-16, Historic Scotland set a Key Performance Target (KPT) to reduce energy consumption by 15%, against a baseline year of 2008-09. In addition, RCAHMS had a key performance target to reduce its 'ecological footprint' (CO2 emissions).

The data shown above demonstrates that HES has missed the KPT initially assigned to Historic Scotland, reducing total energy consumption by 13%. This can be broken down as follows: a 6% reduction in electricity consumption, a 20% reduction in natural gas consumption and a 23% rise in other fuels (i.e. burning oil, LPG and gas oil). These reductions can be attributed to the ongoing fabric and technological improvements throughout the HS estate, the continued roll-out of Climate Change Awareness Training to staff members, the influence of our network of Green Champions and mild weather. When compared with the data from 2014-15, John Sinclair House has reduced its GHG emissions from energy use by 13.5%. In October 2015, we began a programme of energy efficiency improvements at John Sinclair House. We have improved control

of the building temperature through installation of a Building Management System, replaced windows and air conditioning units with more energy efficient models, and introduced insulation to uninsulated cavity walls and the library ceiling. All these initiatives have enabled John Sinclair House to function in a more energy efficient and sustainable way.

Financially, HES has reduced its total energy spend by 15%. Spend on the CRC Energy Efficiency Scheme (CRC) is lower than the previous year because it only applied to Historic Scotland and we therefore only had to pay for a part year. As a Non-Department Public Body, HES is not part of the Scottish Government Group and therefore falls out of the current (2014-2019) phase. Thus our expenditure on CRC was significantly lower than previous years despite a price increase per tonne of carbon, from £15.60 to £16.10 (forecast sale) and from £16.40 to £16.90 (buy-to-comply sale). In the Budget of 16 March 2016, the Chancellor of the Exchequer announced that the government has decided to close the CRC scheme following the 2018-19 compliance year. This will be replaced with an increase in the Climate Change Levy, a tax on energy for non-domestic customers, which will impact on our energy expenditure from 2019.

DIRECT BUSINESS IMPACTS

The greatest impacts arise from electricity and natural gas consumption in our buildings. HES continues to roll-out technical improvements to our estate as outlined in our previous Carbon Management Plan. Reducing our energy consumption plays a pivotal role in meeting our carbon targets. It also produces cost savings, in terms of both direct energy costs, the Climate Change Levy and the CRC Energy Efficiency Scheme.

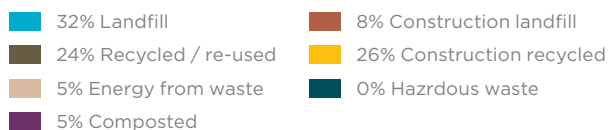
INDIRECT BUSINESS IMPACTS

Reducing energy consumption across our large and technically challenging estate plays a role in meeting national climate change targets. Also, through our range of publications, borne from technical research and our own experiences, HES continues to disseminate information to a range of audiences on improving energy efficiency in traditional and historic buildings.

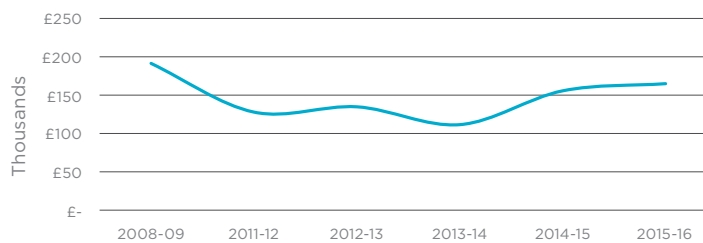
WASTE		2008-09	2011-12	2012-13	2013-14	2014-15	2015-16	Change
GHG emissions (tCO ₂ e)	Total waste	3,263	1,999	1,968	2,533	2,277	2,293	-30%
	Total arising	3,477	2,222	2,313	2,866	2,874	2,680	-23%
	Landfill	294	149	70	142	94	118	-60%
	Recycled/re-used	-508	-372	-149	-229	-197	-238	-53%
	Energy from waste	0	-11	-21	-43	-40	-19	N/A
	Construction landfill	0	11	62	40	20	29	N/A
	Construction recycled	0	0	-308	-243	-474	-278	N/A
Actual output (tonnes)	Total waste	1,383	924	1,003	1,212	1,206	1,063	-23%
	Landfill	851	432	204	409	272	340	-60%
	Recycled/re-used	532	390	157	240	206	249	-53%
	Energy from waste	0	31	58	121	112	57	N/A
	Composted	0	40	83	72	63	54	N/A
	Construction landfill	0	31	180	116	57	84	N/A
	Construction recycled	0	0	322	254	496	279	N/A
	Hazardous waste	0	0	0	0	0	0	N/A
Financial indicators	Total waste disposal	£191,392	£127,871	£134,760	£111,505	£155,630	£164,945	-19%
	Non-hazardous waste	£191,392	£127,871	£134,760	£111,505	£155,630	£164,945	-19%
	Hazardous waste	£-	£-	£-	£-	£-	£-	N/A

GRAPHICAL ANALYSIS

Waste Composition



Expenditure: Waste Disposal



TARGETS AND COMMENTARY

Waste represents around 27% of our overall carbon footprint. HES has not set any specific waste reduction targets. However, the HS Carbon Management Plan included waste in its overall target to reduce operational GHG emissions.

Our Waste Prevention and Reuse Plan, published in 2013, highlights a number of opportunities and objectives to reduce waste from our operations. Work during 2015-16 included the sale of reusable cups in our headquarters café to reduce the number of disposable cups sent to landfill, improvements to staff recycling facilities at Longmore House and John Sinclair House, the continuation of a visitor waste recycling pilot at Linlithgow Palace and Stirling Castle and the extension of this pilot to include Edinburgh Castle. At each of these monuments, our in-house conservation squads were able to retrofit existing litter bins for recycling, a great example of creative reuse, which has also resulted in a substantial cost saving for HES.

The data above shows an overall 23% reduction in waste tonnage against our baseline year. Although this may partly be influenced by gaps in our data, it still appears that we have achieved a substantial reduction

in waste produced, despite the addition of John Sinclair House to our Estate portfolio and several major conservation and maintenance projects on our sites. Overall, HES has a recycle rate of 50%. This is slightly worse than the previous year and indicates issues with quality of data provided by our many waste contractors as well as the technical challenges in rolling out full recycling facilities across a vast and complex Estate and a need for further staff behavioural change.

Financial indicators demonstrate a cost reduction of 19% against the estimated baseline costs, but a rise in costs against the previous year (2014-15). This rising cost reflects the increase in landfill tax (within the context of our low recycle rate) and the ad hoc continuation of existing contracts whilst we develop a more corporate approach to waste management.

DIRECT BUSINESS IMPACTS

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

the potential to significantly reduce our environmental impact and deliver both financial and management efficiencies.

INDIRECT BUSINESS IMPACTS

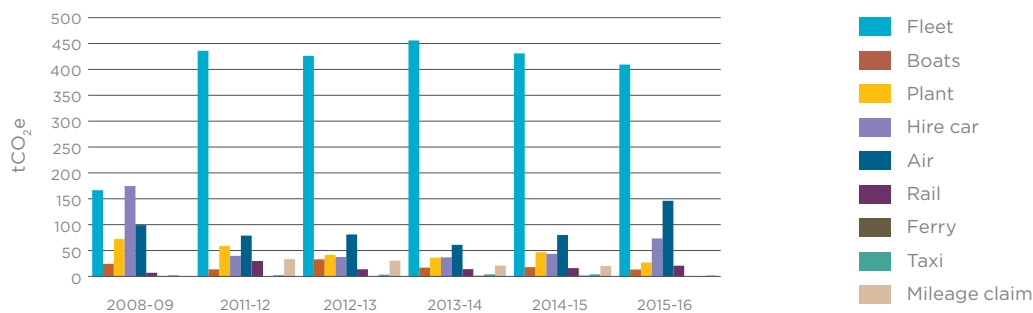
HES is able to place certain requirements on waste and other (e.g. catering, landscaping, etc.) contractors in terms of waste disposal performance. The Agency is also in a position to influence visitors and staff members through the provision of recycling facilities and visible signage at our sites.

BUSINESS TRAVEL

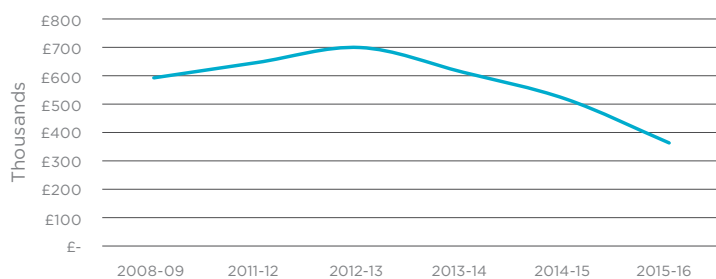
	2008-09	2011-12	2012-13	2013-14	2014-15	2015-16	Change
GHG emissions (tCO₂e)							
Total business travel	547	693	668	648	662	693	27%
Fleet	167	436	426	456	431	409	146%
Boats	24	14	33	17	18	13	-45%
Plant	72	59	42	36	47	27	-63%
Hire car	175	40	37	37	44	73	-58%
Air	99	79	81	61	80	146	48%
Rail	7	30	14	14	16	21	196%
Ferry	1	0	1	2	2	0	-97%
Taxi	2	2	3	4	4	1	-70%
Mileage claim	0	33	30	21	20	2	N/A
Financial indicators							
Total business travel	£592,525	£646,435	£699,440	£612,354	£517,708	£363,284	-39%

GRAPHICAL ANALYSIS

GHG Emissions: Business Travel



Expenditure: Business Travel



TARGETS AND COMMENTARY

Business travel represents 8.2% of our overall carbon footprint. HES has not set any specific business travel reduction targets, but our new Business Travel Policy, launched in July 2015, provides a travel hierarchy to assist staff in choosing the most sustainable transport options.

HES is a large and geographically spread organisation with a range of business functions and staff travel is essential to carry out day to day business objectives. Part of our mission is to share and celebrate our cultural heritage with the world and our "Lead" strategic theme states that we will fulfil a leading and enabling role through our activities and by supporting empowering and collaborating with others. In many circumstances, fulfilment of these may require us to travel outwith Scotland, to other parts of the UK or abroad and this is reflected in 2015-16 in the significant rise in emissions from air and rail travel.

Overall, business travel emissions have increased by 27% when compared with the baseline year. Emissions from our fleet has shown improvement since 2013-14, though still sit 146% above baseline. This is likely to be due to considerable improvements in data quality during recent years, as well as the merging

of the HS and RCAHMS' fleets. Emissions from hire cars show a 58% reduction against baseline, though are still up from the previous year. The increase in air travel emissions, a 48% increase on the baseline year, is a result of more international travel, which included travel to international conferences and for meetings relating to developing collaborative projects with other countries.

Business travel expenditure has reduced by 39% against the baseline year, despite improvements in data quality, indicating that staff are opting for more cost efficient methods of transport. This may be linked to better take-up amongst staff of services available under government procurement Framework Agreements, including the Travel Management Service and Hire Car contractor, which offer cumulative savings. We have recently entered into a Fleet Management Service agreement with Scottish Natural Heritage, which will enable us to implement continuous improvements to management and data quality.

DIRECT BUSINESS IMPACTS

Reducing staff travel and switching to lower carbon modes will help to reduce HES's carbon footprint, though this is a relatively small proportion of our overall emissions compared

to energy. The greatest impacts will be a reduction in both direct and indirect costs. Encouraging employees to choose healthier forms of travel for short journeys, such as walking or cycling, can help to improve staff well-being and increase productivity.

INDIRECT BUSINESS IMPACTS

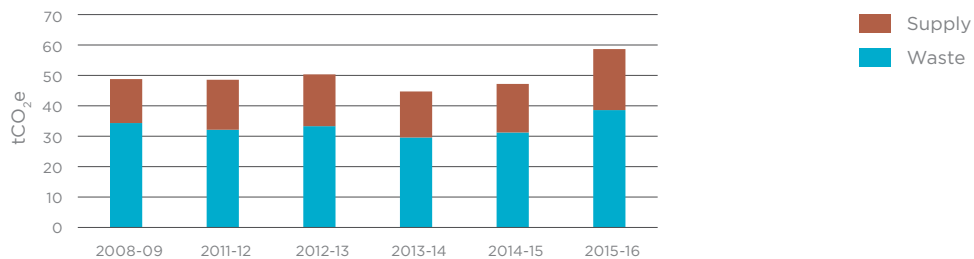
Reducing emissions from business travel will play a part towards achieving national climate change targets and demonstrating exemplary behaviours. HES is also in a position to influence staff members, third party organisations and visitors in choosing more sustainable forms of transport. For instance,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

WATER

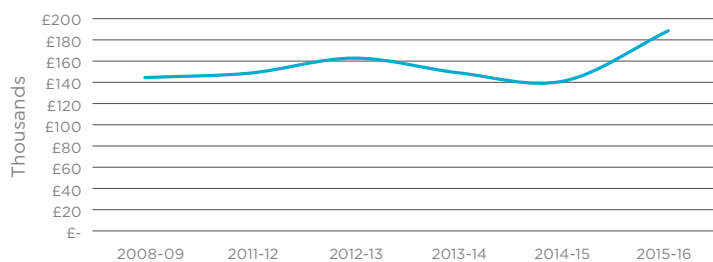
	2008-09	2011-12	2012-13	2013-14	2014-15	2015-16	Change
Total water emissions	49	49	50	45	47	59	20%
Supply	14	16	17	15	16	20	39%
Waste	34	32	33	30	31	39	12%
Metered supplies	48,189	48,325	49,485	43,962	46,401	58,319	21%
Unmetered supplies (estimate)	9,760	10,608	10,997	10,064	11,048	12,408	27%
Water supply	£144,467	£148,655	£162,793	£148,910	£141,199	£188,595	31%
3rd party re-charge: Water	£-	-£6,046	-£32,900	-£17,781	-£34,225	£-	N/A

GRAPHICAL ANALYSIS

GHG Emissions: Water



Expenditure: Water Supply



TARGETS AND COMMENTARY

Water represents less than 1% of our overall carbon footprint. HES has not set any specific water reduction targets.

The data demonstrates that metered water consumption has increased by 20% when compared with the baseline year. Water expenditure has increased by 31%. This is likely to be linked to the addition of John Sinclair House to the building portfolio and the record-breaking visitor numbers at some of our flagship properties, such as Edinburgh Castle. Because water emissions form a small proportion of HES's carbon footprint we have not prioritised water efficiency to the same level as energy and waste.

DIRECT BUSINESS IMPACTS

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

INDIRECT BUSINESS IMPACTS

The processing, pumping and sanitation of fresh water is an energy intensive process, contributing 1% to the UK's national CO₂ emissions. Reducing water consumption and improving efficiency can play a vital role in meeting national targets.

BIODIVERSITY

TARGETS AND COMMENTARY

During 2015-16, our Ranger Service have undertaken a number of activities to promote and support biodiversity. These include:

- Raising awareness through interpretation, community talks, conservation task groups, walks, attendance at county and local shows, and use of social media channels, radio and TV reports;
- Providing advice, guidance and assistance to colleagues relating to specific species or habitats e.g. bats, nesting birds, grasslands, waterways.;
- Working with volunteer rangers and conservation surveyors to undertake 143 surveys for 9 species within Holyrood Park including - Adder's tongue fern, Stonecrop fanner, Maiden pink, Sticky catchfly, Wood sage plume moth, Six spot burnet moth, Himalayan balsam, Butterflies, Bumblebees.;
- Contributing towards Local Biodiversity Action Plans and working with partners on their future development e.g. Edinburgh Local Biodiversity Action Plan 2016 - 2018;
- Joint resourcing activities with external organisations and charities to improve research of rare species on some of our sites;
- Joint work with external organisations, the community and partners to look for solutions to the Blue green algal blooms on Linlithgow Loch;
- Working with communities and schools on specific projects providing resources such as bark chip, wildflowers grown on in our Holyrood Palace greenhouses or gardens, felled tree trunks or limbs, etc.
- Helping communities to achieve local and nationally recognised awards e.g. 'Bag the Bruck', Scotland in Bloom and Britain in Bloom,
- Making changes to grassland cutting regimes and tree management on our sites and in our Parks.

DIRECT BUSINESS IMPACTS

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

INDIRECT BUSINESS IMPACTS

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

CLIMATE CHANGE ADAPTATION

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

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

HES uses ‘Sustainability Tests’ for larger contracts to ensure that we build sustainable criteria into the specification of the product/ services where possible and also link this to evaluation criteria. We will, where applicable, use the Sustainable Procurement Tools currently being constructed by the Scottish Government in response to the sustainable procurement duty included in the Procurement Reform (Scotland) Act 2014.

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

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

DIRECT BUSINESS IMPACTS

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

INDIRECT BUSINESS IMPACTS

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

SUSTAINABLE PROCUREMENT

TARGETS AND COMMENTARY

In May 2014, the Scottish Government published “Climate Ready Scotland: Scottish Climate Change Adaptation Programme”, which sets out the government’s aims over the next five years to prepare Scotland for climate change. In this, Historic Scotland was mandated to research the impacts of climate change on traditional buildings, disseminate knowledge, skills and tools to manage these, and work to increase the resilience of Scotland’s built heritage and historic environment. These objectives have transferred to HES and will be a focus for us over the coming years, with annual progress being reported here. The impacts of climate change on the historic environment are wide ranging and potentially devastating. However, the climate change agenda is a significant opportunity for the historic environment sector. By recognising its inherent sustainability, its resilience and longevity, and acknowledging the fact that it has always changed over time, the historic environment should be in a positive position to deal with the challenges ahead.

Our technical research, often carried out in partnership with others, has been disseminated through events, training and publications. Our Technical Paper 15: “Assessing risks in insulation retrofits using hygrothermal software tools: Heat and moisture transport in internally insulated stone walls” was published on 1 October 2015. This paper provides an introduction to the basics of hygrothermal building physics, discusses assessment methodologies, including related methods, standards and software tools and illustrates these in a case study. Our ongoing work on traditional skills, notably the apprenticeship scheme and the development of the Engine Shed, is also key to improving the resilience of traditional buildings.

“An assessment of climate change risks to the HES Estate”, a project in which we are working in partnership with Scottish Environment Protection Agency and British Geological Survey continued this year. The aim was to identify climate change impacts and vulnerabilities on the HES estate and an initial risk register was completed in March 2016, with internal stakeholder engagement and ground truthing due to continue in 2015-16. HES, along with National Health Service Scotland, Aberdeen City Council and Scottish Water was a member of the Adaptation Learning Exchange Risk Task Group facilitated by Adaptation Scotland, which provided a forum for public bodies to share knowledge and ideas as we developed our respective climate change risk assessments. We are on the Steering Group for Edinburgh Adapts, a partnership project which has developed a long-term vision and adaptation plan for a resilient Edinburgh, due to launch in November 2016.

We have worked with Adaptation Scotland and key agencies on developing visualisations of adapted communities; the Climate Ready Places website was launched in November 2015 and is available to use at <http://www.sniffer.org.uk/climatereadyplaces/>. We are on the Steering Committee for Scottish Government's Dynamic Coasts: National Coastal Change Assessment, a major policy-driven inter-agency research project collating information on coastal change, resilience and susceptibility to future coastal erosion. The NCCA aims to inform existing strategic planning (Shoreline Management Plans, Flood Risk Management Planning, Strategic and Local Plans, National and Regional Marine Planning etc.) and to also identify those areas which may remain susceptible in the coming decades and require supplementary support. The identification of susceptible assets will enable the development of future management policies and adaptation plans robustly

based on a strategic and objective evidence base. The preliminary results of this are now available online at <http://www.dynamiccoast.com/> and various dissemination events are planned in 2016-17. In addition to this strategic and policy work, we have also continued to monitor the condition of Skara Brae, Orkney, through the use of digital scanning techniques and have been working in partnership with the NCCA to share data and collaborate on analysis.

HES grant-aids the work of SCAPE (Scottish Coastal Archaeology and the Problem of Coastal Erosion), including SCHARP (Scotland's Coastal Heritage at Risk) Project, enabling a deep understanding of the impact of coastal erosion on archaeology. HES is one of the funders of Wemyss Caves 4D, an ongoing project to create a detailed digital record of the caves and their carvings; data collected is freely available to explore online at <http://4dwemysscaves.org/>.

