

ANNUAL REPORT AND
FINANCIAL STATEMENTS
AITHISG BHLIADHNAIL
AGUS AITHRIS IONMHAIS
2021–22



HISTORIC
ENVIRONMENT
SCOTLAND

ÀRAINNEACHD
EACHDRAIDHEIL
ALBA





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INTRODUCTION

RO-RÀDH

Since taking up the post of Chair of Historic Environment Scotland (HES) early in 2022 I have greatly enjoyed getting to know the organisation and beginning to further understand the wide-ranging, positive impact it has on those living in, working in, and visiting Scotland.

2021-22 was a year of evolution for us as we managed the ongoing effects of the pandemic on our sites, visitors, income, and teams.

In addition, we faced the difficult decision to restrict visitor access at 70 of the properties in our care after sample high level masonry inspections prompted cause for concern in relation to the risk of falling building fabric. We have responded by designing training and a new inspection system to provide us with the required assurance. This is a proactive step towards improving the way the nation's most precious places are looked after and experienced in the face of accelerating climate change and other factors.

Despite these challenges, I have been very impressed by the resilience of those working in the heritage sector and by the creative ways in which HES has continued to engage people with Scotland's story in difficult circumstances.

The tourism sector will take time to recover from the pandemic, while additional pressures, such as rising costs and pressure on public finances, are now being felt. Our view is that the historic environment has much to contribute towards tackling emerging issues and that a responsible approach to tourism development is essential as recovery gathers pace. Through our willingness to adapt and by showing leadership, as well as working effectively with partners, we can deliver real benefits for people and places, leading to happier, healthier lives and increased community wealth and wellbeing.

It is a credit to the professionalism of the HES team that under difficult circumstances we achieved or partially achieved 93% of the actions set out in our Annual Operating Plan for the year.

While the pandemic prompted a rapid growth in our online event and resource delivery, we were delighted to enhance our visitor offer in other ways too, such as mounting our new interactive exhibition as part of the *Arbroath 700+1* commemorations, and *Castle of Light*, an outdoor light installation at Edinburgh Castle in the run up to Christmas. We responded quickly to evolving public health guidelines over the course of the year and in spring of 2021 were able to re-open over 70% of our estate to visitors.

Throughout this unsettled period we strived to provide support and leadership to our sector. Along with reviewing our grants programmes to further enhance the contribution and impact of our funding (£12.3m distributed this year) we have kept abreast of the challenges facing our colleagues through an ongoing series of sector pulse surveys. In March 2022 we launched our new Heritage and Place Programme, supporting organisations to deliver community-led regeneration through heritage assets. We have commenced the review of *Our Place in Time*, Scotland's first collaborative strategy for the historic environment.

This year saw the publication of two important documents which address different pressing issues of our time. Our Climate Adaptation Plan 2021-25 (a flagship deliverable of our ambitious Climate Action Plan) sets out a series of actions we will undertake in order to prepare for and review the risks and impacts on the historic environment associated with climate change. This practical plan, published shortly after an HES delegation attended COP26 in Glasgow in 2021, complements our long-term climate commitments, including becoming a net-zero organisation by 2045.

Secondly, we published our Equalities Outcomes Report, showing the progress made against our stated equality outcomes from 2017-21 and detailing further targets for 2021-25. We know that the pandemic has exacerbated inequalities in Scotland, while global movements such as #MeToo and Black Lives Matter have heightened awareness of the need for social change. The publication of this report came at an opportune moment as we prepare to launch our Corporate Plan for 2022 onwards, *Heritage For All*, which will renew our commitment to harnessing the potential of heritage to contribute towards a fairer, sustainable and more inclusive Scotland.

I'd like to conclude by reflecting that though the past two years have been difficult and unprecedented, they also show what can be achieved in challenging circumstances and how creative thought, commitment and adaptability can allow us to realise our goals and ambitions in new ways.

This would not have been possible without the dedication and resilience shown by our staff, volunteers, members and partners, to whom I wish to thank, both for their work and for the warm welcome they have given me as Chair.



Dr Hugh Hall
Chair
Historic Environment Scotland



KEY STATISTICS



WELCOMED 1.2 MILLION
visitors to our staffed sites

(2020-21: 246,000 up 387%, 2019-20: 5.2 million)¹
40 of the 73 staffed sites had footfall during 2021-22,
up from 26 in 2020-21.

167,000 MEMBERS

(2020-21: 186,000, down 10%)



46
VOLUNTEERS

(2020-21: 28, up 64%)



INVESTED £12.3 MILLION
through our grants programme

(2020-21: £13 million, down 5%)

96% of regulatory activities dealt with in stated timescales

(2019-20: 96%, stable position)

COMMERCIAL INCOME £20.7 million

(2020-21: £8.2 million, up 152%, 2019-20: £62.6 million)

1. The impact of the pandemic on tourism can clearly be seen. From 5.2 million in 2019-20 the number of visitors to our sites fell by 95% in 2020-21 to 246,000. 2021-22 saw a partial recovery to around 23% of pre-Covid levels. A similar trend can be seen in commercial income.

OUR CARBON EMISSIONS ARE

27%

LOWER THAN 2019-20

(2019-20: 4,803 tCO₂; 2020-21: 3,171 tCO₂; 2021-22 3,541 tCO₂)¹



A TOTAL OF **£28.2 MILLION** (inclusive of staff costs) was invested in conservation, maintenance, and management of the properties in care

(2020-21: £25.3 million, up 11%)



GENERATED **£117 MILLION** for the Scottish economy from heritage tourism

(2020-21: £16.1 million, up 631%)

6.4 MILLION users visited HES websites

(2020-21: 4.2 million, up 52%)



DIGITISED AND MADE AVAILABLE MORE THAN **93,000** IMAGES AND FILES

(2020-21: 80,000, up 16%)

1. The impact of the pandemic can also be seen in the reduction in emissions from 2019-20 to 2021-22 albeit with a 8% year on year increase from 2020-21 to 2021-22 as activity increased across the estate with the easing of Covid restrictions.

ANNUAL REPORT PERFORMANCE REPORT AITHISG BHLIADHNAIL AITHISG AIR DÈANADAS

PERFORMANCE OVERVIEW

WHO WE ARE

The historic environment is Scotland's story.

It belongs to all of us. It's part of our everyday lives. It shapes our identity. It tells us about the past, the present – and even points the way to the future.

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

We want the historic environment to make a real difference to all our lives: to our health, to our economy, to our culture, to our environment. We want heritage to involve everyone so that all can benefit.





WHAT WE DO

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

- We are at the forefront of investigating and researching the historic environment and addressing the impacts of climate change on its future.
- We help develop the knowledge, skills and materials Scotland needs to look after our heritage, particularly to respond to the changes in our climate and the impact it has on our heritage.
- We can make a strong contribution to a green recovery and a fairer, more sustainable economy through promoting the benefits of traditional forms of construction.
- We award millions of pounds each year to local communities to repair, revitalise and reuse their historic environment to foster social cohesion and a strong sense of place. For every £1 invested in 2021–22, projects funded by HES attracted a further £4.77 in additional investment.
- We enable change to our most significant heritage assets while providing the protection they need through designations and consents, ensuring this resource is available for generations to come.
- We support the conservation and reuse of the historic environment in Scotland by providing advice and technical expertise.
- We seek to grow understanding of our historic assets, the benefits they bring and the diverse stories that make up our shared histories.
- We enhance wellbeing and learning by providing access to Scotland’s history and heritage through site visits and digital experiences.
- We look after over 300 sites of national importance, over 41,000 objects in the collections and five million items in archive on behalf of the people of Scotland.
- We run visitor attractions at the properties in our care to support Scottish tourism and generate income for our activities.
- In every aspect of our work we strive to follow our five organisational values – we are collaborative, professional, innovative, open, and respectful.

OUR VISION

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



OUR PRIORITIES

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

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

These are long-term, aspirational outcomes and we will demonstrate the difference we are making through annual indicators of progress. Our priorities for 2021-22 are set out within our Annual Operating Plan 2021-22 (AOP) www.historicenvironment.scot/archives-and-research/publications/publication/?publicationId=af8e9bf9-51ad-4bd9-af10-ad4100e25461.

Our AOP for 2021-22 covers the third and final year of our three-year Corporate Plan (2019-22). The AOP follows the structure of the Corporate Plan and identifies priorities in relation to each of our five outcomes and Key Performance Indicators (KPIs). Throughout the year our activities have continued to support delivery of our three-year Corporate Plan and the National Outcomes in the Scottish Government's National Performance Framework. Both our Corporate Plan and our Annual Operating Plans can be found online at www.historicenvironment.scot/about-us/who-we-are/corporate-information. This Annual Report provides information about what we have delivered in 2021-22 to support achievement of these outcomes.

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



SUPPORTING GOVERNMENT POLICY AND OUTCOMES

HES's plans form part of a much broader ambition to build a more successful Scotland. We support the Scottish Government's purpose 'to focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth'. Our work contributed to the delivery of *A Fairer Greener Scotland: The Government's Programme for Scotland 2021-22*. www.gov.scot/publications/fairer-greener-scotland-programme-government-2021-22/

We work with our partners in the public, private and voluntary sectors to deliver our outcomes, contributing to the achievement of the Scottish Government's strategic objectives and wellbeing outcomes – set out in the National Performance Framework. The table below shows our strongest contributions to these national outcomes.

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

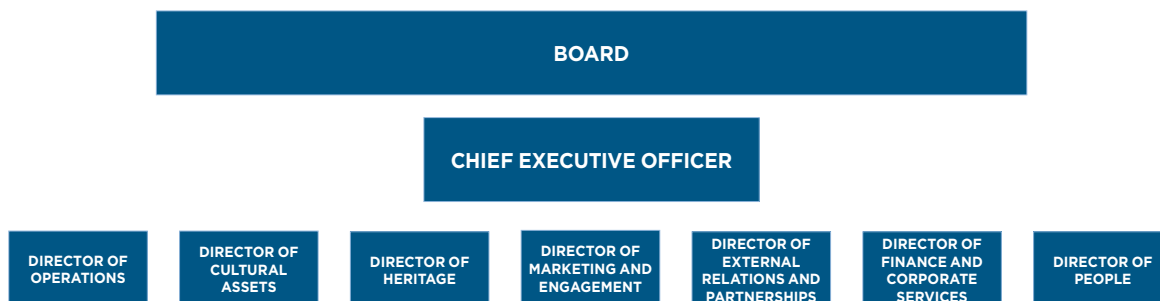
BUSINESS MODEL AND ENVIRONMENT

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

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

We reshaped our operating model between April 2021 and May 2022 to ensure we allocate our resources in the best way possible to achieve the outcomes in *Heritage for All* and contribute to Scottish Government priorities.

Our new operating model is:



Our operating model prior to transition was:



PRINCIPAL RISKS

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

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

RISK	Mitigating action
<p>Economic Risk and Financial Sustainability As a result of accelerating inflation, there is a risk of cost increases above budget and materials supply problems resulting in delays to or cancellations of approved and budgeted projects and activity across HES and the wider historic environment.</p>	<ol style="list-style-type: none"> 1. Assessment, communication and monitoring of the impacts of accelerating inflation on HES projects, activity and people. 2. Revision of our 5-year Financial Strategy in light of 4-year Resource Spending Review. 3. Supplier relationship management 4. Wellbeing Programme providing support to colleagues
<p>Risk change: The Economic Risk was raised in March 2022 and has been assessed as 'Very High'. It is linked to our longstanding Financial Sustainability Risk which has been running high since 2019-20.</p> <p>Assessment: The assessment of this risk has been informed by economic forecasts which come with a wide range of uncertainty.</p> <p>Looking ahead: For 2022-23 our focus will be on dealing with the ongoing impacts of inflation and supply chain problems on our operations and our people. We will also continue to develop our financial strategy with a focus on improving both financial resilience and sustainability.</p>	
RISK	Mitigating action
<p>Expectations/Leading the Sector There is a risk that demands on HES as the lead body in the historic environment outweigh the resources available to us resulting in reputational damage, perhaps increased as a result of the tight financial situation across all sectors. Additionally, the changes we make as a result of reimagining and responding to our current financial situation may affect whether our work matches expectations of us.</p>	<ol style="list-style-type: none"> 1. Strategic priorities are set out in our Corporate Plan 2022 onwards and our Annual Operating Plan. 2. Regular reporting on the delivery of the sector strategy Our Place in Time. 3. Regular engagement with the Scottish Government, historic environment sector and key stakeholders to understand challenges, demonstrate what HES is delivering and manage expectations. 4. Work with the sector to update the sector strategy Our Place in Time.
<p>Risk change: This risk remained 'High' over the course of 2021-22, exacerbated by the COVID-19 situation and the pressures on the wider historic environment.</p> <p>Assessment: The risk assessment is informed by the findings of our corporate reputation survey and regular engagement with stakeholders.</p> <p>Looking ahead: We continue to have regular engagement with Scottish Government and the historic environment sector and undertake a robust planning and budgeting process to support achievement of our Corporate Plan and deliver active stakeholder engagement through our Communications Strategy. In 2022-23 we will work with the sector to update the priorities and key performance indicators of the sector strategy Our Place in Time.</p>	

RISK	Mitigating action
<p>Managing Heritage Assets The impact of climate change, lack of resources and inadequate archive accommodation leads to irreversible loss of historic fabric and associated cultural significance over time.</p>	<ol style="list-style-type: none"> 1. Management of the assets in our care under the terms of the Scottish Ministers' Scheme of Delegation for Properties in Care and Associated Collections and detailed in our Asset Management Plan and Investment Plan. 2. Development of a Sustainable Properties in Care Strategy and redesigned inspections regime 3. Climate Action Plan 2020–2025 and Climate Adaptation Plan, Climate Ready HES, to tackle the impacts of climate change on the wider historic environment and support Scotland's carbon reduction targets. 4. Robust archive management policies, plans and procedures are in place to ensure standards of care appropriate for an Accredited Archives service. 5. Project to develop new accommodation for archival storage, with a lease for new accommodation for the long-term storage of the archives secured. 6. Programme of inspections to assess high-level masonry failure and its impacts.
<p>Risk change: This risk remained 'High' over the course of 2021–22.</p> <p>Assessment: The baseline risk position for the sites in our care is set out in our monument condition index and our Climate Change Risk Assessment. The strategic importance of the archive collection and the project management of the accommodation project also informs the assessment of this risk.</p> <p>Looking ahead: Ongoing management of assets in our care and implementation of our sector-leading Climate Action Plan 2020–2025 and Climate Adaptation Plan. Work is underway to develop a strategy and redesigned inspection regime for the properties in our care that considers how we manage and operate these assets in a sustainable and innovative way to maximise their contribution now and for the generations to come. A project is ongoing to develop a modern, safe storage solution to ensure the long-term preservation of the archive.</p>	
RISK	Mitigating action
<p>Cyber Security: HES is under increasing threat from cyber-attacks, including from outdated/unsupported software, which could result in the loss of or inability to access corporate information and sensitive data and/or fraud.</p>	<ol style="list-style-type: none"> 1. Policies such as Information Security and Counter Fraud reviewed. 2. ISO270001 Information Security Management benchmarking completed. 3. Restrictions on device functionality implemented to enhance the HES controlled data environment. 4. Cyber Essentials Plus Certification completed. 5. Iron Scale cyber security tool roll out for digital communications safety. 6. Cyclical cyber security training for staff members and awareness raised over strict vigilance in respect of unsolicited emails.
<p>Risk change: This risk increased to 'Medium' in 2021–22 and has recently increased again to 'High'.</p> <p>Assessment: The risk assessment is informed by the findings of our ISO27001 benchmarking exercise.</p> <p>Looking ahead: Business continuity forms a central part of cyber security. An exercise is planned for 2022 using Scottish Business Resilience Centre which will guide further development.</p>	

PERFORMANCE SUMMARY 2021–22

2021-22 is the third and final year of our Corporate Plan 2019 Onwards: *Heritage for All*. We accomplished a great deal, despite the pandemic, with 93% of our Annual Operating Plan achieved or partially achieved (compared to 95% in 2020-21¹ and 2019-20). Our successes over the course of the year span the full range of our functions, including how we continued to transform the way the organisation works in response to the ongoing impact of Covid.

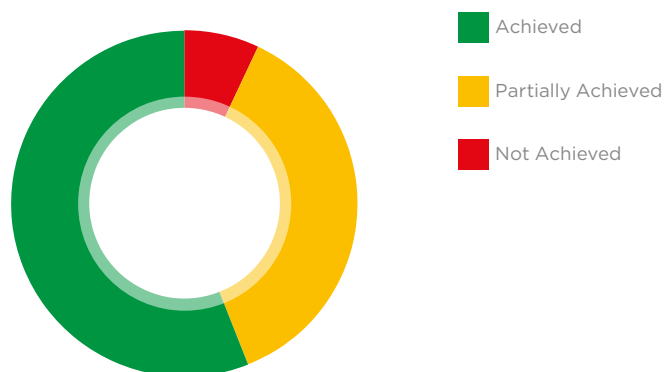
Of the 46 indicators in 2021-22, 26 were achieved, 17 were partially achieved and three were not achieved. (2020-21: 60 actions, 42 achieved, 15 partially achieved and three not achieved. 2019-20: 59 deliverables, 46 achieved, 10 partially achieved and three not achieved).

PRIORITISING OUR WORK

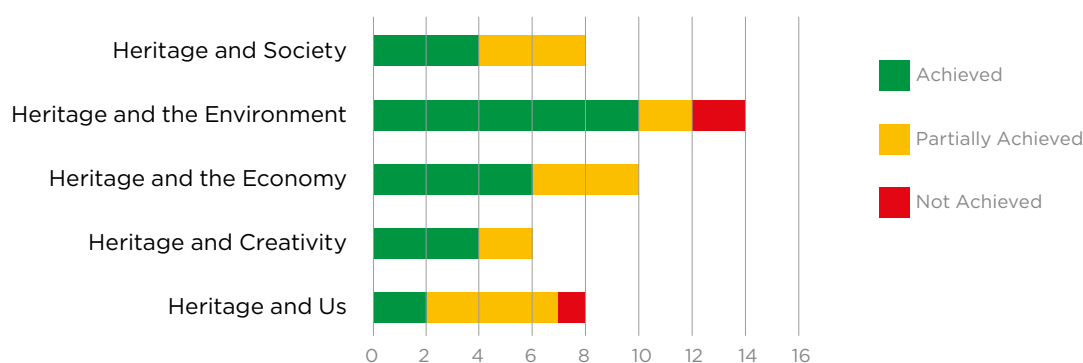
In prioritising our plans and our budget, we were guided by the following principles, adapted to reflect the distinctive features of 2021-22:

- Re(building) core business
- Progressing reimagining priorities
- Sector recovery and influence
- Investing to underpin future growth
- Delivering our people strategy
- Focused reductions

Annual Operating Plan 2021-22 — Indicators



Annual Operating Plan 2021-22 — Performance Against Actions



In summer 2021 we reprioritised and made changes to our Annual Operating Plan 2021-22 after listening to colleague feedback on wellbeing and workloads. The changes included additional activity related to the high-level masonry inspection programme balanced by reducing the scale of delivery for seven of the original indicators. Of the one new and seven updated indicators, five were achieved and three were partially achieved. The changes are set out below and the indicators marked with an asterisk in the tables of the Performance Analysis section.

1. 2020-21 overall result revised from 97% to 95% to reflect a change in status from Achieved to Not Achieved of one action under KPI 4 which emerged post-reporting. The individual and overall KPI status are unchanged.

TRENDS IN PERFORMANCE STATISTICS

RAG (red, amber, green) status of KPIs over the 3-year Corporate Plan period: 2019-20 (Year 1), 2020-21 (Year 2) and 2021-22 (Year 3).

	Key Performance Indicator (KPI)	2019-20 Indicators	2020-21 Actions ¹	2021-22 Indicators	Combined AOP Status 2019-22	Overall Status 2019-22
Heritage and Society	1 Increase wellbeing from Scotland's historic environment	A: 3 of 3	A: 3 of 4 PA: 1 of 4	A: 1 of 2 PA: 1 of 2	A: 7 of 9 PA: 2 of 9	Partially Achieved ²
	2 Increase engagement with Scotland's historic environment	A: 7 of 8 PA: 1 of 8	A: 6 of 7 PA: 1 of 7	A: 2 of 5 PA: 3 of 5	A: 15 of 20 PA: 5 of 20	Achieved
	3 Enhance communities' use of their heritage in placemaking	A: 2 of 2	A: 3 of 3	A: 1 of 1	A: 6 of 6	Achieved
Heritage and the Environment	4 Strengthen the resilience of Scotland's Historic Environment	A: 7 of 11 PA: 2 of 11 NA: 2 of 11	A: 7 of 12 PA: 3 of 12 NA: 2 of 12	A: 6 of 10 PA: 2 of 10 NA: 2 of 10	A: 20 of 33 PA: 7 of 33 NA: 6 of 33	Partially Achieved
	5 Increasingly lead the sector in climate change	A: 3 of 3	A: 2 of 4 PA: 2 of 4	A: 4 of 4	A: 9 of 11 PA: 2 of 11	Achieved
Heritage and the Economy	6 Increase economic benefits from Scotland's historic environment	A: 7 of 12 PA: 4 of 12 NA: 1 of 12	A: 7 of 8 PA: 1 of 8	A: 6 of 10 PA: 4 of 10	A: 20 of 30 PA: 9 of 30 NA: 1 of 30	Not Achieved ³
Heritage and Creativity	7 Increasingly inspire creativity and innovation	A: 5 of 6 PA: 1 of 6	A: 4 of 6 PA: 2 of 6	A: 3 of 4 PA: 1 of 4	A: 12 of 16 PA: 4 of 16	Achieved
	8 Increase international recognition of the quality of Scotland's historic environment	A: 1 of 2 PA: 1 of 2	A: 5 of 5	A: 1 of 2 PA: 1 of 2	A: 7 of 9 PA: 2 of 9	Achieved
Heritage and Us	9 Grow trust and confidence in HES	A: 5 of 5	A: 2 of 2	PA: 2 of 2	A: 7 of 9 PA: 2 of 9	Achieved ⁴
	10 Enhance the sustainability of HES	A: 6 of 7 PA: 1 of 7	A: 5 of 9 PA: 3 of 9 NA: 1 of 9	A: 2 of 6 PA: 3 of 6 NA: 1 of 6	A: 13 of 22 PA: 7 of 22 NA: 2 of 22	Partially Achieved
	Overall delivery of AOP Indicators and KPI RAG Status	Achieved/ Partially Achieved 56 of 59 (95%) Not Achieved: 3 of 59	Achieved/ Partially Achieved ⁶ 57 of 60 (95%) Not Achieved: 3 of 60	Achieved/ Partially Achieved 43 of 46 (93%) Not Achieved: 3 of 46	Achieved/ Partially Achieved 156 of 165 Not Achieved: 9 of 165	Achieved 6 of 10 Partially Achieved 3 of 10 Not Achieved 1 of 10

Key: RAG status of KPIs over the 3-year Corporate Plan period: 2019-20, 2020-21 and 2021-22 Year 3 of 3.

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

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

Not Achieved = 50% or more of actions not achieved

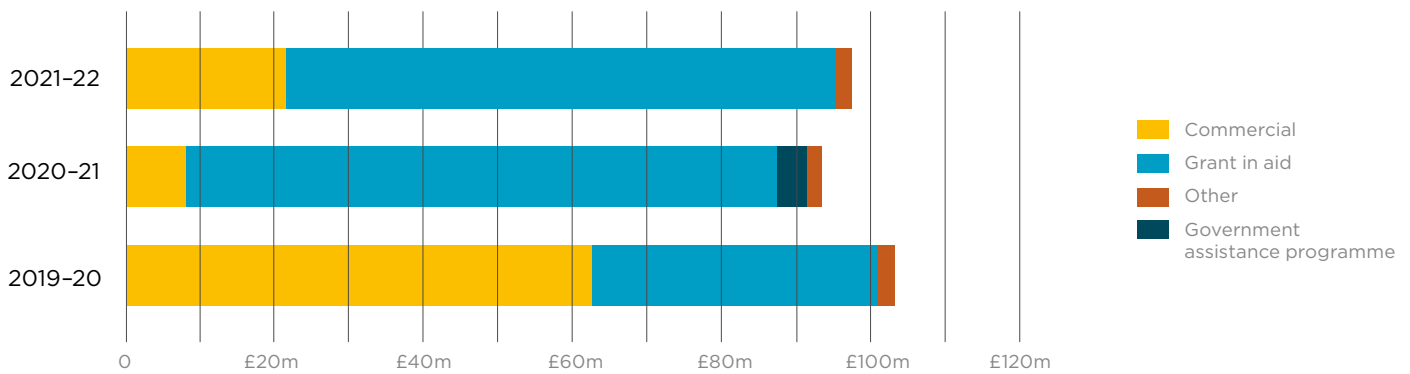
Note that KPIs are multi-year. 2021-22 is year 3 of the three-year period that the KPIs span (2019-22). At the period end (31 March 2022) the KPIs are assessed at Achieved (green), Partially Achieved (amber) or Not Achieved (red).

- In 2020-21 we published two six-month Action Plans in place of the Annual Operating Plan and the term 'actions' was used instead of 'indicators'
- KPI RAG - Partially Achieved status due to contextual data. See Analysis.
- KPI RAG - Not Achieved status due to contextual data. See Analysis.
- KPI 9 Year-end status Achieved based on AOP Indicator Results. Corporate Reputation Survey planned for 2022-23
- 2019-20 overall delivery of AOP Indicators RAG status revised from green to amber to reflect the Not Achieved status of three Indicators
- 2020-21 overall delivery of AOP Indicators RAG status revised from green to amber to reflect the Not Achieved status of three Indicators
- 2020-21 overall result revised from 97% to 95% to reflect a change in status from Achieved to Not Achieved of one action under KPI 4 which emerged post-reporting. The individual and overall KPI status are unchanged.

FINANCIAL SUMMARY

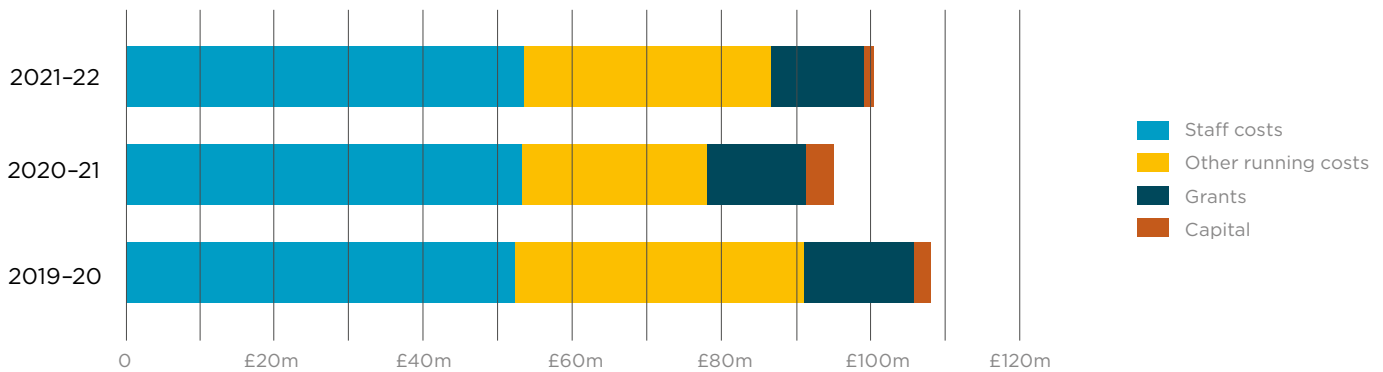
The pandemic and associated restrictions have had a major impact on our finances over 2020-21 and 2021-22. HES's commercial income partially recovered in 2021-22 but was still 67% below the largely pre-pandemic level of 2019-20. The decrease in commercial income has been partly supplemented by additional Scottish Government grant-in-aid.

Total Income



Total income increased 4% from 2020-21 to 2021-22 with a reduction in grant in aid being offset by the partial recovery in commercial income.¹

Expenditure



Expenditure has increased 6% between 2020-21 and 2021-22 with fewer impacts from the pandemic and year-on-year increase in activity.

Our expenditure was within Scottish Government limits for 2021-22.

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

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



PERFORMANCE ANALYSIS

SGRÙDADH AIR DÈANADAS

PERFORMANCE AGAINST PLAN 2021–22

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



WE ACHIEVED

4 of 8

of the
'Heritage and Society'
indicators in our AOP were
achieved.

4 of 8 indicators were
partially achieved.

SPOTLIGHT ON IMPACTS

Supporting Scotland's Wellbeing

There is a growing shift in how countries measure success away from GDP growth to wellbeing improvement. This focus on wellbeing is now in the Scottish Government's Purpose Statement at the heart of the National Performance Framework (NPF): To focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive growth.

The historic environment has the potential to deliver benefits for all. We have shaped our work to extend access to under-represented groups and maximise our impact. In April 2021 we set out our vision to tackle inequalities and increase access to and participation in Scotland's historic environment with publication of our Equality Outcomes for 2021–25. www.historicenvironment.scot/about-us/news/new-plan-to-promote-equality-diversity-and-inclusion/

The historic environment is a vital part of all our lives right now. Engagement with the historic environment has the power to change lives for the better – to make us feel happier, more informed and better connected, to encourage us to get outdoors and active, to speak to the diversity of our nation. Heritage sits at the heart of what makes a place feel special and tangible for our communities. We want to ensure that communities and local organisations are supported to look after their heritage assets to deliver real improvements in people's lives.

The pandemic has affected all our lives in significant ways, with maintaining positive mental wellbeing a key issue for many people facing disruption to our daily activities. Local communities came together to support each other, and many people found value in the natural and built historic

environment within their local area. As the lead public body for the historic environment, we have delivered advice and guidance through a place-based approach to help communities understand, promote and harness the wellbeing benefits of their heritage. These practical applications of our survey data are supporting wellbeing during the pandemic and beyond.

Over the last three years, we worked with people to understand the links between Scotland's historic environment and wellbeing. Our research has led to wellbeing being integrated into decisions about how we can deliver our services in a way which makes a real difference to people's lives. For example, we are using the research data to track the links from different types of grant to wellbeing outcomes to inform our evaluation of Conservation Area Regeneration Schemes and the design of our new grants programme; the data is informing case studies on how wellbeing can be factored into future designation decisions; an experimental wellbeing index linking the properties in our care to the wellbeing of local communities has been developed and discussed for use in our work at our sites and variations in the survey responses between protected groups have been used to inform the new equalities outcomes.

However, there is more to do. Work on wellbeing published by the Scottish Government and Office for National Statistics indicates the depth and severity of the impact of the pandemic on individual and societal wellbeing. While the historic environment made a contribution to mitigating some of these impacts, we know that the positive impact of the historic environment on wellbeing is strongly associated with participation and opportunities were greatly reduced during the plan period. It is important that we continue promoting the benefits of the historic environment and working with communities to put wellbeing and localism at the heart of all our decisions.

HERITAGE AND SOCIETY – PERFORMANCE RESULTS (8 INDICATORS)

KPI 1: WE INCREASED WELLBEING FROM SCOTLAND'S HISTORIC ENVIRONMENT (4 INDICATORS)

AOP SUCCESS MEASURES 2021–22	RESULT 2021–22
<p>Wellbeing Integrated the wellbeing benefits of the historic environment into our communications and marketing for 2021–22</p>	<p>Achieved Integrated the wellbeing benefits of the historic environment into our communications and marketing for 2021–22. Our external communications throughout the year have integrated the wellbeing benefits of the historic environment. We organised a press event to launch the opening of the new bridge built at Doune Castle to encourage the local community to get out and enjoy the area around the castle. We promoted via social media the resumption of guided ranger walks in Orkney and our educational outdoor events at Holyrood Park and Linlithgow Peel. We published media releases and social media about the reopening of seasonal sites and resumption of events was promoted to local communities. Support was provided on social media and via HES blogs for LGBT Month and Women's History Month, including flying the rainbow flag from several of our sites.</p>
<p>Volunteers Rebuilt volunteer numbers to 150 or more by 31 March 2022¹</p>	<p>Partially Achieved Number of volunteers increased from 28 in 2020–21 to 46 in 2021–22. [Target: 150]. However, volunteer numbers were less than 150 by 31 March 2022 due to disruption caused by external factors outside HES's control (Covid-19) so this indicator is Partially Achieved.</p>
<p>Equalities Delivered 60% or more of the 2021–22 high level planned actions in the <i>Equalities Outcomes Action Plan</i> by 31 March 2022²</p>	<p>Achieved Delivered over 60% of high-level planned actions by 31 March 2022 [Target: 60%]. Key actions included:</p> <ul style="list-style-type: none"> • Refreshed Recruitment Training rolled out to all line managers in February 2022. • Reviewed Internal Communications approach, including promoting equality activities. • Increased participation from staff and employee networks in the strategic and policy-making process. • LGBT Charter Mark sign-up was approved by SMT Equality Champions' quarterly meeting held in February 2022. • Managing Imperial Legacies project website was updated and plans prepared for the conference in June 2022. • Launched 'Properties in Care and the British Empire' research project.
<p>Young People Developed an Action Plan based on recommendations from #HistoricScot forum report working with Young Scot by 31 March 2022³</p>	<p>Partially Achieved Action Plan drafted but not fully developed by 31 March 2022. Young people developed their ideas with HES staff in the Create phase of the co-design process. A Create workshop was delivered in March 2022 as well as a Digital Transformation session. A number of ideas and actions were selected and will be taken forward to the next phase for prototyping.</p>

1. Indicator revised summer 2021 from 'Rebuilt volunteer numbers to **300** or more'
2. Indicator revised summer 2021 from 'Delivered **75%** or more of the 2021–22 high level planned actions in the *Equalities Outcomes Action Plan* by 31 March 2022'
3. Indicator revised summer 2021 from '**Implemented** an Action Plan based on recommendations from #HistoricScot forum report working with Young Scot by 31 March 2022'

KPI 2: WE INCREASED ENGAGEMENT WITH SCOTLAND'S HISTORIC ENVIRONMENT (3 INDICATORS)	
<p>Engagement Highlighted opportunities to engage through our online events, diversity of online content, marketing and social media activity in 2021-22</p>	<p>Achieved Throughout the year a number of highlights were promoted via our online channels:</p> <ul style="list-style-type: none"> • The Linlithgow junior tour guide video tour and accompanying learning resources were launched with a media release. It has resulted in positive coverage from regional publications including Edinburgh Evening News, The Falkirk Herald and the Linlithgow Gazette. • The Hebridean Baker video – St Clement’s Church: the first video collaboration with the TikTok content producer. Their video has had good engagement across the platforms it was posted on (HS Instagram Reel: 38k views, HS Facebook Story: 3.5k views). It was also shared as a YouTube Short from HES which was the first time using this feature and at 1.3k views a success to reach different audiences. • Opening of Doune Castle pedestrian bridge – in March 2022 we shared the news that a new footbridge had opened at Doune Castle. This resulted in excellent social media engagement across all platforms, with nearly 190,000 reach/impressions, 18,000 engagements, 150 comments, over 2,300 likes and over 350 shares. • We released a Sketchfab model of the Hutton Section in Holyrood Park, which was well received. On social media we reached nearly 20,000 people.
<p>Heritage Hub Completed Heritage Hub project procurement stage, approved full Business case and begun Year 1 of development by 31 March 2022</p>	<p>Partially Achieved Procurement completed and full Business Case for Heritage Hub approved but the development project had not started by 31 March 2022.</p>
<p>Digital Archives Increased the total number of historic photographs digitised and visible online from 900,000 in 2020-21 to 975,000 by 31 March 2022</p>	<p>Partially Achieved 93,000 images were digitised but not all were made visible online by 31 March 2022.</p>
KPI 3: WE ENHANCE COMMUNITIES' USE OF THEIR HERITAGE IN PLACEMAKING (1 INDICATOR)	
<p>Communities* Delivered 50% or more of high-level planned actions in the multi-partner Community Support Action Plan by 31 March 2022¹</p>	<p>Achieved Delivered 50% of high-level planned activities: [Target: 50%]. Key actions included:</p> <ul style="list-style-type: none"> • Continued the Community Connections Programme and managing 34 active projects across HES. • Ongoing liaison with key Scottish Government stakeholder policy areas. • Hosted 1 Community Heritage Conversation. • Planning Scotland’s Community Heritage 2022 programme • Supported key community workstream for COP26 including legacy planning. • Supported communities impacted by High Level Masonry work through communities and stakeholder engagement working group. • Started scoping for Community Strategy and sector workshop.

1. Indicator revised summer 2021 from 'Delivered **60%** or more of high-level planned actions in the multi-partner Community Support Action Plan by 31 March 2022'

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



WE ACHIEVED

10 of 14

of the
'Heritage and the
Environment' indicators
in our AOP were
achieved.

2 of 14 indicators were
partially achieved.

2 of 14 were not
achieved.

SPOTLIGHT ON IMPACTS

Strengthening resilience of the historic environment

A key challenge to the historic environment across the UK is deterioration of high-level masonry at historic sites as a result of climate change and other factors. With over 300 sites of national importance in our care, addressing these challenges and understanding and mitigating the impacts on surrounding communities, sharing our learning and benefitting from the experience of others is a key priority. In 2021–22 we adapted our traditional approach to inspections by undertaking tactile surveys at a sample of our sites to assess the nature and scale of deterioration. The findings from these inspections led to access restrictions to maintain public safety. Balancing conservation and access objectives, while managing our statutory obligations is very challenging. Addressing these challenges to strengthen the resilience of the historic environment means having better information, revising our inspection approaches, managing access differently and also making difficult choices where needed.

Investment in the sites in our own care is prioritised according to principles set out in our Asset Management Plan and we have worked hard over the period to improve prioritisation of investment in the wider historic environment according to need. We have awarded millions of pounds each year to local communities through our grants programmes, supported planning applications and provided advice and guidance all of which enable repair and reuse of the historic environment, helping to foster a strong sense of place and social cohesion. In addition, we know that our grant awards to local communities attract additional investment. For example, for every £1 invested in 2021–22, projects we funded attracted £4.77 in additional investment in the historic environment (an increase of 39% compared to 2020–21). This provides an encouraging indication that the historic environment is being appropriately managed to enable viable use or reuse. However, more time is needed to see evidence that the resilience of Scotland's historic environment has been strengthened.

Supporting Scotland's net zero ambitions

Scotland has world-leading ambitions on responding to climate change. We have responded to the challenges of climate change – making it central to our policy and practice, and better understanding, managing and mitigating its impact. We know that traditional buildings (those which are pre-1919) make up 19% of our existing housing stock in Scotland, 33% of our retail space, 24% of office space and up to 41% of space used by the public sector. Up to 80% of buildings likely to be in use in 2050 already exist today. Net zero cannot be achieved in Scotland if this traditional infrastructure is not addressed.

In November 2021 we published *Climate Ready HES* www.historicenvironment.scot/archives-and-research/publications/publication/?publicationId=ff08ad2c-0046-43d5-89a3-ade200e2cdee, our first climate change adaptation plan. It sets out our response to a series of climate risks that we have identified that each have the potential to negatively impact our organisation. Over the plan period we have reduced our own greenhouse gas emissions from energy, waste and business travel. From 4,803 tCO₂e in 2019–20, we have reduced emissions to 3,541 tCO₂e in 2021–22. While 2020–21 saw a steeper drop in emissions due to the pandemic, we ended the period with lower emissions than at the start (see Summary Sustainability Report for full details). During 2021–22 we demonstrated that renewable energy technologies can be integrated into even the most sensitive historic environments if designed and installed with care. The installation of solar panels to the roof of the Scottish National War Memorial at Edinburgh Castle will generate enough renewable energy to offset the electricity consumed by the Memorial with the excess consumed elsewhere in the Castle.

In April 2022 we published our *Green Recovery Statement* (GRS) www.historicenvironment.scot/archives-and-research/publications/publication/?publicationId=8a0b75d5-0776-4587-8dd5-ae8201362dd4, which positions the historic environment as a solution to the climate emergency and a green economic recovery. It sets out seven key areas where the historic environment can help to realise our national ambitions through resource efficiency, supporting the transition to net zero, providing good, green jobs, localism, responsible tourism, land management and digital connectivity. The GRS explains that the reuse and adaptation of existing heritage assets is integral to a net zero transition: mitigating resource scarcity, preventing waste and reducing carbon emissions if low carbon materials are used. It also makes best use of the embodied carbon in the built assets we already have.

HERITAGE AND THE ENVIRONMENT – PERFORMANCE RESULTS (14 INDICATORS)	
KPI 4: WE STRENGTHENED THE RESILIENCE OF SCOTLAND'S HISTORIC ENVIRONMENT (10 INDICATORS)	
AOP SUCCESS MEASURES 2021–22	RESULT 2021–22
Regulatory Framework*¹ Regulatory framework approved by 31 March 2022	Partially Achieved The revised draft for the Regulatory framework has been completed but was not approved by 31 March 2022.
Managing Change Guidance Delivered 3 new or revised guidance notes on managing change (current published total: 29) by 31 March 2022 guiding changes in line with the Historic Environment Policy for Scotland and Scottish Planning Policy	Not Achieved No new or revised guidance notes published [Target: 3]. No progress was made with the Managing Change Guidance Notes during 2021–22. This was due to resourcing issues, including vacancy and long term absence, and the need to focus the resources on the delivery of our statutory role in consent and advice giving.
Casework Deal with regulatory activities, consultations and decisions within stated timescales, ensuring our decisions are open, transparent and easy to understand - maintained delivery at 90% or more dealt with within stated timescales in 2021–22	Achieved 96% (4,111 out of 4,275) regulatory activities dealt with in line with stated timescales, thereby maintaining delivery at 90% or more. [Target: 90%].
Role in the Planning System Annual Planning Performance Report approved by 31 August 2021	Achieved Annual Planning Performance Report approved by 31 August 2021. www.historicenvironment.scot/archives-and-research/publications/publication/?publicationId=e9fa9847-dbcd-4d53-b11e-ad5e008a9952
PIC Strategy PIC Strategy approved by 31 March 2022	Not Achieved The PIC Strategy has been rescheduled for approval by April 2023.
Conservation and Maintenance Delivered 90% or more of estate maintenance, conservation and investment projects prioritised in line with our Asset Management Plan and available budget by 31 March 2022	Achieved 97% delivered [Target: 90%]. In 2021–22 we allocated £6.85 million to the delivery of activity in line with the Scheme of Delegation for Properties in our Care in accordance with our Asset Management Plan; with actual spend reaching 97% of this allocated budget. This figure includes survey and inspection, planned and reactive maintenance, specialist technical works (including mechanical and electrical, and landscape) and investment projects. It does not include investment associated with Visitor Operations.
Safety at Sites Carried out inspections at all sites scheduled for re-opening, with a focus on compliance in 2021–22	Achieved All inspections were carried out at the sites scheduled for re-opening. Sites that were safe have been reopened while others have remained closed. All data is recorded on a Resumption Tracker. Newly developed Closing Down and Reopening of HES Assets Procedure is in place and provides a safe, structured approach to opening up a property ensuring that compliance checks and inspections are completed prior to reopening and providing an audit trail.
Collections Scheme of Delegation collections conditions assessment framework, aligned to industry standards, approved by 31 March 2022	Partially Achieved Condition checking framework reviewed, and recommendations made, but not yet approved by 31 March 2022. Implementation to be carried into 2022–23.

1. Indicator revised summer 2021 from 'Regulatory framework approved by 31 October 2021'

<p>Archive House Business Case for Archive House approved and design and development work well advanced by 31 March 2022</p>	<p>Achieved Business Case for Archive House was approved by the HES Board (May 2021) and Scottish Government (October 2021). Design and development work advanced. Detailed planning is progressing for the Archive Project, including construction, Move Ready and IT elements of the Project. Gleeds have been appointed as principal consultants to the project and Oberlanders as architects.</p>
<p>High-Level Masonry¹</p> <ul style="list-style-type: none"> Completed Phase 1 sample inspection programme and agreed next steps by 31 March 2022 Implemented mitigation measures for the highest life safety risks, including high level masonry failures by 31 March 2022 	<p>Achieved Completed Phase 1 sample inspection programme and planned next steps. Following on from the sample inspection findings 70 sites were closed due to the potential risk of high-level fabric falls. A High-Level Masonry Project was set up to deliver full high level tactile inspections nationally. 4 workstreams have been set up to support and deliver this project: Technical Workstream; Resourcing and Delivery Workstream; Communications and Engagement Workstream and Customer Experience and Commercial Workstream</p>
<p>KPI 5: WE INCREASINGLY LEAD THE SECTOR IN CLIMATE CHANGE (4 INDICATORS)</p>	
<p>AOP SUCCESS MEASURES 2021–22</p>	<p>RESULT 2021–22</p>
<p>Climate Heritage Manifesto Launched a historic environment sector climate heritage manifesto by 31 March 2022</p>	<p>Achieved <i>Climate Heritage Manifesto: Accelerating Climate Action through the Power of Arts, Culture and Heritage – A Manifesto on Keeping 1.5° Alive</i> www.climateheritage.org/manifesto-culture-at-cop/ was launched by the Climate Heritage Network at COP26 in November 2021. It was coordinated by HES (as co-chair of the Climate Heritage Network) and is published on the Culture at COP website. Our 5 key objectives to ensure COP26 leaves a positive legacy for the historic environment in Scotland are published on the HES website under the title What does COP26 mean for Scotland’s history and heritage? A programme overview and evaluation for the HES COP26 Programme and Legacy Plan was submitted to SMT by the HES COP26 Planning Group in March 2022. The HES Green Recovery Statement www.historicenvironment.scot/archives-and-research/publications/publication/?publicationid=8a0b75d5-0776-4587-8dd5-ae8201362dd4 was published in April 2022.</p>
<p>COP26 Developed an action plan to maximise our contribution to COP26 by 30 September 2021 and a legacy plan by 31 March 2022</p>	<p>Achieved Action Plan to maximise HES contribution to COP26 completed. Delivered 3 evaluation sessions, evaluated all project level activities and drafted reports. Recruited new coordinator to complete all project closure work. Legacy Plan drafted by COP26 Working Group. Final report and Legacy Plan sent to SMT in March 2022.</p>
<p>Climate Action Plan Progressed delivery of Climate Action Plan (CAP) from 20% of sub-actions at 31 March 2021 (Year 1 to 5) to 30% or more by 31 March 2022 (Year 2 of 5)</p>	<p>Achieved By 31 March 2022, 36% of sub-actions had been delivered. [Target: 30%]. This represents continuation of good progress in several CAP workstreams, notably Impacts & Adaptation, Energy & Carbon Management and Circular Economy.</p>
<p>Waste Management Increased recycling rate of all waste from 50% in 2019–20 (latest available data) to 55% or more by 31 March 2022</p>	<p>Achieved Increased recycling rate of all waste from 50% in 2019–20 (53% in 2020–21) to 65%² by 31 March 2022. [Target: 65%].</p>

1. New Indicator added summer 2021
2. Recycling includes segregated mixed recycling, waste that is composted and waste that goes to anaerobic digestion.

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



WE ACHIEVED

6^{of} 10

of the
'Heritage and the
Economy' indicators in
our AOP were achieved.

4 actions partially
achieved.

SPOTLIGHT ON IMPACTS

Supporting the recovery of Scotland's Economy to be Stronger, Fairer, Greener

The pandemic has had a massive impact on our economy and the tourism, cultural and heritage sectors have been disproportionately affected. However, the historic environment is one of the most important, valuable, long-lasting and sustainable things Scotland has to offer. Built on principles of sustainability, our heritage assets have a clear role to play in addressing the economic, social and environmental challenges we face as a nation and, through ongoing investment, have the potential to fuel a green recovery.

Heritage, led by HES properties, is a key contributor to Scotland's tourism economy: a priority in the National Strategy for Economic Transformation.

- Half (50%) of Scotland's international visitors engage with heritage. 34% list heritage as their main reason for visiting, 16% visit heritage while here for other reasons.
- £3.2 billion was spent by visitors who included heritage as part of their trip in 2019.

The shift to sustainable and responsible tourism will create the new jobs of the future and the sector also provides employment in remote and rural areas where few alternative opportunities exist.

These figures underline the economic impact of heritage in Scotland's tourism economy. The historic environment sector also makes a significant contribution to local economies by regenerating our historic assets and providing jobs and skills development.

Over the Corporate Plan period, we worked across Scotland to build national and local partnerships to support investment in our heritage assets as well as creating jobs and skills development opportunities. Working with key industry partners, within the framework of the sector Skills Investment Plan, we developed online skills training to support key sectors affected by the pandemic. We worked with local partners to develop investment approaches at key properties in

our care that support local tourism and visitor attraction economies. Nationally, we worked alongside local authorities, economic development agencies, and key cultural sector public bodies. We actively worked in six City and Region Growth Deal areas to ensure that the historic environment is being used to support local economies.

Since 2019–20, the start of the Corporate Plan period, we have invested nearly £40 million in local economies through our grants programmes, adapting them to support the sector through the pandemic within the resources available to us. In particular, we awarded funding of over £1.9 million to over 40 organisations across Scotland to help support the sector’s recovery from the impacts of the pandemic through the Historic Environment Recovery Fund (HERF), administered by HES on behalf of the Scottish Government. The fund aimed to support organisations to remain solvent, safeguard jobs and training opportunities and ensure that historic buildings and sites could re-open to the public. The fund also invested in urgent repairs and maintenance, helping people to generate work for specialist contractors and the wider heritage community. In January 2022 we published our refreshed Grants Framework with revised priorities to increase the impact of our grant and support recovery. Since 2019–20, we have also spent £59 million with Scottish suppliers and in May 2022 we published our sustainable Procurement Strategy which will contribute to jobs and growth, encourage innovation, boost training and apprenticeship opportunities, and help small and medium enterprises, third sector organisations and supported businesses to compete effectively for contracts.

However, despite strong performance, data illustrates that as a result of the pandemic the economic benefits from Scotland’s historic environment fell 37% during 2020. This was driven by an 80% fall in tourism due to closures and travel restrictions. The picture improved in 2021–22, but tourism has not entirely recovered and economic conditions remain challenging. In ‘normal’ times, the historic environment in Scotland is a primary reason for inbound tourism and is a growing sector, attracting 18 million visitors in 2019–20. Adding spend on conservation of traditional buildings and in local supply chains, the heritage sector is estimated to contribute more than £4.4 billion to Scotland underlining the potential of the historic environment to support a stronger, fairer, greener economy.

HERITAGE AND THE ECONOMY – PERFORMANCE RESULTS (10 INDICATORS)	
KPI 6: WE INCREASE ECONOMIC BENEFITS FROM SCOTLAND'S HISTORIC ENVIRONMENT (10 INDICATORS)	
AOP SUCCESS MEASURES 2021–22	RESULTS 2021–22
<p>Growth Deals*¹</p> <p>Promoted contribution with a focus on key Growth Deal and related infrastructure plan consultations within stated timescales in 2021–22</p>	<p>Achieved</p> <p>Actively engaged with programme boards on 5 Growth Deals Programmes: Borderlands, Island Deals, Stirling and Clackmannanshire and Argyll Rural Growth Deal and Argyll & Bute. Responded to 6 Growth Deal business cases. Engaged with West Dumbarton, East Lothian, Scottish Borders Argyll and Midlothian Councils on development and PICs. Named delivery partner in South of Scotland Regional Economic Strategy for cultural assets and asked to contribute to Deputy First Minister-chaired Convention of South of Scotland. Ongoing liaison with Highlands and Islands Enterprise, South of Scotland Enterprise and Scottish Enterprise.</p>
<p>Grants*²</p> <ul style="list-style-type: none"> Developed final version of HES Grants Framework by 30 November 2021 Completed Phase One of Grants Management System rollout by 31 March 2022 Launched refreshed Conservation Area Regeneration Scheme (CARS) programme by 31 March 2022 	<p>Achieved</p> <p>All 3 success criteria have been met: Developed final version of HES Grants Framework and sent to HES Board in October 2021. Published in January 2022. Heritage & Place Programme (new CARS) successfully launched on new Grants Management System in March 2022.</p>
<p>Procurement</p> <p>Published our Sustainable Procurement Strategy by 31 December 2021</p>	<p>Partially Achieved</p> <p>Sustainable procurement strategy published internally in March 2022 and published externally in May 2022.</p>
<p>Sustainable Tourism</p> <p>Delivered an approach to sustainable tourism for HES and a model framework by which to baseline performance in a pilot area by 31 March 2022</p>	<p>Partially Achieved</p> <p>HES approach and model framework for sustainable tourism 60% or more complete by 31 March 2022. Our outline framework for HES's approach to Responsible Tourism was presented to SMT in February 2022 and further developed during a Responsible Tourism Workshop at Senior Leaders Forum in March 2022. The approach will be formalised and will provide a baseline in order to assess performance of actions in line with responsible tourism principles in the pilot area Doune, as part of the Doune Sustainable Tourism project.</p>
<p>Marketing</p> <p>Implemented a marketing plan for 2021–22 with a focus on domestic audiences delivered throughout the year and completed by 31 March 2022</p>	<p>Achieved</p> <p>Continued to deliver planned marketing activity through the last quarter with a spring visit campaign launching in March 2022. Visit Britain campaign continued to March. March visitors comprised 60% UK domestic including Scotland. We also launched our Year of Stories activity in January 2022 with the launch of a new landing page with associated content.</p>

- Indicator revised summer 2021 from 'Promoted contribution in all Growth Deals and related infrastructure plan consultations within stated timescales in 2021–22'
- Indicator revised summer 2021 from 'Developed new grants framework and completed Phase 1 of the Grants Management System rollout, rather than launched new open programme, and refreshed Conservation Area Regeneration Scheme launched by 30 November 2021'

<p>Membership</p> <p>Increased membership from 155,521¹ members in 2020–21 to 193,000 at the high point of the year in 2021–22</p>	<p>Partially Achieved</p> <p>Membership numbers peaked at 167,469 [Target: 193,000]. We have fallen short of the target due to continued impact of Covid-19, a lack of membership recruitment at sites, the site closures due to high-level masonry issues, and seasonal sites not opening. However, our overall member retention rate is high at 86%.</p>
<p>Visitor Experience</p> <p>Maintained or improved visitor feedback scores at or better than 9.25 in 2020–21</p>	<p>Partially Achieved</p> <p>Visitor feedback scores in 2021–22 were 9.18 [Target: 9.25]. This falls short of the target but meets the partially achieved criteria: visitor feedback score of 9.0 or more but less than 9.25. Higher scores were achieved in relation to safety and welcome but slightly lower scores in value for money and enjoyment reduced the feedback score.</p>
<p>Innovation</p> <p>Trialled 50 pieces of innovative interpretive content at 15 sites in our care by 31 March 2022, maintaining pace of development from 2020–21</p>	<p>Achieved</p> <p>Trialled 90 pieces of innovative interpretive content at 30 sites in our care. [Targets: 50 and 15].</p>
<p>Skills</p> <p>Delivered (or for multi-year actions, made good progress in delivering) the majority (60% or more) of actions in the Skills Investment Delivery Plan by 31 March 2022</p>	<p>Achieved</p> <p>72% of the actions in the Skills Investment Plan are on track and progressing well. [Target: 60%]. This comprises 54% of multi-year actions that are progressing well and 18% of actions delivered. SIP delivery groups have been expanded to be more regionally representative.</p>
<p>Research</p> <p>Delivered (or for multi-year actions, made good progress in delivering) the majority (60% or more) of actions in the Research Strategy by 31 March 2022</p>	<p>Achieved</p> <p>79% of planned actions delivered in year (11 of 14). [Target: 60%]. Some activity put on hold, or altered, in response to emerging priorities.</p>

1. 155,521 was the year-end figure in 2020–21 (compared to the high-point figure of 186,000 sited elsewhere in this report). Although we usually use the high-point for this indicator, that was not an appropriate baseline for 2021–22. This is because the high-point of 2020–21 occurred in April 2020, right at the start of the year. From that point onwards, as a result of the onset of the pandemic, we continued to lose members and could not recover it through member recruitment during the year.

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



WE ACHIEVED

4 of 6

of the
'Heritage and Creativity'
Creativity' indicators in
our AOP were achieved.

2 indicators were
partially achieved.

SPOTLIGHT ON IMPACTS

Inspiring a creative and vibrant Scotland

The historic environment is the story of Scotland. It is not just one story; it is everyone's stories combined. Celebrating and sharing our stories is just as important as maintaining the places they relate to. The traditions, songs, and customs that connect people to places bring the physical traces of the past to life. Whether new or old they, and the languages and the means through which they are told, provide meaning and enrichment to heritage in Scotland.

Over the Corporate Plan period we have promoted the use of the historic environment for creative inspiration, events and activities. We developed and agreed an action plan to support delivery of our Intangible Cultural Heritage (ICH) policy statement and a multi-partner programme of activity with a focus on Year of Stories 2022 and continued to deliver our Gaelic Language Plan 2018–23.

Throughout the pandemic, we have seen the potential of the historic environment to support learning and creativity within a digital environment to increase participation and support positive destinations for our learners, reducing inequalities, increasing access and improving wellbeing. Learn at Home launched in April 2020, providing new online resources to support home-schooling. This creative and innovative approach, utilising digital channels, enabled swift adaptation of our learning offer for lockdown. We went on to develop our online portal Learn, Create & Play, containing a set of digital resources that has enabled innovative, flexible and inclusive approaches to increase participation into 2021.

With sites closed, partnership projects enabled participative activity to continue digitally, co-designing content with learners and promoting wider awareness amongst target audiences. An inclusive approach saw us deliver diverse activity including video production workshops for schools in rural and deprived areas, 'escape room' experiences for young carers, reminiscence sessions for dementia groups and storytelling for family food poverty programmes. This approach enabled us to reimagine our learning offer whilst continuing to offer engaging and meaningful participative opportunities through creative collaboration. While the world was unable to come to Scotland to explore our heritage, we were able to share our heritage with the world digitally.

Increasing international recognition of the quality of Scotland's historic environment

The Nation Brand Index (NBI) www.gov.scot/collections/nation-brands-index/ demonstrates that Scotland's international reputation for being rich in historic buildings and sites remains strong. In the latest NBI (2020) historic buildings and monuments are Rank 12, score 5.0 (2018: Rank 12, score 5.1). This means the Rank has been maintained at 12 in both 2018 and 2020. The score remains stable compared to 5.1 in 2018 and 5.0 in 2020. We published and are delivering our *International Strategy 2019–29 - Partnering Globally* www.historicenvironment.scot/archives-and-research/publications/publication/?publicationId=bd803be1-c1c0-4fef-b139-aa4200de0d94 and have adjusted it in response to the pandemic. International activity included our programme at COP26 held in Glasgow in November 2021, the development of a European Heads of Heritage statement on the protection of cultural heritage in Ukraine and work to sustain our shared international culture by working with partners to deliver World Heritage Site management plans.

HERITAGE AND CREATIVITY – PERFORMANCE RESULTS (6 INDICATORS)

KPI 7: WE INCREASINGLY INSPIRE CREATIVITY AND INNOVATION (4 INDICATORS)

AOP SUCCESS MEASURES 2021–22	RESULT 2021–22
<p>Digital Strategy Launched our refreshed digital strategy HES-Digital and established a route map for implementation by 31 March 2022</p>	<p>Achieved Digital Strategy launched internally in November 2021 and updated document published on the HES website. A Digital Transformation group has been established, regularly meeting to help drive forward the programme. Insight groups have been established, supporting the development of key priorities for the strategy from March 2022. The route map for the Digital Strategy has been established.</p>
<p>Learning</p> <ul style="list-style-type: none"> Increased the number of learners actively engaged from 2,537 in 2020-21 to 5,000 (with around 40% from youthwork and Scottish Index of Multiple Deprivation/ rural schools) by 31 March 2022, building back to 15,000 learners by 2023-24 Resumed free learning visits at our sites Delivered 25 online learning resources, building on the 84 curated in 2020-21, completing the redevelopment of our Learn web pages 	<p>Achieved</p> <ul style="list-style-type: none"> Our learning programme of over 30 bespoke projects and outreach programmes actively engaged 12,283 learners through a mix of digital and an increasing number of in-person sessions. Over 53% of groups we've worked with were from target audiences. [Targets: 5,000 / 40%]. Since resumption we've welcomed 4,171 learners to 17 of our sites and 2,609 pupils from 76 Scottish Schools benefitted from heritage travel subsidy grants. 35 new resources now live online including those created in new collaborations with leading educational content providers BBC Learning and TWINKL. [Target: 25].
<p>Gaelic Progressed delivery of our Gaelic Language Plan from 68% of actions at 31 March 2021 to 80% or more by 31 March 2022</p>	<p>Partially Achieved 76% of Gaelic Language Plan delivered as at 31 March 2022. [Target: 80%]. Planned staff survey and interpretation review deferred to next period. Gaelic team operating with 50% staff capacity for whole of Q4 due to vacancy.</p>
<p>Intangible Cultural Heritage ICH Action Plan and multi-partner programme of activity with a focus on Year of Stories 2022 approved by 31 March 2022</p>	<p>Achieved Intangible Cultural Heritage Action Plan approved by SMT in March 2022.</p>

KPI 8: WE INCREASE INTERNATIONAL RECOGNITION OF THE QUALITY OF SCOTLAND'S HISTORIC ENVIRONMENT (2 INDICATORS)	
AOP INDICATORS 2021–22	RESULT 2021–22
<p>International Strategy Delivered 50% or more of actions in the multi-partner International Strategy Action Plan for 2021–22 by 31 March 2022</p>	<p>Achieved Delivered 100% of actions in the multi-partner International Strategy Action Plan. [Target: 50%]. International work focussed on HES's COP26 programme, hosting the European Heads of Heritage Forum (EHHF) and the development and coordination of the EHHF statement on the protection of cultural heritage in Ukraine.</p>
<p>World Heritage</p> <ul style="list-style-type: none"> Published a new management plan for the Heart of Neolithic Orkney and developed a new management plan for the Antonine Wall by 31 March 2022 Produced an outline Business Case for the Orkney Gateway Islands Deal submission by 31 March 2022 	<p>Partially Achieved Completed text for 1 of the 2 management plans. The Heart of Neolithic Orkney Management Plan text has been drafted, ensuring that it connects into the developing Orkney Gateway proposals. Development of a management plan for the Antonine Wall has been put on hold pending the recruitment of a replacement coordinator. Outline Business Case for Orkney Gateway partnership project has been completed and endorsement process with the partnering council is underway but not yet concluded.</p>

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



WE ACHIEVED

2 of 8

of the
'Heritage and Us'
indicators in our AOP
were achieved.

5 of 8 indicators were
partially achieved.

1 of 8 was not achieved.

SPOTLIGHT ON IMPACTS

Supporting the Sector and Our People

Scotland's historic environment is outstanding and it is our aim to be outstanding too. We want to be seen as a world-leading heritage organisation – with our expertise in demand nationally and internationally, and the ways we work recognised as examples of how to do it right. We aspire to be the best across all aspects of what we do – driving innovation and enterprise, but always offering value for money as a public body.

During the pandemic we demonstrated our strengths as an organisation: our people and our ability to adapt to new circumstances, our partners in the historic environment sector, and the impact that the historic environment can have in supporting wellbeing. The pandemic has required us all to be resilient and strengthened our resolve to improve the sustainability and flexibility of the organisation and wider sector to prepare for the future. This work will continue with a focus on impact and the difference we make through our newly refreshed Corporate Plan *Heritage for All* and as we work with the sector during 2022-23 to reshape the priorities for the sector strategy *Our Place in Time*.

We reshaped our operating model between April 2021 and May 2022 to ensure we allocate our resources in the best way to achieve the outcomes in *Heritage for All* and contribute to Scottish Government priorities. The passion, expertise and commitment of our people is crucial to our success, as our work touches villages, towns, cities and communities across Scotland. Our new operating model retains what is good about HES while empowering colleagues to make more decisions at a local level, with support from specialist expertise and services. It enables us to provide a stronger customer and community focus through an enhanced regional model and fosters more collaborative working with opportunities for colleagues to develop and progress.

Fundamentally, our people make HES and we are evolving how we work to place colleague wellbeing at the heart of every conversation. We launched our People Strategy and Behaviours Framework which commit us to longer term investment in our people and help us evolve our culture and improve our overall experience of work. They have led how we have supported colleagues impacted by the pandemic, recognising that it has affected people in different ways. We gave people the skills they needed quickly to work in new ways online and more recently, in hybrid environments. We are creating safe and welcoming workplaces that promote equality, thrive on diversity and empower and support all of our colleagues and volunteers to deliver, innovate and achieve their full potential.

HERITAGE AND US – PERFORMANCE RESULTS (8 INDICATORS)	
KPI 9: GROW TRUST AND CONFIDENCE IN HES (2 INDICATORS)	
AOP SUCCESS MEASURES 2021–22	RESULT 2021–22
Sector Strategy Delivery Chaired, participated in and reviewed all 5 Our Place in Time (OPiT) working groups by 31 March 2022	Partially Achieved Chaired, participated in and reviewed most but not all of the 5 OPiT working groups by 31 March 2022 due to disruption caused by external factors. The OPiT Volunteering and Skills and Expertise Groups have met and delivered activity in 2021–22. Members of the Climate Change Group collaborated for COP26. Built Heritage Investment Plan Group and Heritage Tourism Group were impacted by Covid-19.
Sector Priorities Drafted a report with sector recommendations for future priorities of OPiT by 31 March 2022, based on research into the support needed to recover from the pandemic and outputs from the first Scotland’s Historic Environment Forum (SHEF) event	Partially Achieved Report with sector recommendations for future priorities of OPiT not drafted by 31 March 2022, due to disruption caused by external factors that are outside HES control.
KPI 10: ENHANCE THE SUSTAINABILITY OF HES (6 INDICATORS)	
AOP SUCCESS MEASURES 2021–22	RESULT 2021–22
Income Generated income of £22 million or more through fundraising and commercial activity by 31 March 2022	Achieved Generated income of £23.7 million through fundraising and commercial activity by 31 March 2022. [Target £22 million].
Our People <ul style="list-style-type: none"> Delivered 75% or more of Year 2 actions in our People Strategy by 31 March 2022 Developed a strategic workforce plan by 31 March 2022 	Achieved 89% of Year 2 actions in our People Strategy have been delivered [Target: 75%]. Key actions included: <ul style="list-style-type: none"> Continued to embed our Behaviours into everyday life. Designed and delivered our enhanced Leadership Development offering: Leaders as Coach, Emerging Leaders and Let’s Talk programmes. Delivered resilience sessions for our leaders. Delivered our 2021–22 wellbeing programme and agreed our overall wellbeing and engagement action plan for 2022–23, including working with a charitable partner, Shakti Women’s Aid. Mentoring relationships put in place for our Emerging Leaders programme and soon to be expanded to all of HES. Work Shadowing approach trialled and ready for wider launch. Skills and Knowledge Framework refined and being developed as part of digital transformation programme. Agreed our organisational approach for supporting and sustaining Skills Experience Roles within HES. Delivery of identified Health, Safety and Compliance training. Recruitment training developed and delivered. Strategic workforce plan has been developed. Year 3 People Strategy Implementation Plan developed and launched. Strategic workforce plan has been developed.
Re-Shaping HES Implemented new arrangements throughout the year in line with transition plans and completed by 31 March 2022	Partially Achieved Majority of changes implemented by March 2022 with full implementation completed by 31 May 2022.

<p>Smarter Working</p> <ul style="list-style-type: none"> Developed plans for return to office working taking account of Covid restrictions in line with Scottish Government working from home guidance by 30 June 2021 Developed a strategy for smarter working and commenced implementation by 31 March 2022 	<p>Partially Achieved</p> <p>Return to HQ-related buildings guidance was issued and buildings are operational.</p> <p>Smarter Working Strategy was discussed by SMT in May 2022. Draft Strategy developed but further work is needed before approval and implementation.</p>
<p>Transform the Way We Work</p> <ul style="list-style-type: none"> Properties in Care Asset Management System (PICAMS) Phase 2 Business Case approved by 30 June 2021 Completed Document Centre implementation by 31 December 2021 Corporate Management Information System (CMIS) Business Case reviewed, updated and approved for Phase 2 by December 2021 	<p>Not Achieved</p> <p>Two out of the three success criteria not achieved.</p> <ul style="list-style-type: none"> PICAMS Phase 2 Business Case – Achieved. Approved by Scottish Government in June 2021. Document Centre – Not Achieved. Document Centre rollout is substantially complete for a number of Directorates with the remaining two Directorates at design and migration phases. Document Centre implementation has been extended to December 2022. CMIS Phase 2 Business Case – Not Achieved. Draft CMIS phase 2 business case prepared but additional business analysis work to be undertaken to ensure HES readiness before business case submitted to SMT and Board for approval.
<p>Fleet Management</p> <p>Developed a strategy and operating policy for fleet management by 31 March 2022</p>	<p>Partially Achieved</p> <p>Strategy and operating policy for fleet management partially developed by 31 March 2022.</p>

FINANCIAL REVIEW

In line with direction from Scottish Ministers (reproduced on page 121), our financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) and the Charities Statement of Recommended Practice (Charities SORP).

Our reported financial performance can vary significantly due to timing of offers we make with multi-year grant programmes. In line with the Charities SORP, we recognise grant expenditure in full as soon as we make an offer. Our grant expenditure was particularly high in 2021-22 due to new multi-year commitments. The high level of grant commitments resulted in net expenditure on a Charities SORP basis of £4.8 million (2020-21 net income £8.5 million).

OUTTURN AGAINST SCOTTISH GOVERNMENT LIMITS

Our Scottish Government budget limit is based on expenditure net of income and our overall net expenditure was within the 2021-22 limit.

	2021-22	2020-21
	£m	£m
Outturn against Scottish Government budget limit		
Income (net of cost of sales)	22.3	8.0
Expenditure	(99.3)	(90.5)
Net expenditure for the year	(77.0)	(82.5)
Funded by:		
Scottish Government Funding - cash grant in aid	73.9	79.4
Scottish Government Funding - non-cash allocation	4.0	3.0
Total funding	77.9	82.4
Outturn for the year	0.9	(0.1)
Split:		
Outturn against Scottish Government cash grant in aid	0.6	0.4
Outturn against Scottish Government non-cash allocation	0.3	(0.5)
	0.9	(0.1)

RECONCILIATION BETWEEN REPORTING AS A NDPB AND AS A CHARITY

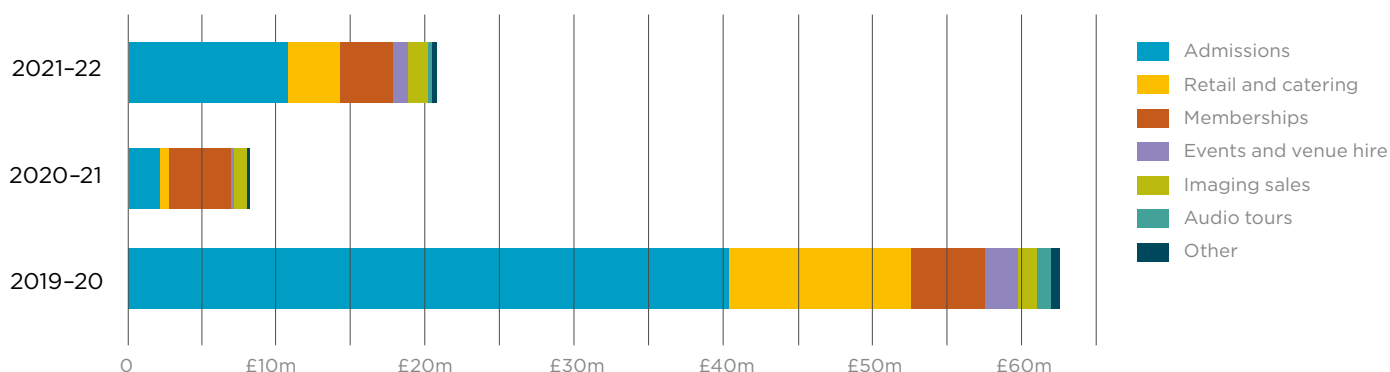
There are certain differences in how our performance is reported as a non-departmental public body (NDPB) to the Scottish Government compared to how our performance is reported in our financial statements in line with the Charities SORP.

	2021-22	2020-21
	£m	£m
Outturn against Scottish Government budget limit	0.9	(0.1)
<i>Adjustments:</i>		
Difference between grants offered in year and grants invested	(3.1)	6.4
Capitalisation of tangible fixed assets	1.2	3.2
Transfer to designated funds	-	2.0
Scottish Government non-cash allocation	(4.0)	(3.0)
Other adjustments	0.2	-
Net income / (expenditure) per the financial statements	(4.8)	8.5

OUR INCOME

Total income has increased 4% from £93.7 million in 2020–21 to £97.4 million in 2021–22. Scottish Government grant in aid decreased 7% from £79.4 million in 2020–21 to £73.9 million in 2021–22. Our total commercial income has increased with fewer sites closed but is still 67% lower than equivalent income in 2019–20.

Commercial Income



In line with the Charities SORP, our commercial income is reported in the financial statements as either Income from charitable activities (note 3) or Income from trading activities (note 4)

Income from charitable activities (note 3) includes admissions, memberships, and other activities directly linked to our charitable purpose. Our income from charitable activities has increased £9.1 million (117%) from £7.8 million in 2020–21 to £16.9 million in 2021–22. Visitor numbers increased from 246,000 in 2020–21 to 1,235,000 in 2021–22 and linked admissions income has increased from £2.1 million in 2020–21 to £10.7 million in 2021–22.

Historic Scotland membership income decreased 10% from £4.1 million in 2020–21 to £3.7 million in 2021–22. Membership numbers have decreased from 186,000 to 167,000.

Our trading activities are those that are undertaken to generate funds to support our charitable work but are not direct charitable activities themselves. Income from trading activities (note 4) is primarily retail sales at our sites and online, income from events, sales of digital images and other miscellaneous activities. Income from trading activities has increased from £1.8 million in 2020–21 to £6.1 million in 2021–22.

Other income in 2020–21 included the job retention scheme grant of £4.2 million which was claimed from HMRC to partially meet costs of staff who were furloughed due to the impact of the pandemic on our operations. There were no job retention scheme grant claims during 2021–22.

THANK YOU TO DONORS

Each year Historic Environment Scotland receives support from donors across the world.

We want to thank all those who have made a donation towards our work through a gift at one of our sites, an online donation, funding from a philanthropic trust, or through a legacy or personal donation.

We are grateful to the donors and Trustees of the Historic Scotland Foundation who have provided support for a number of projects this year including learning and outreach activity, specialist equipment for archaeological surveying and training for conservation craftspeople.

Donations enable us to do more to conserve our valuable places, collections and archives; provide more opportunities for everyone to learn about Scotland's rich history; increase the breadth and depth of our research; train even more craftspeople to keep traditional skills alive; do more to adapt to the challenges of climate change.

Please go to www.historicenvironment.scot/donate to find out more.

We are very grateful to have our donors' support.

OUR EXPENDITURE

Total expenditure has increased £17 million from £85.2 million in 2020-21 to £102.2 million in 2021-22. Grants expenditure has increased £8.3 million due to new multi-year grants during the year. There was also an underlying increase in operational expenditure with increased activities year on year.

Staff costs are our largest category of expenditure and increased 0.4% from £52.3 million in 2020-21 to £53.4 million in

2021-22. Excluding the impact of the Voluntary Exit Scheme, staff costs have increased 1%. The cost of the 2021-22 HES pay award, which was in line with pay policy set by Scottish Ministers, has been offset by tight control on staffing establishment.

Expenditure on charitable activities (note 7) covers a broad range of activities including conservation, operating visitor attractions and regulatory work. Expenditure has increased £4.7 million (6%) from £72.9 million

in 2020-21 to £77.6 million in 2021-22.

We have invested £41.7 million through our Investment Plan over the past five years to enhance the condition of our sites and improve the experience of our visitors, as well as other corporate priorities.

Expenditure on raising funds (note 6) has increased £3.9 million (89%) from £4.4 million in 2020-21 to £8.4 million in 2021-22.

Investment plan

	2017-18	2018-19	2019-20	2020-21	2021-22	Total
	£m	£m	£m	£m	£m	£m
Site condition	5.5	5.8	5.6	1.9	4.5	23.3
Visitor experience	2.5	1.9	1.0	0.2	0.3	5.9
Corporate systems and other corporate priorities	2.1	2.6	2.9	3.8	1.1	12.5
	10.1	10.3	9.5	5.9	5.9	41.7

As noted above, new grants committed vary from year to year depending on the timing and cyclical nature of some multi-year grant programmes. The high level of multi-year grant commitments during 2021-22 resulted in grant expenditure (note 8) increasing from £7.9 million in 2020-21 to £16.2 million.

We manage grant spending on an annualised basis and grants invested from current year funding decreased 7% from £13.5 million in 2020-21 to £12.3 million in 2021-22. Grant invested from current year funding in 2020-21 included £1.9 million for the additional Historic Environment Recovery Fund. We offer grants in advance, often over multiple years, and our grant funding for 2022-23 has already been largely committed.

Support costs (note 9) are allocated across expenditure on raising funds, expenditure on charitable activities and expenditure on grants in the statement of financial activities. Support costs have decreased 5% from £17.3 million in 2020-21 to £16.4 million in 2021-22.

OUR FINANCIAL POSITION

As a public body, HES is restricted in its ability to build up reserves. Whilst the group balance sheet as at 31 March 2022 shows net assets of £17.4 million (2020-21: £20.6 million), this is due to substantial fixed asset balances and the group balance sheet shows a deficit once these are excluded.

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

Our reserves are negative £29.5 million (2020-21: negative £27.6 million). The substantial reserves deficit is due to our recognition of grant commitments in full once offered whilst our funding for grant expenditure is based on annual payments. Essentially, we are reliant on future Scottish Government funding to meet our grant liabilities. Excluding future grant commitments (e.g. for work not yet undertaken by

grant recipients), our reserves are negative £7.6 million (2020-21: negative £10.6 million). Excluding total grant liabilities, our reserves are positive £4.2 million (2020-21: positive £3.6 million).

Going concern

Our financial sustainability is recognised as a long-term risk in the Key Risks section. This reflects the ongoing impacts of Covid and worsening economic outlook. Mitigating actions are in place and the long-term financial sustainability risk does not impact on the going concern basis.

HES is reliant on continued funding from the Scottish Government to operate. There is no indication of change in the Scottish Government's policy regarding funding HES.

HES has negative general reserves and negative current liabilities as there is a disparity between grant income received and grants payable. Government grant in aid is drawn down on the basis of need and is accounted for as received. HES must commit to grants on a longer-term basis to allow appropriate planning by

General reserves

	2021-22	2020-21
	£m	£m
Unrestricted funds	14.8	17.9
Less unrestricted fixed assets	(42.3)	(43.5)
Less designated funds	(2.0)	(2.0)
General reserves	(29.5)	(27.6)
Exclude future grant commitments	21.9	17.0
General reserves excluding future grant commitments	(7.6)	(10.6)
Exclude grants accruals and retentions	11.6	14.2
General reserves excluding total grant liabilities	4.0	3.6

recipients and this is accounted for in full when the commitment is made. Whilst grant expenditure is accounted for on commitment, the total grant payments in each year are closely managed based on grant in aid funding available for that year.

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

Fixed assets

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

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

The land, buildings and dwellings which we do recognise on our balance sheet are revalued every year either by formal valuation or

by an indexation increase. The revaluation reserve has increased 2% from £20.8 million as at 31 March 2021 to £21.3 million as at 31 March 2022.

Pensions

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

Restricted funds

Our restricted reserves were £2.6 million as at 31 March 2022 (2020–21: £2.7 million). Of this, £2.6 million (2020–21: £2.6 million) relates to Heritage Lottery Fund grants received to fund the Engine Shed and will be released to unrestricted reserves in line with the depreciation of the building. Other restricted reserves relate to unspent restricted grant income and were £69,000 as at 31 March 2022 (2020–21: £114,000).

Designated funds

HES established a £2 million designated fund as at 31 March 2021 to support conservation of our Properties in Care. The fund was not utilised during 2021–22 due to continued operational challenges caused by the pandemic. The fund is expected to be fully utilised during 2022–23.

GRANTS POLICY

HES offers grants under a range of funding programmes to organisations and individuals to support activities that benefit

the historic environment and contribute to our corporate plan objectives.

We operate an expressions of interest process to provide feedback on proposals at an early stage. All applications received are assessed on a competitive basis according to published criteria, with specialist advice sought from relevant internal experts.

Further information about the grants programmes HES operates can be found at www.historicenvironment.scot/grants-and-funding/our-grants/, and an outline of how decisions are made is available at www.historicenvironment.scot/grants-and-funding/how-our-funding-works/. Details of the grants awarded during the year ended 31 March 2022 can be found at www.historicenvironment.scot/grants-and-funding/grants-awarded-by-us/.

SUPPLIER PAYMENT PERFORMANCE

Standard supplier payments terms are generally 30 days but HES follows the Scottish Government target for the payment of invoices within 10 working days of their receipt. In 2021–22, 88% of invoices were paid within 10 working days (2020–21: 87%) and 95% were paid within 30 days (2020–21: 96%).

POST BALANCE SHEET EVENTS

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

OUR PLANS FOR 2022 ONWARDS

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We undertook a light-touch refresh of our Corporate Plan during 2021-22 to ensure that it remains fit for purpose for 2022-23 and reflects the priorities in the Scottish Government's Spending Review and the current circumstances. Our refreshed Corporate Plan *Heritage for All* retains the same outcomes and Key Performance Indicators and our activities will continue to support the National Outcomes in the Scottish Government's National Performance Framework. We will undertake a full review of our Corporate Plan during the plan period. This will reflect the revised sector strategy Our Place in Time (OPiT) and National Performance Framework, which are both being reviewed during 2022 and due to be published in 2023.

Our Annual Operating Plan 2022-23 outlines the activities we will undertake to support achievement of the outcomes set out in our Corporate Plan *Heritage for All*. Our plans for 2022-23 have a particular focus on the six priorities below, making a strong contribution to the Scottish Government's priorities on climate change and the economy:

- Wellbeing, Inequality and Access
- Managing the Heritage Assets
- Net Zero
- Stronger, Fairer, Greener Economy
- Sector Recovery
- Building HES

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

Focus on: Wellbeing, Inequality and Access

The historic environment has the power to change lives for the better – to help us live happier, healthier lives, to build the wealth and wellbeing of our communities, and to speak to the diversity of our nation. We will focus our work in areas that will maximise these benefits. We will focus on activities that seek to reduce inequalities by improving access to, and widening participation in, Scotland's historic environment.

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

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

Focus on: Managing the Heritage Assets and Net Zero

Achieving Scotland's goal of net zero carbon emissions by 2045 requires us to transform the way that we work. What we buy and sell, how visitors travel to our sites, and how we perform our everyday functions, all need to evolve to make us more sustainable. As Scotland builds back from the pandemic, we have a key role to play in a green recovery that works for all. We will focus on managing heritage assets, with a key priority to address the challenges of the deterioration of high-level masonry of the Properties in Care as a result of climate change and other factors. Adaptation and mitigation is at the forefront of our plans to ensure that traditionally constructed buildings, comprising a significant percentage of Scotland's building stock, contribute to Scotland's net zero goal.

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

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

Focus on: Stronger, Fairer, Greener Economy and Sector Recovery

There is enormous potential for our historic environment to support a green recovery from the pandemic. As we transition to a low carbon economy and as use of our town and city centres changes, the reuse and retrofit of historic buildings will provide opportunities for the creation of high-quality green jobs and skills development opportunities. This is supported by our enabling role in the planning system and our strategic partnerships with economic development agencies and Growth Deals.

The operation of our visitor attractions, directed by our work on responsible tourism will help to build back the 80% drop in heritage-driven visitor expenditure as a result of the pandemic. Our Sustainable Procurement Strategy 2022-26 will also contribute to jobs and growth. In addition, our skills development work aims to address a range of skills gaps from traditional to professional skills such as leadership and management, ICT and digital that are crucial to the recovery of the sector and the economy of the future.

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

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

Focus on: Wellbeing Inequality and Access and Managing Heritage Assets

We will use innovative, flexible and inclusive approaches to increase participation and support positive destinations for our learners, reducing inequalities, increasing access and improving wellbeing. In 2022, Scotland's Year of Stories, we'll be rediscovering Scotland's stories and celebrating those of marginalised communities and people who shaped Scotland's history.

Our knowledge, expertise and experience in conservation, heritage tourism, research, technical science, data, and reuse and retrofit of historic buildings has huge potential to inform management of the historic environment, and how heritage can be used to support a green recovery and a wellbeing economy, around the world.

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

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

Focus on: Sector Recovery and Building HES

As the lead public body for the historic environment in Scotland, how we act, how we communicate, how we build relationships and how we spend money impacts on how everyone sees and understands our national heritage. We will continue to provide a range of support, making the most of opportunities to join forces with partners to improve services to local communities provided by our new regional structure. We will also create the time and space over the coming year to work with partners and stakeholders to reimagine the future of our sector as we move forward from this crisis to build back better.

After two years of public health challenges, disruption, change, and isolation for many, we need to continue to balance our ambitions with an understanding of our operating context and the impacts of the pandemic our people continue to face. We will continue to support our colleagues through our People Strategy and our Behaviours Framework. Our experiences over the last two years have also shaped our thinking on building the resilience of our organisation. In 2022-23 we will be working hard to diversify our funding sources through fundraising, commercial activity and transforming the way we work, moving towards a digital-first approach.

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

SUMMARY SUSTAINABILITY REPORT

GEÀRR-CHUNNTAS AIR AITHISG SO-SHEASMHAICH

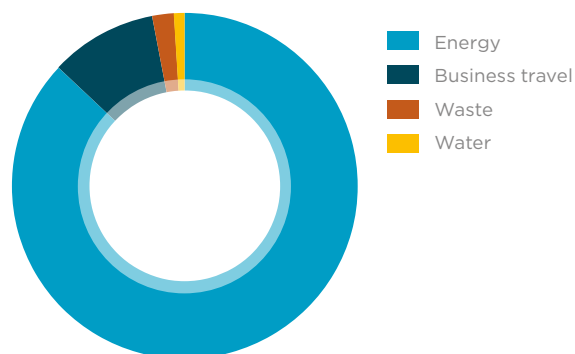
This Summary Sustainability Report provides an overview of HES performance for 2021-22. This was an extraordinary year for HES in fulfilling our role as a leader and exemplar in climate mitigation, adaptation and sustainability. We made steady progress in delivering our Climate Action Plan (CAP) 2020-2025 and achieved reductions in our carbon emissions in excess of our published targets. As European Co-Chair of the Climate Heritage Network and the lead body for the historic environment in Scotland, we showcased the contribution the historic environment sector is making to Climate Action in a programme of events focused on the UN Climate Change Conference, COP26, held in Glasgow in November 2021. The following report gives a brief summary of what we have achieved this year under the seven CAP themes, Climate Impacts and Adaptation; Energy and Carbon Management; Circular Economy; Sustainable Tourism; Sustainable Procurement; Biodiversity and Landscapes; and Sustainable Travel.

COP26

HES was involved in over 45 different COP26 activities, including seven Blue Zone events. Partnership working was a key principle of our programme and we worked with over 90 organisations. Highlights include a programme of events at Glasgow Cathedral, the mobilisation of Scotland's culture bodies to produce the short film Climate Action Needs Culture www.vimeo.com/643933667, and our public competition and resulting exhibition Visions of Climate Heritage www.historicenvironment.scot/archives-and-research/online-exhibitions/visions-of-climate-heritage/about-the-competition/. More detail on some activities has been included in the following pages.

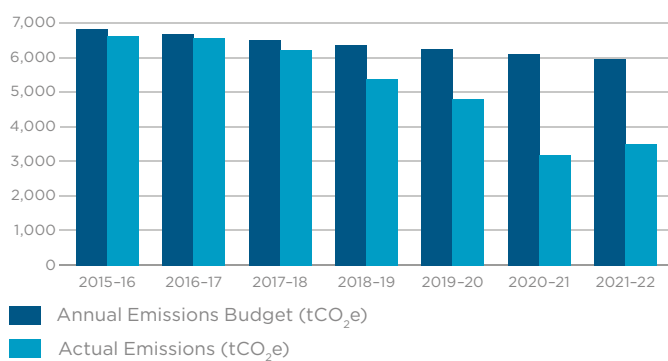


2021-22 Greenhouse Gas (GHG) emissions

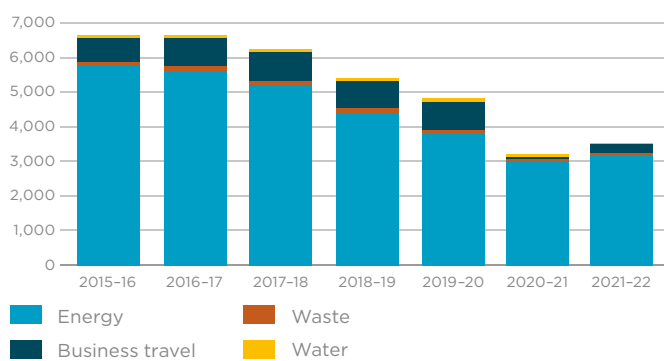


Year	GHG EMISSIONS					
	TARGET		ACTUAL		DIFFERENCE	
	Emissions tCO ₂ e	Change %	Emissions tCO ₂ e	Change %	Emissions tCO ₂ e	Change %
BASELINE	6,986	N/A	6,986	N/A	N/A	N/A
2015-16	6,832	(2.2%)	6,616	(5.3%)	(216)	(3.2%)
2016-17	6,679	(2.2%)	6,588	(0.4%)	(91)	(1.4%)
2017-18	6,525	(2.3%)	6,196	(6.0%)	(329)	(5.0%)
2018-19	6,371	(2.4%)	5,384	(13.1%)	(987)	(15.5%)
2019-20	6,218	(2.4%)	4,803	(10.8%)	(1,415)	(22.8%)
2020-21	6,083	(2.2%)	3,171	(34.0%)	(2,912)	(47.9%)
2021-22	5,947	(2.2%)	3,541	11.7%	(2,406)	(40.5%)
TOTAL	44,655	(14.9%)	36,298	(49.3%)	(5,950)	(13.3%)

Actual vs target emissions (tCO₂e)



Annual Carbon Performance



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

ENERGY AND CARBON MANAGEMENT

We are currently developing an updated Carbon Management Plan (CMP) which was due to be released in 2020 and delayed by the Covid-19 pandemic. Therefore, we have looked at the 2015–2020 CMP and measured against the targets published there. The target was to reduce annual greenhouse gas (GHG) emissions by 13.7% in the seven years to 2021–22 from the 2014–15 baseline. The reduction to 2021–22 is 54.6%, meaning we have delivered a reduction significantly in excess of target for the CMP six-year period. Cumulative GHG emissions 2015–21 are 13.3% lower than our target for this period.

Energy consumption from our buildings is the largest contributor to our organisational carbon footprint, accounting for 88.7% of emissions that we report on. Business travel accounts for 10.1%, waste 0.8%, and water 0.4%.

During 2021–22, we increased our GHG emissions by 10.4% against our target of a 2.2% reduction. Our GHG emissions increased 370 tCO₂e from 3,171 tCO₂e for 2020–21 to 3,541 tCO₂e for 2021–22. The increase consists of a 4.9% increase in energy emissions, a 63.2% reduction in waste emissions, a 458.6% increase in business travel emissions and a 64.1% decrease in water emissions.

Energy consumption (kWh) from electricity and gas have both increased against the previous year as we reopened after the lockdowns of the previous year. However, the increase in emissions

is not as great because their associated Carbon Conversion Factors have reduced due to the ongoing decarbonisation of the National Grid due to the further integration of renewable power sources. Water emissions have reduced 64.1% since last year; this is primarily due to a change in the nationally recognised Carbon Conversion Factor. While there was a significant increase in business travel in 2021–22 from 2020–21 this was largely due to resumption of business activities following reopening and, compared to 2019–20 travel emissions, this year have reduced 55.3%.

In 2021–22 we completed an installation of solar panels to the roof of the Scottish National War Memorial (SNWM) at Edinburgh Castle. This will generate more than enough electricity for the SNWM, with the remaining consumed elsewhere in the Castle. A key component of the project was sensitive design to limit the visibility of the installation and minimise the impact to the building, demonstrating that renewable energy technologies can be integrated into even the most sensitive historic environments if designed and installed with care. We undertook consultations with the SNWM Trustees, our visiting public, the local planning authority and HES Heritage directorate to ensure the plans and design were appropriate for the historic and memorial nature of the building. The project was subject to the full Scheduled Monument Consent application process and referred to the Local Authority Planning team who

deemed it ‘Not Development’ based on the unobtrusive visual impact.

We have also undertaken comprehensive decarbonisation reports to define the actions needed to transition a sample of our sites to Net Zero carbon. This year this included Urquhart Castle, Dunblane Cathedral, Inchcolm Island and the Palace of Holyroodhouse Garden Depot. The diverse range of sites allowed us to examine in detail how renewable and energy reduction measures and technologies could be integrated into different sites with a range of challenges and opportunities. This work will inform a holistic estate wide options appraisal and feed directly into capital plans and funding applications.

A project to relocate our Archive Collection to a new purpose designed facility was undergoing RIBA Stage 1 (Preparation & Briefing) this year during which the low carbon ambitions and targets were refined. We have elected to apply the Scottish Futures Trust Net Zero Public Sector Buildings Standard to the project that provides a framework to manage the design, construction and in use stages to achieve a net zero building. The core objectives of the standard are Inclusive Net Zero Outcomes, Embodied Carbon Targets, Operational Energy Targets, Other Whole Life Carbon, Indoor Environment Quality and other environmental objectives specific to this project which are Active and Low Carbon Travel and Climate Change Adaptation.

SUSTAINABLE TRAVEL

The data on travel is included in the carbon figures for the year. Over the past year we have made significant progress in our work to reduce carbon emissions of both business and visitor travel including these projects.

Decarbonising travel at key sites

As part of our decarbonisation feasibility studies that have been undertaken at a selection of our properties in care, we have analysed the accessibility of these sites through sustainable transport options and identified improvements that can be made.

Climate change survey

We recently undertook a survey about climate change and sustainability to help inform future work on climate action in the organisation. The survey was open to Historic Scotland members and newsletter subscribers and the results indicated how important an issue sustainable travel was to participants. This has helped to provide further justification for increasing our focus on sustainable travel work.

Promoting sustainable travel

We recognise the importance of promoting our sites that are accessible by sustainable transport to highlight the many ways others can reduce their carbon footprint through taking public transport or taking part in active travel. Campaigns have been created for both staff and visitors to help make it easier for them to make sustainable travel choices. Along with these promotions, we are also working to enable sustainable travel through adding facilities.

Development of Fleet Strategy to transition to ULEVs

This year we have worked with our Fleet Management partner, EVP Solutions to develop a Fleet Strategy to allow us to transition the fleet to Ultra Low Emission Vehicles (ULEV) in line with Scottish Government targets and targets articulated in the Climate Action Plan.

Planning and procurement for installation of EV charging points

We have planned and procured electric vehicle (EV) charging infrastructure to support the EV vehicles already integrate to our fleet. This will better support the vehicles and their use in the estate and allow expansion of EV use and transition of further vehicles to EV.

Strategic Partnership with Sustrans with agreement to host Embedded Officer

This year we formed a Strategic Partnership with the Active Travel Charity, Sustrans. Under this agreement we will host a Sustainable Travel Officer who will assist in developing our Sustainable Travel plans and encourage and enable low carbon travel at our offices, depots and sites across the estate.

GREEN RECOVERY STATEMENT

We developed a Green Recovery Statement for Scotland's historic environment this year, launching in April 2022 and supporting the green principles set out by the Scottish Government and highlighting seven key areas in which the historic environment can help deliver an economic

recovery: net zero; resource efficient; good, green jobs; localism; responsible tourism; land management; and digital connectivity.

CLIMATE IMPACTS AND ADAPTATION

This year we undertook several projects within the area of climate impacts and adaptation, some of those are included here.

Climate Resilience Heritage Summit:

In collaboration with other UK heritage organisations, we organised an online summit in advance of COP26 to explore ways in which we could work together to face the shared challenges that climate change presents to the historic environment.

Over 400 people from 20+ countries attended the event, which was opened by Scotland's Minister for Culture, Europe and International Development.

Cultural Heritage and Urban Resilience in Scotland: Co-designing extreme rainfall impact assessment tools for adaptation:

In this project we rapidly developed a post-event damage survey template, risk pathway scenario tool and climate attribution study for Historic Environment Scotland and heritage sector partners. The University of Edinburgh research team carried out an in-depth survey of damage and loss incurred at Edinburgh Castle during an extreme rainfall event on 4 July 2021. The project team then produced

a proposed post-event survey template that we will look to integrate into our surveying and inspection regime. This will allow for better quantification and monitoring of the impact of severe weather across our estate.

Climate Ready HES:

In November 2021 we published our first dedicated Climate Change Adaptation Plan – Climate Ready HES. As part of developing this plan, we carried out a strategic level climate risk assessment of our organisation, identifying 28 key climate risks of concern. We then developed our ‘adaptation response’ that will act to address or better understand these risks over the next 5-years to 2026.

Antonine Wall Climate Vulnerability Index (CVI):

In February 2022, HES hosted the CVI assessment of the Frontiers of the Roman Empire World Heritage Property – Antonine Wall. The CVI builds upon the vulnerability framework approach described in the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC). HES is also a partner in two further CVI projects that undertook assessments in 2021–22; CVI Africa and CVI Old and New Towns of Edinburgh. Old and New Towns of Edinburgh and the Antonine Wall are the second and third World Heritage Properties in Scotland to undergo the process, with plans being drawn up for St Kilda and New Lanark in 2022–23.

Climate change and the tourism sector – impacts and adaptations at visitor attractions:

During 2021, the UK Climate Resilience Programme announced a second cohort of projects that had been awarded through the Embedded Research fund with UKRI. A collaborative project with University of Exeter, National Trust and HES was successfully awarded funding. This project will take up the challenge identified in CCRA3 by investigating the nature and extent of the relationship between visitor patterns and behaviours at attractions with climatic conditions both now and in the future (initially to 2050 to shadow net-zero policy, later to look at four pathways and scenarios from 2050 to 2080). Work will be embedded in the team delivering the Climate Change Adaptation programme at the UK’s largest operator of visitor attractions, the National Trust.

Hazard Map Project:

HES continues its partnership with heritage organisations, Cadw, Historic England, English Heritage, The National Trust, The Department for Communities for Northern Ireland and The National Trust for Scotland, to develop a hazard map for the UK which explores the likelihood of climate hazards impacting the historic environment. We are currently working on using this data to assist in assessing the future risk to our properties in care from climate change.

Climate Profile Development:

Using the climate data developed through the Hazard Map Project, along with climate data from the Met Office, we are developing Climate Profiles for HES Properties in Care which detail their current climate, recent climate trends, and the likelihood of climate hazards impacting them in the future. These profiles will aim to assist in the management of properties going forward, and to indicate if issues arising are related to changes in local climate.

CIRCULAR ECONOMY

Implementing circular economic principals and supporting the wider transition to a circular economy is a key work area. This year we commissioned a study to take a deeper look into our material flows and identify areas where we can reduce the environmental impact, further information on this can be found in the Sustainable Procurement section. Other progress in 2021–22 includes:

Applying the waste hierarchy, reducing our operational waste and increasing recycling:

- In 2021–22 our recycling rate increased from 53% to 65%¹. This is due to our new estate-wide waste broker contract which delivers 100% recycling for construction waste. We also reduced landfilled waste from 26% to 6%, although waste incinerated with energy recovery increased from 19% to 30%.
- Our interpretation team worked with our waste contractor to source a fully recyclable material to use for temporary signage.

1. Recycling includes segregated mixed recycling, waste that is composted and waste that goes to anaerobic digestion.

Tackling packaging and disposables:

- Based on a life cycle assessment of drinks containers, we have switched all drinks sold in our retail shops (except water) from plastic bottles to cans.
- We have eliminated the need for plastic caps on cardboard storage tubes in our archives.
- We have been switching from disposable to reusable Personal Protective Equipment by setting up processes to launder garments.

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

- We set up and ran a community consultation on the Isle of Luing to discuss the potential re-opening of a disused slate quarry to provide a supply of materials that will support repair and maintenance of our existing historic buildings.
- We purposefully used sustainably and locally sourced timber and stone to build a new bridge by Doune Castle as part of a partnership project with the council and local groups.
- We undertook a careful deconstruction of unsavable structures in Stanley Mills with an objective to reuse materials in projects across our estate.
- We expanded our dimensional stone carbon calculator to include granite and promoted its use to other public sector organisations.
- When improving the selection of Neolithic replica handling items at Maeshowe Visitor Centre we used only Orkney

based suppliers. The outcome was low carbon items, created by local artisans using traditional skills.

- We launched a Made in Scotland Policy to increase the number of locally made and Scottish made products in our shops.

Prolonging the life of buildings:

- We launched a Guide to Energy Retrofit of Traditional Buildings www.historicenvironment.scot/archives-and-research/publications/publication/?publicationid=47c9f2eb-1ade-4a76-a775-add0008972f3 alongside a new accredited training qualification Level 3 Award in Energy Efficiency Measures for Older and Traditional Buildings.
- We put plans in place to restore and reuse existing distilling equipment and warehouses as part of our Dallas Dhu project.
- During COP26 we promoted the message that maintaining, repairing and reusing existing historic buildings was part of the solution to the climate emergency.

SUSTAINABLE PROCUREMENT

We published our new Procurement Strategy for HES in May 2022. This strategy gives a strong focus on sustainability and the role our procurement can play in driving down emissions. It also expressed an ambition for us to support the wider societal transition to a net zero circular economy in a way that is just and fair. Doing this by leveraging our buying power and working

collaboratively with our supply chain to invest in and support the development of low carbon and circular solutions. For instance, those that deliver on circular design, resource recovery, product as a service, remanufacture, reuse and repair. The new strategy runs alongside the sustainable procurement actions outlined in the HES Climate Action Plan, and both are aimed at ensuring our procurement maximises ethical, social and environmental benefits.

Key activity undertaken in 2021–22 included:

- We have undertaken a Materials Flow Account of our supply chain to gather data that helps us to understand how we can tackle the negative environmental impacts of our goods and services. This exercise has estimated that the embedded carbon from our purchased goods and services makes up 79% of our total carbon footprint (this total figure does not include visitor travel as this overshadows other emissions). Key outcomes from this work will be prioritising suppliers to engage with and starting to request and gather environmental data directly from suppliers which will help us to measure progress more actually going forward.
- We continued to use the Sustainable Procurement Tools for our larger contracts, to ensure that we build sustainable criteria into the specification of the product/ services where possible and link this to evaluation criteria.

- We worked in partnership with Zero Waste Scotland to expand the scope of our carbon calculator for stone and have circulated it to the Scottish Government Procurement Forum for consideration within their guidance documents and upcoming procurement activities.

BIODIVERSITY AND LANDSCAPES

- We completed a Woodland Management Plan, for Doune Castle environs, with the aim of undertaking thinning and habitat enrichment tree planting, which is currently with Scottish Forestry and Stirling Council for consents.
- We completed a National Vegetation Classification and Habitat Management Plan for Doune Castle Environs. We carried out a baseline assessment of habitats on site with the aim to improve classifications through active management.
- We completed a Landscape Conservation Management Plan for Melrose Abbey.
- We replanted selective trees within Huntly Castle, with scheduled monument consent.

Last year in Holyrood Park we completed:

- Six bumblebee transects which generated 15 records of five species;
- 48 butterfly transects which generated 636 butterfly records of 16 species, including nationally rare butterflies such as the Northern Brown Argus, Grayling and Wall butterflies.

- We also planted several hundred wildflowers in an area of the park where we've been establishing a wildflower meadow for several years.
- Additionally, we removed 30 Himalayan balsam plants (an invasive, non-native species).

SUSTAINABLE TOURISM

Activity as part of our multi-year Doune Sustainable Tourism project continues. Following the approval of the Doune Rural Tourism Infrastructure Fund (RTIF) application in June 2019, multiple projects covered by the fund have been completed. We completed the latest and most significant project, a new pedestrian bridge crossing the Ardoch Burn by the Mill of Doune and associated paths, in January 2022. The new route increases access from Doune Castle along the Ardoch Burn and enables important cultural and natural assets to be enjoyed by both the local community and visitors. We have installed new signage and interpretation to highlight attractions, services and walking routes. We have successfully secured further RTIF funding for more projects in Doune. In addition to the RTIF funded activities we have completed other work at Doune including:

- Several community workshops in collaboration with a local community and arts organisation, Artlink Central, which helped us identify local priorities.
- A case study on visitor travel emissions, designed on the mode of travel to Doune Castle.

- A draft Responsible Tourism Assessment Framework drawn up on the model of tourism at Doune Castle.

We created the temporary post of Responsible Tourism Coordinator under HES's Reimagining Priorities to develop new opportunities and drive the CAP Sustainable Tourism programme and development of a Responsible Tourism Strategy for the organisation. An internal guidance note on HES's approach to Responsible Tourism is currently being drafted.

COP26 has been a key driver for activity around Sustainable and Responsible Tourism at HES in 2021. We delivered a HES COP26 Sustainable Tourism programme which included:

- An online event 'From Policy to Practice - Responsible Heritage Tourism for Scotland', which formed part of the official Scottish Government's COP26 Climate Ambition Zone. Speakers included representatives of the NTS, UNESCO Jordan, Historic Houses Scotland, Aldeias Históricas De Portugal, with keynotes from Scottish Tourism Alliance and VisitScotland.
- A digital 'COP26 Presidency theme campaign', highlighting best-practice examples showcasing Responsible Tourism at HES.
- A blog piece on HES's approach to Sustainable and Responsible Tourism, What is sustainable tourism? - Historic Environment Scotland Blog, released alongside a Sustainable Tourism film.

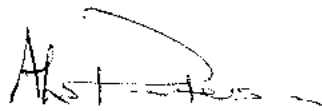
- A session on Sustainable Heritage Tourism as part of the Climate Heritage Network event 'Climate Heritage Narratives: Youth-led Intergenerational Dialogues Sustainable Heritage Tourism', part of the official Milan Pre-COP Programme in September 2021.

The work we did to investigate our material flows as covered above, included looking at the resources used in our cafés and shops to support our responsible tourism actions.

We are founding members of a Responsible World Heritage Tourism working group with UK colleagues to share knowledge and experiences with challenges and opportunities in responsible tourism at World Heritage Sites (Roman Baths, Giants Causeway, Stonehenge and Edinburgh Castle) and investigate joint solutions.

TRAINING AND DEVELOPMENT

For internal training and development, we have created and launched training modules for HES staff on Sustainable Tourism and Impacts and Adaptation for the online course on Climate Change and Heritage hosted on the Engine Shed's Conservation Moodle platform. We are continuing to work on the development of this course and intend to have modules on each of the seven themes of our Climate Action Plan.



Alex Paterson
Chief Executive and
Accountable Officer
20 October 2022



ACCOUNTABILITY REPORT

STRUCTURE, GOVERNANCE AND MANAGEMENT

AITHISG AIR FREAGARRACHD

STRUCTAR, RIAGHLACHAS AGUS STIÙIREADH

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

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

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

HES is governed by a non-executive board supported by an Audit, Risk and Assurance Committee, a Staff Governance Committee and a Finance Committee.

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

BOARD

The role of the Board is to provide leadership, direction, support, and guidance to ensure that HES delivers and is committed to delivering its functions effectively and efficiently and in accordance with the aims, policies, and priorities of the Scottish Ministers. Board members are also trustees for the purposes of charity law and are responsible for complying with their duties as charity trustees.

The board members from 1 April 2021 up to the date this Annual Report was approved, were:

- Dr Hugh Hall, Chair (from 19 January 2022)
- Jane Ryder OBE, Chair (to 18 January 2022)
- Ian Brennan
- Dr Janet Brennan
- Andrew Davis
- Emma Herd
- Terry Levinthal
- Dr Fiona McLean
- Ian Robertson
- Dr Paul Stollard
- Jane Williamson

Biographies for our current board members can be found on our website: www.historicenvironment.scot/about-us/who-we-are/our-board/board-members

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

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

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

To discharge their responsibilities, the Board met nine times during 2021-22 for regular Board meetings (2020-21: nine meetings). At most regular meetings the Board received a report on key operational matters from the Chief Executive; a financial report; minutes of sub-committees to the Board; and reports on specific topics as required. Risk-related items were highlighted as necessary. The Board also met seven additional times to discuss ad hoc matters arising between formal meetings (2020-21: 13 times).

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

that all relevant interests are declared. Copies of the Code of Conduct, the Register of Declared Interests and approved Board Minutes are available online at www.historicenvironment.scot/about-us/who-we-are/our-board/board-papers/.

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

When board members join the Board, they undergo an induction process to familiarise them with the operation of HES. This includes introduction to and engagement with staff, the role and responsibilities of the Board, information regarding the Code of Conduct, completion of the Register of Interests, and exercises to ensure personal development of board members. Board members are also required to familiarise themselves with the Scottish

Government publication *On Board – a guide for board members of public bodies in Scotland*.

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

BOARD COMMITTEES

The Audit, Risk and Assurance Committee's role is to advise and support the Board and the Accountable Officer in their responsibilities for issues of risk, control, and governance of both HES and its subsidiary HESe through a process of constructive challenge. The Committee will advise the HES and HESe Boards and Accountable Officer on the strategic processes for risk management, including an assurance that the risk appetite of the organisation decided by the HES Board is being taken into account appropriately. The Committee is chaired by a non-executive board member

and meets on a quarterly basis. Reports are received from the Director of Finance and Corporate Services, Internal Audit, and our External Auditors. The Committee supports the Board and the Accountable Officer in reviewing the effectiveness of the internal control environment.

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

The Finance Committee's primary objective is to provide oversight, scrutiny, and assurance to the Board, and to any other committees or working groups as appropriate, in relation to significant financial and budgetary matters. This includes but is not limited to strategic financial planning and budget setting in the short, medium, and long term, investment decisions based on review of business cases, performance against the agreed budget, and delivery of expected investment benefits.

CHIEF EXECUTIVE AND THE SENIOR MANAGEMENT TEAM

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

Senior Management Team members from 1 April 2021 to the date this report was approved were:

- Alex Paterson, Chief Executive and Accountable Officer
- Elizabeth McCrone, Director of Heritage
- Stephen Duncan, Director of Marketing and Engagement (from 4 April 2022, previously Director of Commercial and Tourism)
- Gary Love, Projects Director (from 18 October 2021 to 30 September 2022, previously Director of Corporate Services)
- Lisa McGraith, Director of Communications (to 30 September 2021)
- Craig Mearns, Director of Operations (from 21 March 2022)
- Dr David Mitchell, Director of Cultural Assets (from 4 April 2022, previously Director of Conservation)
- Lindsey Ross, Director of People
- Donella Steel, Director of Finance and Corporate Services (from 18 October 2021, previously Director of Finance and Performance)
- Alison Turnbull, Director of Partnerships and External Relations (from 18 October 2021, previously Director of Development and Partnerships)

Other than Gary Love leaving on 30 September 2022 and the changes in director roles for Stephen Duncan and Dr David Mitchell set out above, there were no changes to the Senior Management Team from the 31 March 2022 to the date this Annual Report was approved.

Biographies for our current Senior Management Team can be found on our website:

www.historicenvironment.scot/about-us/who-we-are/senior-management-team/

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

The responsibilities delegated to the Chief Executive by the Board and to the members of the Senior Management Team are laid out in the Scheme of Internal Delegation. The Chief Executive is charged with responsibility for overall corporate performance, management within HES and exercise of HES's statutory powers as a regulatory body. The Chief Executive is additionally responsible for functions including, but not limited to, approval of directorate plans and budget allocations, operational policies spanning multiple directorates, structure and staffing below Senior Management Team level and approval of expenditure, investment, and procurement up to thresholds agreed with the Board. Day-to-day implementation of the Corporate Plan is delegated to members of the Senior Management Team.

GROUP STRUCTURE

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

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

Scran Limited ceased trading on 31 March 2016 and was dormant for the year to 31 March 2022. The activities previously undertaken by Scran Limited are now undertaken directly by HES.

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

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

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

AITHISG AIR OBAIR NAN OIFIGEARAN LE UALLAICHEAN SÒNRAICHTE

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

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

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

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

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

GOVERNANCE STATEMENT

AITHRIS RIAGHLACHAIS

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

SCOPE OF RESPONSIBILITY

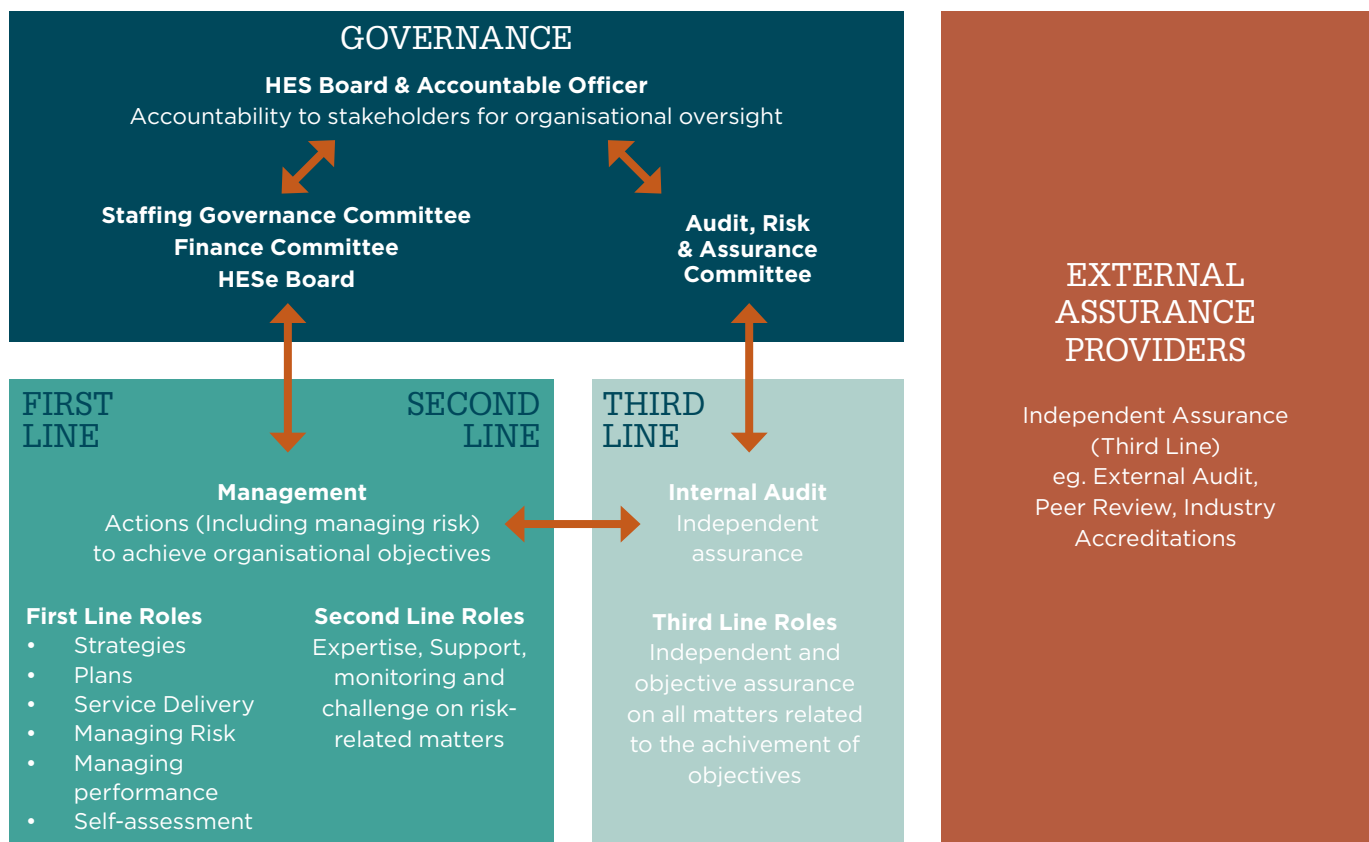
As set out in the Statement of Accountable Officer’s Responsibilities, I have personal responsibility for maintaining effective systems of internal control.

I am also responsible for providing the necessary assurances to the Principal Accountable Officer

to enable them to sign the Governance Statement contained within the Scottish Government consolidated financial statements.

The diagram below sets out the HES Assurance Framework which provides me with the necessary assurances to achieve my responsibilities:

HES Assurance Framework – Three Lines Model



The SPFM is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling of public funds. It is mainly designed to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety, and secure effective accountability and good systems of internal control. I confirm that HES complied with the SPFM and guidance from Scottish Ministers in all material aspects for the year to 31 March 2022.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

We have a Risk Management Policy and a Risk Management Strategy which set out our approach to risk management and the means through which we aim to improve our risk maturity.

Our Risk Management Policy states that 'HES is committed to ensuring that effective and proportionate risk management enables us to prioritise the safety and security of our colleagues, communities and stakeholders, and to deliver the strategic priorities set out in our Corporate Plan, our charitable purpose, our statutory and regulatory duties, good practice and ethical standards in public life'.

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

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

The Information Assurance Board (IAB), chaired by the Director of Finance and Corporate Services as the Senior Information Risk Owner, was put on hold during the pandemic. Although considered of importance to the successful management of HES information, taking into account the unprecedented situation faced by HES and the desire to prioritise workloads for staff, the IAB has not met since March 2020. Information Asset Owners have, however, continued to update the Information Asset

Register during that time. An internal audit undertaken during 2021-22 has identified work to be undertaken in further developing a Record of Processing Activities (ROPA) and it is likely that this work will form an additional element to the Information Asset Register. Furthermore the ongoing development of a new Information and Data Management Strategy for HES has identified opportunities around the governance of information in the organisation. Both of these pieces of work will directly lead to a review of the Information Assurance Board and Information Asset Owner Network activities. There were no cases of significant information loss during 2021-22.

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

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

The systems of internal control have been in place for the year ended 31 March 2022 and up to the date of the approval of the Annual Report and Financial Statements.

REVIEW OF EFFECTIVENESS

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

- The work of the Board and the strategic direction it gives to HES, in particular around governance.
- The work and views of the Audit, Risk and Assurance Committee.
- Documented assurances from senior managers within the organisation who have responsibility for the development and maintenance of the internal control framework.
- The work of the Internal Auditor, who submits to the Audit, Risk and Assurance Committee regular reports which include the Head of Internal Audit and Business Improvement's independent and objective opinion on the adequacy and effectiveness of the HES systems of internal control, together with recommendations for improvement.
- Comments made by the External Auditor in their management letter and other reports.

FOLLOW-UP OF ISSUES REPORTED IN OUR 2020–21 GOVERNANCE STATEMENT

During 2020–21, we reported on the following issues on which we required further assurance:

Compliance assurance and reporting

We have undertaken a project to map our compliance landscape, standardise our approach to compliance policies and procedure, and enhance our monitoring and reporting of compliance across the organisation. In December 2021 a new Corporate Risk and Assurance Group (CRAG) was established. Chaired by the Director of Finance and Corporate Services, its role is to monitor assurance on how HES is managing key risks and compliance with laws and regulations. The CRAG reviews our Corporate Risk Register, Assurance Map, and reporting at HES on assurance activity. Further compliance assurance work is required on some specific areas including our physical assets and health and safety. An update on this issue will be reported in the 2022–23 Annual Report and Financial Statements.

Project management

The HES Project Management Office (PMO) was established in 2021–22 and the PMO Board met for the first time in July 2021. The aim of the PMO is 'to set projects up for success', add value to the project lifecycle from initiation to benefits realisation, and to drive value from the portfolio as a whole to support delivery

of Heritage for All. Work is ongoing to develop and embed good practice, including the development of an approach to benefits measurement and realisation, which can be adapted to support good practice approaches in the variety of project work we undertake across the organisation. An update on this issue will be reported in the 2022–23 Annual Report and Financial Statements.

High-level masonry

After identifying a potential issue relating to high level masonry fabric at our PICs in May 2021, further inspections revealed there was a potentially wider issue. As a consequence and in fulfilment of our statutory duties, as at October 2022, we have 63 properties with access restrictions in place on a precautionary basis out of 206 properties with high-level masonry. In response we have put in place risk mitigation measures, developed new training and qualifications and commencing delivery of a national inspection programme, developed approaches and process to respond to risks. These inspections will run over the next several years alongside a post survey prioritisation plan. An update on this issue will be reported in the 2022–23 Annual Report and Financial Statements.

Risk and control documentation

In 2021–22 we reviewed and revised our Risk Management Strategy, which sets out our approach for managing risk across HES and our Risk Management Strategy, which aims to improve our risk maturity. In addition, guidance and online training are available to support risk management practice. We received good assurance in the year on our corporate approach to risk management. I am satisfied that sufficient action has been taken to address this issue.

Accountability for mandatory training

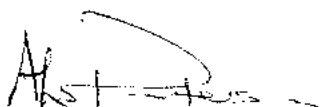
Several actions have been completed in the year to improve how we monitor completion of mandatory training, particularly in information and cyber security, and actions are underway to improve our monitoring and accountability for health and safety training. I am satisfied that sufficient action has been taken to address this issue.

2021–22 ISSUES

We have not identified any further issues, beyond those previously reported, over which we need further assurances.

CONCLUSION

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



Alex Paterson

Chief Executive and
Accountable Officer
20 October 2022





REMUNERATION AND STAFF REPORT

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

REMUNERATION POLICY

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

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

The Board in approving the pay award has regard to:

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

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

SERVICE CONTRACTS

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

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

BOARD MEMBERS

None of the board members have been paid any remuneration or received any other benefits in relation to their role as a board member of HES or a related entity for the year to 31 March 2022 (2020-21: none). Board members are entitled to reimbursement of expenses and this is disclosed in the expenditure disclosures notes (note 12).

SENIOR MANAGEMENT TEAM SALARIES AND PENSION BENEFITS

The total salaries and pension entitlement earned by the Senior Management Team for 2021-22 was £975,000 (2020-21: £1,018,000). The salary and pension entitlement earned individually by the Senior Management Team members for the year to 31 March 2022 were as follows:

	2021-22			2020-21		
	SALARY	PENSION BENEFITS	TOTAL	SALARY	PENSION BENEFITS	TOTAL
	£000	£000	£000	£000	£000	£000
Chief Executive						
Alex Paterson	125-130	49	175-180	125-130	49	175-180
Directors						
Barbara Cummins ¹	-	-	-	75-80	29	105-110
Stephen Duncan	75-80	30	105-110	75-80	29	105-110
Gary Love	75-80	12	85-90	75-80	50	125-130
Elizabeth McCrone	65-70	46	110-115	-	-	-
Lisa McGraith ²	45-50	15	60-65	75-80	29	105-110
Craig Mearns ³	0-5	-	0-5	-	-	-
Dr David Mitchell	75-80	20	95-100	75-80	-	75-80
Donella Steel	80-85	44	120-125	75-80	38	115-120
Lindsey Ross	75-80	30	105-110	75-80	29	105-110
Kirsteen Rowlands ⁴	-	-	-	5-10	2	10-15
Alison Turnbull	70-75	29	100-105	70-75	27	95-100

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

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

1. Barbara Cummins was Director of Heritage to 31 March 2021.
2. Lisa McGraith was Director of Communications to 30 September 2021. The full year equivalent salary for 2021-22 would have been in the range of £75,000 to £80,000.
3. Craig Mearns commenced as Director of Operations on 21 March 2022 however due to pension reporting, no information is accrued until the next financial year. The full year equivalent salary for 2021-22 would have been in the range of £75,000 to £80,000.
4. Kirsteen Rowlands was seconded from the Scottish Government as Interim Director of Communications from 13 March 2019 to 4 June 2020. The recharge for the services provided during 2020-21 was £12,345 and the salary and pension elements of the recharge have been included in the table above. The full year equivalent salary for 2020-21 would have been in the range of £65,000 to £70,000.

Bonuses

There were no bonuses paid to the Senior Management Team for 2021-22 (2020-21: nil).

Compensation for loss of office

Lisa McGraith left under Voluntary Exit Scheme on 30 September 2021 and received a compensation payment of £86,000. (2020-21: nil director compensation for loss office).

Pension benefits

The pension entitlements earned by the Senior Management Team for 2021-22 were:

	Real increase in pension and related lump sum at pension age	Accrued pension at pension age at 31 March 2022 and related lump sum	CETV at 31 March 2022	CETV at 31 March 2021	Real increase in CETV
	£000	£000	£000	£000	£000
Chief Executive					
Alex Paterson	2.5-5	15-20	234	186	33
Directors					
Barbara Cummins ¹	-	-	-	275	-
Stephen Duncan	0-2.5	35-40	593	551	20
Gary Love	0-2.5 plus a lump sum of 0	40-45 plus a lump sum of 105-110	932	877	2
Elizabeth McCrone	0-2.5 plus a lump sum of 2.5-5	20-25 plus a lump sum of 30-35	318	269	30
Lisa McGraith ²	0-2.5	20-25	212	193	6
Dr David Mitchell	0-2.5	30-35	483	448	8
Donella Steel	2.5-5	25-30	469	415	29
Lindsey Ross	0-2.5	0-5	43	25	12
Alison Turnbull	0-2.5	5-10	83	61	15

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

Cash Equivalent Transfer Values (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension

scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits, they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the scheme, not just their service

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

1. Barbara Cummins was Director of Heritage to 31 March 2021.

2. Lisa McGraith was Director of Communications to 30 September 2021. CETV and accrued pension at pension age are as at 30 September 2021.

The real increase in the value of the CETV

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

Fair pay disclosures

The median remunerations for lower quartile, overall, and upper quartile and the ratios to band of higher paid director remuneration were:

	2021-22	2020-21
	£000	£000
Band of highest paid director	125-130	125-130
	£	£
Lower quartile median total remuneration	20,751	19,951
Median total remuneration	25,087	24,287
Upper quartile median total remuneration	37,283	35,090
	Ratio	Ratio
Ratio of lower quartile total remuneration to highest paid director	6.14	6.39
Ratio of median total remuneration to highest paid director	5.08	5.25
Ratio of upper quartile total remuneration to highest paid director	3.42	3.63

The percentage change in salaries and allowances of the highest paid director and all staff were:.

	2021-22	2020-21
	%	%
Highest paid director	0.0	4.1
Average in respect of all HES employees	4.1	4.7

No performance pay or bonuses were paid to SMT or staff in 2021-22 or 2020-21.

Total remuneration includes salary and allowances. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

HES is a Living Wage Accredited employer and is committed to fair pay for employees and those working with the organisation. We ensure our people are paid fairly and appropriately for their time and effort.

The changes to remuneration and ratios can be explained by Scottish Public Sector Pay Policy for 21-22 which saw a reduction to the uplifts for Senior Appointment Pay as well as a change to the thresholds in basic pay for all other colleagues. In addition, the majority of our employees sit within our first three grades, and as their service in these roles continues, we now see a large number of colleagues

on the maximum pay step. This is demonstrated by the median remuneration, and the reduction in average percentage change from last year.

HES believes the pay ratio is consistent with the pay, reward and progression policies for our employees taken as a whole.

CIVIL SERVICE PENSIONS

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

These statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 switched into alpha sometime between 1 June 2015 and 1 April 2022.

Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course,

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

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum.

Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension

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

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium, and classic plus, 65 for

members of nuvos, and the higher of 65 or State Pension Age for members of alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.

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

STAFF REPORT

Group and Charity	2021-22	2020-21
Staff costs comprise:	£000	£000
Wages and salaries		
- Permanent	37,294	37,499
- Other staff	1,792	1,649
Total wages and salaries	39,086	39,148
Social security costs	3,721	3,574
Employer's contributions to pension schemes	10,289	10,108
Agency temporary staff costs	272	304
Total employment costs	53,368	53,134
Less: Recoveries in respect of outward secondments	-	-
Add: Inward Secondment costs	7	29
Total net costs	53,375	53,163

Employees who received benefits, excluding pension costs, of more than £60,000:	2021-22	2020-21
Banding		
£60,000 - £69,999	8	9
£70,000 - £79,999	5	8
£80,000 - £89,999	1	-
£120,000 - £129,999	1	1
Total number of staff	15	18

Staff numbers

The average number of full-time equivalent (FTE) staff employed for 2021-22, by occupational group, were:

Group and Charity	2021-22	2021-22	2021-22	2020-21	2020-21	Restated ¹
	Permanent FTE	Other FTE	FTE	Permanent FTE	Other FTE	2020-21 FTE
Cultural Assets	128	15	143	118	18	136
External Relations and Partnerships	36	2	38	36	4	40
Finance and Corporate Services	120	4	124	113	13	126
Heritage	110	9	119	110	12	122
Marketing and Engagement	131	11	142	137	6	143
Operations	632	31	663	639	40	679
People	30	1	31	29	2	31
Senior Management	9	-	9	9	-	9
Agency / temporary staff	-	6	6	-	11	11
	1,196	79	1,275	1,191	106	1,297

The average number of staff employed for 2021-22 were:

Group and Charity	2021-22 Headcount	2020-21 Headcount
Full time	1,111	1,100
Part time	344	380
	1,455	1,480

The average number of staff by band and gender for 2021-22 were:

	2021-22			2020-21		
	Male Headcount	Female Headcount	Total Headcount	Male Headcount	Female Headcount	Total Headcount
Chief Executive	1	-	1	1	-	1
Director	3	4	7	3	5	8
Band F	29	15	44	26	16	42
Bands A-E	755	648	1,403	775	654	1,429
	788	667	1,455	805	675	1,480

¹ Restated - refer to note 33 on page 119

Turnover

The employee turnover rate for 2021–22 is 12.7% (2020–21: 7.5%). This figure can be broken down into voluntary (7.8%) and non-voluntary (4.9%).

Sickness absence

For 2021–22, the average sickness absence was 10.1 days (2020–21: 5.4 days) and 12,509 total days (2020–21: 6,737 days). This is split into 4 average number of working days lost to ill-health short-term absences (2020–21: 1.2 days) and 6.1 average number of working days lost to ill-health long-term absences (2020–21: 4.2 days). The HR team continues to work closely with management to ensure appropriate management of sickness absence. Regular case reviews are carried out in partnership with management, with a view to identifying, discussing, and supporting staff at an early stage to best understand their needs and to support them in achieving sustained attendance.

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

Colleague engagement survey

HES undertake full colleague engagement surveys every 2 years. The last survey in November 2020 was completed by 64% of staff across the organisation. The scoring was calculated using the Employee Net Promoter Score (eNPS) which is a great way to quickly gauge employee advocacy. Many organisations now rely on it as the primary metric to track employee engagement. eNPS can vary from -100 to +100, and a good score is anything positive, and if an organisation is able to get a score anywhere between 10 and 30, it is considered to be in a good position. In 2020, the HES score was 10 (2018: -10).

Employees with disabilities

HES is committed to providing equal opportunities for all its employees. We recognise that people with disabilities have the same range of skills and qualities as non-disabled people. It is important that full advantage is taken of these skills so that every person is given the opportunity to make the fullest contribution in line with their abilities. Applications from people with disabilities for employment or promotion are given full and fair consideration and as a Disability Confident Employer we operate a guaranteed interview scheme for disabled applicants who meet the essential criteria for our advertised roles. We also proactively work with disability-led and accessibility organisation to ensure we are leading by example as an employer.

Equal opportunities and diversity

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

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

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

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

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

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

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

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

Health, safety and security at work

HES is committed to ensuring the highest standards of health, safety and security at work of its staff, visitors and others who may be affected by our work activities.

We aim to provide safe and healthy workplaces and practices for all our employees and extend this provision to include visitors, contractors and others to our premises, sites and events.

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

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

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

Learning and development

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

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

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

Resourcing

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

Employee consultation

The organisation is committed to effective employee communications, which it maintains through all colleague notices, a quarterly newsletter, and briefing sessions. The HES Partnership Forum provides the means for our recognised Trade Unions and management to discuss matters of concern or mutual interest.

Trade union relationships

HES works in partnership with its three recognised trade unions: Unite the Union, Public and Commercial Services Union (PCS) and Prospect. A Partnership Agreement outlines our joint approach to the management of employment relations and reinforces the relationship between management and trade union within the organisation to provide a voice for employees. This Agreement was reviewed in 2021-22.

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

Number of employees who were relevant union officials during 2021-22	17
Full-time equivalent employee number	16.53

Percentage of time spent on facility time	Number of employees
0%	9
1-50%	8
51-99%	-
100%	-

Total cost of time	£9,613
Total pay bill	£53,375,000
Percentage of total pay bill spent on facility time	0.02%
Time spent on paid activities as a percentage of total paid facility time	84%

Volunteers

HES provided opportunities to 46 volunteers in 2021-22 (2020-21: 28), who dedicated 5,354 hours (2020-21: 3,489) to volunteering with us. These included our board members, meet & greet volunteers and guides, volunteer rangers, the #HistoricScot Youth Forum, Scran and a new role in the Collections and Applied Conservation Team.

Expenditure on consultancy

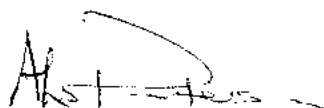
Expenditure on consultancy for 2021-22 was £81,000 (2020-21: £144,000).

Exit packages

Exit package cost band	Voluntary departures agreed 2021-22 Number	Cost of exit package 2021-22 £000	Voluntary departures agreed 2020-21 Number	Cost of exit package 2020-21 £000
<£10,000	-	-	5	31
£10,000-£25,000	-	-	11	187
£25,000-£50,000	1	44	9	336
>£50,000	1	86	2	147
Total	2	130	27	701

HES launched a Voluntary Exit Scheme (VES) in January 2021 which ran into 2021-22.

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



Alex Paterson
Chief Executive and
Accountable Officer
20 October 2022

PARLIAMENTARY DISCLOSURES

Losses and special payments

There were no losses or special payments during 2021-22 requiring to be disclosed (2020-21: none).

Fees and charges

HES does not levy any statutory fees or charges for its regulatory services and there were none during 2021-22 requiring to be disclosed (2020-21: none).

Gifts

There were no gifts made during 2021-22 (2020-21: none).

Remote contingent liabilities

There were no remote contingent liabilities as at 31 March 2022 or as at 31 March 2021.

REFERENCE AND ADMINISTRATIVE DETAIL

TUAIRISGEUL AIR FIOSRACHADH RIANACHAIL

Principal Office and Registered Address

Longmore House
Salisbury Place
Edinburgh EH9 1SH

Scottish charity number

SC045925

Subsidiaries

Historic Environment Scotland
Enterprise Limited

Scran Limited (dormant)

Bankers

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

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

Bank of Scotland
300 Lawnmarket
Edinburgh EH1 2PH

Solicitors

Morton Fraser
Quartermile Two
2 Lister Square
Edinburgh EH3 9GL

External auditors

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

APPROVAL

AONTA

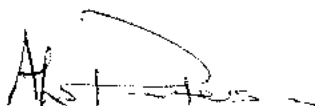
The Board and Accountable Officer confirm that the Annual Report and Financial Statements as a whole are fair, balanced, and understandable.

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

This Annual Report of Historic Environment Scotland, registered charity number SC045925, was approved by the Board and Accountable Officer and authorised for issue on 20 October 2022.

A handwritten signature in black ink, appearing to read 'Dr Hugh Hall', enclosed within a hand-drawn circle.

Dr Hugh Hall
Chair

A handwritten signature in black ink, appearing to read 'Alex Paterson', with a long horizontal line extending to the right.

Alex Paterson
Chief Executive and
Accountable Officer

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION ON FINANCIAL STATEMENTS

We have audited the financial statements in the annual report and accounts of Historic Environment Scotland for the year ended 31 March 2022 under the Historic Environment Scotland Act 2014 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated Statement of Financial Activities, the Charity Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated and Charity Cash Flow Statements and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Historic Environment Scotland Act 2014 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2022 and of its incoming resources and

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

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

BASIS FOR OPINION

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is 6 years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical

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

CONCLUSIONS RELATING TO GOING CONCERN BASIS OF ACCOUNTING

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, we report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website. www.audit-scotland.gov.uk/our-work/annual-audits

RISKS OF MATERIAL MISSTATEMENT

We report in our separate Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

RESPONSIBILITIES OF THE ACCOUNTABLE OFFICER AND TRUSTEES FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, the Accountable Officer and trustees are responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance

is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

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

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

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

- considering the nature of the body's control environment and reviewing the body's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired with management, internal audit and those charged with governance about their own identification and assessment of the risks of irregularities;
- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;

- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

As a result of the performing the above, we identified the greatest potential for fraud was in relation to the completeness of commercial income. Specifically this relates

to how reconciliations between the bank accounts and till system are carried out and followed up. We have performed design and implementation testing on the key controls in this area. We also performed analytical procedures over the commercial income balance based on visitor numbers and price changes, and tested the year end reconciliation to gain assurance over the completeness of income recognised in the year.

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

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

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

- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

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

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

REPORT ON REGULARITY OF EXPENDITURE AND INCOME

OPINION ON REGULARITY

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

RESPONSIBILITIES FOR REGULARITY

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

REPORT ON OTHER REQUIREMENTS

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

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

OTHER INFORMATION

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

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or

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

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

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

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

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

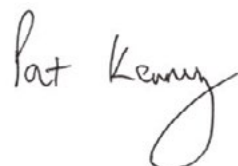
We have nothing to report in respect of these matters.

CONCLUSIONS ON WIDER SCOPE RESPONSIBILITIES

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

USE OF OUR REPORT

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



Pat Kenny, CPFA (for and on behalf of Deloitte LLP)
110 Queen Street
Glasgow
G1 3BX
United Kingdom
20 October 2022

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

FINANCIAL STATEMENTS

Year ended: 31 March 2022

CUNNTASAN BLIADHNAIL

Bliadhna crìochnaichte: 31 Màirt 2022

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITY FOR THE YEAR ENDED 31 MARCH 2022

		2021-22			Restated ¹ 2020-21		
	Note	Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
Income from:							
Government grant in aid		73,939	-	73,939	79,400	-	79,400
Charitable activities	3	15,318	1,629	16,947	6,592	1,190	7,782
Other trading activities	4	6,091	-	6,091	1,817	-	1,817
Donations and legacies		66	-	66	6	-	6
Other income	5	357	-	357	467	4,191	4,658
Total income		95,771	1,629	97,400	88,282	5,381	93,663
Expenditure on:							
Raising funds	6	(8,349)	-	(8,349)	(4,377)	-	(4,377)
Charitable activities	7	(75,272)	(2,336)	(77,608)	(71,524)	(1,400)	(72,924)
Grants	8	(16,216)	-	(16,216)	(7,874)	-	(7,874)
Total expenditure		(99,837)	(2,336)	(102,173)	(83,775)	(1,400)	(85,175)
Net income / (expenditure)		(4,066)	(707)	(4,773)	4,507	3,981	8,488
Transfers between funds	25	(598)	598	-	4,205	(4,205)	-
Gain on revaluation of fixed assets	28	1,575	-	1,575	873	-	873
Net movement in funds		(3,089)	(109)	(3,198)	9,585	(224)	9,361
Reconciliation of funds							
Total funds brought forward		17,883	2,738	20,621	8,298	2,962	11,260
Total funds carried forward	25	14,794	2,629	17,423	17,883	2,738	20,621

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

1. Restated – refer to note 33 on page 119

The notes on pages 89 to 120 form part of these financial statements

CHARITY STATEMENT OF FINANCIAL ACTIVITY FOR THE YEAR ENDED 31 MARCH 2022

	Note	2021-22			Restated ¹ 2020-21		
		Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
Income from:							
Government grant in aid		73,939	-	73,939	79,400	-	79,400
Charitable activities	3	15,318	1,629	16,947	6,592	1,190	7,782
Gift aid		-	-	-	-	-	-
Donations and legacies		66	-	66	6	-	6
Other income	5	5,451	-	5,451	4,179	4,191	8,370
Total income		94,774	1,629	96,403	90,177	5,381	95,558
Expenditure on:							
Charitable activities	7	(75,272)	(2,336)	(77,608)	(71,524)	(1,400)	(72,924)
Grants	8	(16,216)	-	(16,216)	(7,874)	-	(7,874)
Other	10	(5,290)	-	(5,290)	(3,236)	-	(3,236)
Total expenditure		(96,778)	(2,336)	(99,114)	(82,634)	(1,400)	(84,034)
Net income / (expenditure)		(2,004)	(707)	(2,711)	7,543	3,981	11,524
Transfers between funds	25	(598)	598	-	4,205	(4,205)	-
Gain on revaluation of fixed assets	28	1,575	-	1,575	873	-	873
Net movement in funds		(1,027)	(109)	(1,136)	12,621	(224)	12,397
Reconciliation of funds							
Total funds brought forward		20,919	2,738	23,657	8,298	2,962	11,260
Total funds carried forward	25	19,892	2,629	22,521	20,919	2,738	23,657

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

1. Restated - refer to note 33 on page 119

The notes on pages 89 to 120 form part of these financial statements

CONSOLIDATED AND CHARITY BALANCE SHEETS AS AT 31 MARCH 2022

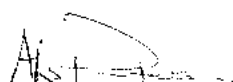
	Note	2021-22 Group £000	2021-22 Charity £000	2020-21 Group £000	2020-21 Charity £000
Fixed assets:					
Intangible assets	15	2,013	2,013	1,815	1,815
Tangible assets	16	42,514	42,514	43,655	43,655
Heritage assets	17	361	361	361	361
Investments	18	-	1,157	-	1,157
Total fixed assets		44,888	46,045	45,831	46,988
Current assets:					
Stock	19	2,507	370	3,208	380
Debtors	20	4,271	11,428	3,646	9,735
Cash at bank and in hand		12,990	12,610	12,799	12,263
Total current assets		19,768	24,408	19,653	22,378
Current liabilities:					
Creditors: amounts falling due within one year	21	(32,893)	(33,605)	(34,172)	(35,018)
Net current liabilities		(13,125)	(9,197)	(14,519)	(12,640)
Total assets less current liabilities		31,763	36,848	31,312	34,348
Creditors: amounts falling due outside one year	22	(11,685)	(11,672)	(7,759)	(7,759)
Provisions for liabilities	24	(2,655)	(2,655)	(2,932)	(2,932)
Net assets		17,423	22,521	20,621	23,657
Funds:					
Restricted funds	25	2,629	2,629	2,738	2,738
General reserve	25	(8,493)	(3,395)	(4,842)	(1,806)
Designated funds	25	1,963	1,963	1,963	1,963
Revaluation reserve	28	21,324	21,324	20,762	20,762
Unrestricted funds		14,794	19,892	17,883	20,919
Total funds		17,423	22,521	20,621	23,657

These financial statements of Historic Environment Scotland, registered charity number SC045925, were approved by the Board and the Accountable Officer and authorised for issue on 20 October 2022.

They were signed on its behalf by



Dr Hugh Hall
Chair



Alex Paterson
Chief Executive and Accountable Officer

The notes on pages 89 to 120 form part of these financial statements

CONSOLIDATED AND CHARITY CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	Note	2021-22 Group £000	2021-22 Charity £000	2020-21 Group £000	2020-21 Charity £000
Reconciliation of net income / (net expenditure) to net cash flow from operating activities					
Net income / (expenditure)		(4,773)	(2,711)	8,488	11,524
Adjustments for					
Depreciation	16	2,550	2,550	2,711	2,711
Amortisation	15	1,135	1,135	361	361
Impairment of fixed assets		8	8	488	488
Loss on disposal of fixed assets		-	-	7	7
(Decrease) / increase in provisions	24	(277)	(277)	432	432
Decrease / (increase) in stock	19	701	10	(209)	(106)
(Increase) / decrease in debtors	20	(625)	(1,693)	945	(2,186)
Increase / (decrease) in creditors	21, 22	2,647	2,500	(2,001)	(1,966)
Net cash generated from operating activities		1,366	1,522	11,222	11,265
Cash flows from investing activities					
Purchase of fixed assets	15, 16	(1,175)	(1,175)	(3,283)	(3,283)
Proceeds on disposal of fixed assets		-	-	-	-
Net cash used in investing activities		(1,175)	(1,175)	(3,283)	(3,283)
Net increase / (decrease) in cash		191	347	7,939	7,982
Cash at the beginning of period		12,799	12,263	4,860	4,281
Cash at the end of period		12,990	12,610	12,799	12,263

The notes on pages 89 to 120 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

a. Basis of preparation

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

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

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

- The Accounts Direction issued by Scottish Ministers (reproduced as an appendix);
- Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), second edition, effective 1 January 2019 (Charities SORP); and related information sheets;
- The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102);
- The 2021-22 Government Financial Reporting Manual (FReM) issued by HM Treasury;
- The Charities and Trustee Investment (Scotland) Act 2005; and

- The Charities Accounts (Scotland) Regulations 2006.

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

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

b. Going concern basis

The Board and Accountable Officer have considered whether it is appropriate to prepare the financial statements on a going concern basis, with particular consideration to ongoing impacts of Covid and worsening economic outlook, continued support from the Scottish Government, and the negative general reserves and negative current liabilities. Further information is disclosed on pages 40 to 45 within the Financial Review.

The Board and Accountable Officer are satisfied that income from government grant and commercial income will be sufficient to meet HES's obligations as they fall due for at least 12 months from the date of signing of these financial statements. For this reason, the financial statements are prepared on a going concern basis.

c. Basis of consolidation

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

The reporting date of the financial statements for both HES and its subsidiaries is 31 March 2022 and there is no difference in reporting dates that needs to be disclosed with regards preparation of the consolidated financial statements.

d. Income

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

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

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

Government grant in aid

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

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

Other grant income

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

Admissions, retail and other earned income

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

1. ACCOUNTING POLICIES (continued)

Membership income

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

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

Donations

Donations of cash are recognised when received and associated Gift Aid is recognised when claimable. Donations of non-cash assets are recognised at fair value when title passes to HES.

e. Expenditure

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

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

comprises grants to support projects that promote and protect the historic environment.

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

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

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

f. Grants payable

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

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

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

g. Leases

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

Rentals payable are charged to the statement of financial activity

on a straight-line basis over the term of the lease.

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

h. Fund accounting

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

Restricted funds must be used for particular purposes specified by or agreed with the donor or grantor.

i. Tangible fixed assets

Initial recognition

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

Properties in care

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

HES does not have legal ownership of the majority of the PiCs, however, in the opinion of the Board and Accountable Officer these assets are integral to the operation and being of HES are included within these financial statements.

Land, buildings and dwellings

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

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

The heritage assets accounting policy at note 1k sets out accounting for the heritage land, buildings, and dwellings.

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

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

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

- Non-specialised properties – market value for existing use.
- Specialised properties – depreciated replacement cost.

- Properties leased to third parties – open market value.

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

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

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

Leasehold building improvements

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

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

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

Antiques and works of art

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

Assets under construction

Assets under construction comprise expenditure on the

creation or enhancement of Tangible Fixed Assets not brought into use at the balance sheet date. Transfers are made from assets under construction to the relevant category of Tangible Fixed Assets when the asset is brought into use.

Subsequent costs

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

Capitalisation thresholds

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

Donated fixed assets

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

Depreciation

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

1. ACCOUNTING POLICIES (continued)

Depreciation (continued)

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

Land: Not depreciated

Buildings and dwellings:

On an individual basis not exceeding 60 years

Leasehold building improvements (included within buildings and dwellings):

Over the term of the lease

Motor vehicles: 5 years

ICT systems: 3 years

Plant and equipment: 5 years

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

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

j. Intangible fixed assets

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

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

Assets under construction

Assets under construction comprise expenditure on the creation or enhancement of intangible fixed assets not brought into use at the balance sheet date. Transfers are made from assets under construction to the relevant category of intangible fixed assets when the asset is brought into use.

Amortisation

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

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

Archive rights: 10 years

Computer and software licenses: 3 years

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

k. Heritage fixed assets

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

Properties in care

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

Archives and Collections

HES owns or holds in its care archives and collections relating to Scotland's wider historic environment. It is the opinion of

the Board and Accountable Officer that due to the number of items, lack of comparative market values and the diverse nature of the collection, reliable cost or valuation information cannot be obtained. HES does not therefore recognise these assets on its balance sheet. The exception is acquisitions since 2004 where reliable cost information is available.

Conservation costs

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

l. Investments

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

m. Stock

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

n. Cash at bank and in hand

Cash at bank and in hand includes deposits with banks and cash held at sites.

o. Financial instruments

The financial assets and liabilities held by HES qualify as basic

financial instruments under FRS 102. Financial assets and financial liabilities are recognised when HES becomes a party to the contractual provisions of the instrument.

Financial assets

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

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

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

Financial liabilities

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

Financial liabilities are derecognised only when the obligation specified in the contract

is discharged, cancelled, or expires.

p. Provisions

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

q. Pensions

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

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

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

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

r. Redundancy costs

HES launched a Voluntary Exit Scheme (VES) in January 2021 which ran into 2021–22.

Redundancy costs are recognised as expenditure in the statement of financial activities in the year in which the employees received written confirmation. An accrual was recognised as at 31 March 2021 for voluntary redundancies agreed but not completed. There were no outstanding voluntary redundancies as at 31 March 2022.

s. Realised element on depreciation of revaluation reserve

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

t. Foreign currency

Transactions denominated in foreign currencies are translated to sterling at the rate ruling at the date of transaction. Any monetary assets and liabilities outstanding at the year-end are translated into sterling at the rates ruling at 31 March 2022. Exchange differences are recorded in the statement of financial activity.

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

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES

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

a. Judgements

Going concern

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

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

b. Estimates

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. However, there is not considered to be a significant risk of material adjustment in the next reporting period. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

Value of property

At 31 March 2022 approximately 20% of the land, buildings and dwellings assets were valued by District Valuers of the Valuation Office Agency acting in the capacity of external valuers. HES undertakes this valuation exercise annually as part of a five-year rolling programme of professional valuations in accordance with the Charities SORP. The valuations were conducted in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

The valuation report has been used to inform the measurement of assets in these financial statements. The carrying amounts of land, buildings and dwellings as at 31 March 2022 is reported in the tangible fixed assets note (note 16) and the impact of the valuation as at 31 March 2022 is reported in the revaluation reserve note (note 28).

As noted, HES has not obtained a complete valuation of all land, buildings and dwellings assets as at 31 March 2022. HES recognises that there may now be greater uncertainty in markets on which the valuations for the remaining assets were based (dating from 2015-16 to 2020-21), and on which asset measurements reflected in these statements have also been calculated.

Provisions for future liabilities

HES leases a number of properties and has certain legal obligations to repair and maintain these properties. HES recognises a provision for leasehold dilapidations and this is estimated based on assessments of our legal obligations and the condition of properties. These assessments are informed by expert advice from external surveyors as well as our internal surveyors. The provision for leasehold dilapidations is reported in the provision for liabilities note (note 24).

HES has certain legal obligations for the safety of visitors and staff to its sites and can sometimes receive claims for compensation when accidents happen. HES recognises a provision for compensation claims and this is estimated based on an assessment of our legal obligations and likelihood of payment. These are assessments informed by expert advice from our external insurers, external lawyers as well as our internal lawyers. The provision for compensation payments is reported in the provision for liabilities note (note 24).

3. INCOME FROM CHARITABLE ACTIVITIES – GROUP AND CHARITY

	2021-22			2020-21		
	Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
Admissions	10,723	-	10,723	2,118	-	2,118
Membership	3,701	-	3,701	4,123	-	4,123
Audio Tours	199	-	199	19	-	19
Imaging sales – charitable	70	-	70	68	-	68
Third party services	167	-	167	146	-	146
Visitor events	13	-	13	55	-	55
Historic Scotland Foundation grants	-	338	338	-	160	160
Partnership funding	337	1,291	1,628	-	1,030	1,030
Other	108	-	108	63	-	63
	15,318	1,629	16,947	6,592	1,190	7,782

4. INCOME FROM TRADING ACTIVITIES – GROUP

	2021-22	2020-21
	Unrestricted £000	Unrestricted £000
Retail and catering	3,460	704
Imaging sales – trading	1,383	910
Events and venue hire	939	51
Other	309	152
Total	6,091	1,817

5. OTHER INCOME

Group

			2021-22			2020-21	
	Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000	
HMRC Job Retention Scheme Grant	-	-	-	-	4,191	4,191	
Other	357	-	357	467	-	467	
	357	-	357	467	4,191	4,658	

Charity

			2021-22			2020-21	
	Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000	
Recharges for personnel and services	4,911	-	4,911	3,663	-	3,663	
HMRC Job Retention Scheme Grant	-	-	-	-	4,191	4,191	
Intercompany loan interest	183	-	183	49	-	49	
Other	357	-	357	467	-	467	
	5,451	-	5,451	4,179	4,191	8,370	

6. EXPENDITURE ON RAISING FUNDS – GROUP

	2021-22		2020-21	
	Unrestricted £000	Unrestricted £000	Unrestricted £000	Unrestricted £000
Direct salaries		3,395		2,093
Direct costs		3,083		1,167
Support costs		1,513		944
Depreciation		358		173
Total		8,349		4,377

7. EXPENDITURE ON CHARITABLE ACTIVITIES – GROUP AND CHARITY

	Marketing and Engagement	Heritage	Operations	Cultural Assets	External relations and partnership	2021-22 Total
	£000	£000	£000	£000	£000	£000
Direct salaries	3,926	6,090	22,246	7,039	1,314	40,615
Direct costs	3,566	755	9,411	4,748	521	19,001
Support costs	1,751	1,686	7,998	2,795	463	14,693
Depreciation	415	379	1,743	652	102	3,291
Impairment	-	-	8	-	-	8
	9,658	8,910	41,406	15,234	2,400	77,608
Unrestricted	8,840	8,604	41,134	14,528	2,172	75,272
Restricted	818	312	272	706	228	2,336
	9,658	8,916	41,406	15,234	2,400	77,608

	Marketing and Engagement	Heritage	Operations	Cultural Assets	External relations and partnership	Restated' 2020-21 Total
	£000	£000	£000	£000	£000	£000
Direct salaries	4,421	6,340	23,305	6,574	1,093	41,733
Direct costs	2,464	853	6,467	2,046	264	12,094
Support costs	1,994	2,116	9,068	2,555	428	16,161
Depreciation	366	383	1,584	462	72	2,867
Impairment	-	-	-	69	-	69
	9,245	9,692	40,424	11,706	1,857	72,924
Unrestricted	8,982	9,409	40,273	11,016	1,844	71,524
Restricted	263	283	151	690	13	1,400
	9,245	9,692	40,424	11,706	1,857	72,924

1. Restated – refer to note 33 on page 119

8. EXPENDITURE ON GRANTS – GROUP AND CHARITY

	2021-22	Restated¹
	£000	2020-21
		£000
Grants payable	15,348	7,079
Direct salaries	554	522
Direct costs	110	65
Support costs	167	177
Depreciation	37	31
	16,216	7,874

	2021-22	2020-21
	£000	£000
Grants invested from current year funding	12,274	13,543
Grant returned to HES	(31)	(62)
Movement in grant commitments from future funding	3,105	(6,402)
Grants payable	15,348	7,079

1. Restated – refer to note 33 on page 119

9. SUPPORT COSTS – GROUP AND CHARITY

	Raising Funds	Charitable Activities	Grants	2021-22 Total
	£000	£000	£000	£000
Office running costs	372	3,417	38	3,827
Information systems	495	4,572	51	5,118
Finance	237	2,183	25	2,445
HR	86	1,379	17	1,482
Communications	44	400	4	448
Chief Executive's Office	117	1,070	12	1,199
Information governance	68	622	7	697
Corporate analysis and performance	29	267	3	299
Governance	24	220	2	246
Health, safety and security	28	443	6	477
Corporate services	13	120	2	135
	1,513	14,693	167	16,373

	Raising Funds	Charitable Activities	Grants	Restated¹ 2020-21 Total
	£000	£000	£000	£000
Office running costs	249	4,114	45	4,408
Information systems	298	4,950	54	5,302
Finance	135	2,227	24	2,386
HR	64	1,491	17	1,572
Communications	33	538	6	577
Chief Executive's Office	70	1,164	13	1,247
Information governance	33	540	6	579
Corporate analysis and performance	17	275	3	295
Governance	14	225	2	241
Health, safety and security	19	432	5	456
Corporate services	12	205	2	219
	944	16,161	177	17,282

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

Charity

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

1. Restated - refer to note 33 on page 119

10. EXPENDITURE ON OTHER – CHARITY

	2021-22	Restated¹
	£000	2020-21
		£000
Direct salaries	3,419	2,119
Support costs	1,513	944
Depreciation	358	173
	5,290	3,236

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

11. GRANTS – GROUP AND CHARITY

	2021-22	2020-21
	£000	£000
Grants commitment at beginning of period	31,165	35,518
Grants awarded	16,280	7,834
Grants reduced	(854)	(689)
Grants paid in year	(13,077)	(11,498)
Grants commitment at end of period	33,514	31,165

	2021-22	2020-21
	£000	£000
Accrual for grants payable falling due within one year	21,995	22,798
Accrual for grants payable falling due outside one year	9,235	6,385
Grants retentions falling due within one year	495	1,283
Grants retentions falling due outside one year	1,789	699
	33,514	31,165

1. Restated – refer to note 33 on page 119

Grants awarded

	2021-22			2020-21		
	Institutions £000	Individuals £000	Total £000	Institutions £000	Individuals £000	Total £000
Archaeology Programme funding	14	37	51	69	-	69
City Heritage Trust	4,408	-	4,408	1,243	-	1,243
Conservation Area Regeneration Scheme	3,566	-	3,566	43	-	43
Historic Environment Repair Grants	3,580	-	3,580	2,317	-	2,317
Historic Environment Support Fund	234	27	261	102	14	116
Organisational Support Fund	4,125	-	4,125	1,533	-	1,533
Places of Worship	-	-	-	388	-	388
Year of Coast and Waters	-	-	-	199	-	199
Historic Environment Recovery Fund	27	-	27	1,911	15	1,926
	15,954	64	16,018	7,805	29	7,834

Information of our grants policy can be found on page 45. Details of the grants awarded during the year ended 31 March 2022 can be found at: www.historicenvironment.scot/grants-and-funding/grants-awarded-by-us

Detail of the grant programmes HES operates can be found at www.historicenvironment.scot/our-grants.

12. EXPENDITURE DISCLOSURES

	2021-22	2020-21
External auditor's remuneration for audit of the financial statements	£000	£000
Historic Environment Scotland	82	96
Historic Environment Scotland Enterprises Limited	11	10
	93	106

There was no external auditor's remuneration for other services in 2021-22 or 2020-21.

	2021-22	2020-21
Board members' expenses	£000	£000
Accommodation, travel, and subsistence incurred by or on behalf of board members	1	-

	2021-22	2020-21
Number of board members	£000	£000
Number of board members	10	12
Number of board members claiming expenses or expenses paid on behalf of board members	3	-

13. STAFF COSTS – GROUP AND CHARITY

Staff costs for the year to 31 March 2022 were £53,375,000 (2020-21: £53,163,000). Further analysis of these costs is shown within the Remuneration and Staff Report on page 71.

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

For the year to 31 March 2022, employers' contributions of £10,152,000 (2020-21: £9,976,000) were payable to the PCSPS and alpha at one of four rates in the range 26.6% to 30.3% (2020-21: 26.6% to 30.3%) of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The anticipated employers' contributions for the year to 31 March 2023 are £12,152,000.

The contribution rates are set to meet the cost of the benefits accruing during the year ended 31 March 2022 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 £132,000 (2020-21: £128,000) were paid to the appointed stakeholder pension provider. Employer contributions are age related and range 8% to 14.75% of pensionable earnings. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £5,000 (2020-21: £5,000), 0.5% of pensionable pay, were payable to the PCSPS to

cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.	£16,000 (2020-21: £13,000). No contributions were prepaid at that date (2020-21: £nil).
Contributions due to the partnership pension providers at the balance sheet date were	Key management personnel remuneration is disclosed in the Remuneration and Staff Report on pages 66 to 76.

14. RELATED PARTIES – GROUP AND CHARITY

Scottish Government

HES is a Non-Departmental Public Body (NDPB) sponsored by the Scottish Government. The Scottish Government is considered a related party as it has significant influence over HES through funding and legislation. HES's relationship with the Scottish Government is set out in our Framework Agreement. Grant in Aid funding received from the Scottish Government is reported in the consolidated statement of financial activity on page 89.

Group Undertakings:

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

Transactions undertaken with group undertakings during the year were:

	2021-22 £000	2020-21 £000
Supply of personnel and support services from HES to HESe	4,911	3,663
Intercompany loan interest from HESe to HES	183	49
Gift aid donation from HESe to HES	-	-
	5,094	3,712

Amount receivable from/due to group undertakings:

	Debtors receivable 2021-22 £000	Creditors outstanding 2021-22 £000	Debtors receivable 2020-21 £000	Creditors outstanding 2020-21 £000
HESe - Loan	7,475	-	6,383	-
HESe - Intercompany account	-	87	-	305
Scran	-	1,157	-	1,157
	7,475	1,244	6,383	1,462

14. RELATED PARTIES – GROUP AND CHARITY (continued)

Board members, directors and other senior staff of HES

The nature of HES's activities, and the composition of its board and senior management team, mean that transactions often take place with related parties. The following transactions and balances are disclosed as the individuals concerned, or individuals closely connected to them, are considered to have control or influence in both parties to the transactions concerned. The transactions were all conducted at arm's length under the normal course of business, and in line with HES's Financial Regulations. Standard terms and conditions were applied and there were no special terms and conditions such as interest or security.

Transactions below £10,000 are not considered material and have not been disclosed.

Crichton Trust

HES Board Member Janet Brennan is a Trustee of Crichton Trust. HES incurred costs in 2021-22 of £14,000 (2020-21: £Nil). Amounts due from HES were £Nil (2020-21: £Nil).

Society of Antiquaries of Scotland

The spouse of Dr Rebecca Jones, HES Head of Heritage Recording and Archaeology, is the CEO of The Society of Antiquaries of Scotland. HES incurred costs of £Nil in 2021-22 (2020-21: £Nil). HES made payments of previously awarded grants of £123,000 in 2021-22 (2020-21: £376,000). Amounts due from HES were £Nil (2020-21: £Nil).

Iona Community

HES Board Member Paul Stollard is an Associate Member for The Iona Community. HES received payments in 2021-22 of £18,000 (2020-21: £25,000). HES incurred costs in 2021-22 of £22,000 (2020-21: £57,000). Amounts due from HES were £2,000 (2020-21: £8,000). The Scottish Government agreed to a rent waiver of £73,000 for the years 2020 to 2024 to mitigate planned rental increases.

The Scape Trust

Robin Turner was HES Head of Survey and Recording until he retired in June 2021. During this time Robin Turner was Trustee, non-Executive Director for Scape Trust. HES paid previously awarded grants of £38,000 in the first quarter of 2021-22 (2020-21: £131,000). Amounts due from HES were £Nil (2020-21: £Nil).

Glasgow City Council

HES Board Member Jane Williamson is Group Manager – Project Management and Surveying, within Development and Regeneration Services of Glasgow City Council. HES received payments in 2021-22 of £35,000 (2020-21: £Nil). HES paid previously awarded grants of £Nil in 2021-22 (2020-21: Nil). Amounts due from HES were £Nil (2020-21: £Nil).

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

Further details can be found within the Register of Declared Interests www.historicenvironment.scot/media/8186/register-declared-interests-feb2022.pdf which is publicly available on HES website.

15. INTANGIBLE ASSETS – GROUP AND CHARITY

	Archive rights £000	Software, licences & website £000	Assets under construction £000	Total £000
Cost				
As at 1 April 2020	54	1,469	-	1,523
Additions	-	42	134	176
Transfers	-	1,950	-	1,950
Disposals	-	-	-	-
As at 31 March 2021	54	3,461	134	3,649
Additions	-	-	383	383
Transfers	-	1,259	(309)	950
Disposals	-	-	-	-
As at 31 March 2022	54	4,720	208	4,982
Accumulated amortisation				
As at 1 April 2020	(32)	(1,441)	-	(1,473)
Charge for the year	(8)	(353)	-	(361)
Disposals	-	-	-	-
As at 31 March 2021	(40)	(1,794)	-	(1,834)
Charge for the year	(7)	(1,128)	-	(1,135)
Disposals	-	-	-	-
As at 31 March 2022	(47)	(2,922)	-	(2,969)
Net Book Value				
As at 31 March 2020	22	28	-	50
As at 31 March 2021	14	1,667	134	1,815
As at 31 March 2022	7	1,798	208	2,013

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

16. TANGIBLE FIXED ASSETS – GROUP AND CHARITY

	Land £000	Buildings £000	Dwellings £000	Motor vehicles £000
Cost or Valuation				
As at 1 April 2020	3,404	36,298	3,975	2,995
Additions	-	-	2	187
Transfers	-	-	69	-
Disposals	-	-	(7)	-
Revaluation and Indexation	(183)	(2,910)	320	-
Impairment	-	(69)	-	-
As at 31 March 2021	3,221	33,319	4,359	3,182
Additions	-	9	-	-
Transfers	-	-	-	-
Disposals	-	-	-	-
Revaluation and Indexation	117	770	249	-
Impairment	-	-	-	-
As at 31 March 2022	3,338	34,098	4,608	3,182
Accumulated Depreciation and Impairment				
As at 1 April 2020	(258)	(3,950)	(312)	(2,309)
Charge for the year	-	(1,261)	(153)	(264)
Transfers	-	-	(33)	-
Disposals	-	-	1	-
Impairment	-	-	-	-
Revaluation and Indexation	251	3,249	145	-
As at 31 March 2021	(7)	(1,962)	(352)	(2,573)
Charge for the year	-	(1,245)	(169)	(266)
Transfers	-	-	-	-
Disposals	-	-	-	-
Impairment	-	-	-	-
Revaluation and Indexation	-	292	147	-
As at 31 March 2022	(7)	(2,915)	(374)	(2,839)
Net Book Value				
As at 31 March 2020	3,146	32,348	3,663	686
As at 31 March 2021	3,214	31,357	4,007	609
As at 31 March 2022	3,331	31,183	4,234	343
Historic Cost				
As at 31 March 2020	1,450	13,951	-	683
As at 31 March 2021	1,450	13,381	-	609
As at 31 March 2022	1,450	12,836	-	343

ICT systems	Plant & equipment	Antiques & works of art	Assets under construction	Total
£000	£000	£000	£000	£000
6,407	6,899	2,331	1,797	64,106
367	535	-	2,016	3,107
136	(69)	-	(2,086)	(1,950)
-	-	-	-	(7)
-	-	-	-	(2,773)
-	-	-	(419)	(488)
6,910	7,365	2,331	1,308	61,995
246	302	-	235	792
-	317	-	(1,267)	(950)
(8)	(413)	-	-	(421)
-	-	-	-	1,136
-	-	-	(8)	(8)
7,148	7,571	2,331	268	62,544
(5,472)	(6,129)	(845)	-	(19,275)
(681)	(282)	(70)	-	(2,711)
-	33	-	-	-
-	-	-	-	1
-	-	-	-	-
-	-	-	-	3,645
(6,153)	(6,378)	(915)	-	(18,340)
(438)	(365)	(67)	-	(2,550)
-	-	-	-	-
8	413	-	-	421
-	-	-	-	-
-	-	-	-	439
(6,583)	(6,330)	(982)	-	(20,030)
935	770	1,486	1,797	44,831
757	987	1,416	1,308	43,655
565	1,241	1,349	268	42,514
935	806	1,486	1,797	21,108
757	1,023	1,416	1,308	19,944
565	1,277	1,349	267	18,087

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

Valuation of land, buildings and dwelling

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

Valuation assumptions

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

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

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

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

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

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

For each specialised property, the Gross Replacement Cost (GRC) of providing a new modern equivalent asset has been assessed. This GRC has then been adjusted to reflect obsolescence to arrive at a Net Replacement Cost (also known as Depreciated Replacement Cost – DRC) which reflects the remaining service potential of the actual asset and is the depreciable amount. The valuers have assumed that functional obsolescence is de-minimis and therefore we have not reflected this in our DRC valuations.

All DRC valuations are inclusive of professional fees and irrecoverable VAT but exclude finance charges, in accordance with HM Treasury guidance. Operational land, including land associated with buildings valued to DRC, has been assessed to

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

Historic cost value of dwelling

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

17. HERITAGE ASSETS – GROUP AND CHARITY

Properties in Care

HES is responsible for over 300 archaeological and historic sites across Scotland in the care of Scottish Ministers (the Properties in Care or PiCs).

The Scheme of Delegation by Scottish Ministers to Historic Environment Scotland – Properties in Care set out the PiCs and HES's responsibilities for managing these. HES publishes Properties in Case of Scottish Ministers Annual Reports www.historicenvironment.scot/media/2561/hes-scheme-of-delegation-pic.pdf detailing activity undertaken on the PiCs.

As set out in accounting policy 1k Heritage assets, HES does not recognise these assets on its balance sheet, with the exception of elements used for income generation or other non-heritage purposes.

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 www.canmore.org.uk – over five million archival items relating to all aspects of the historic environment of Scotland.
- Properties in Care Associated Collections (PiCAs) www.historicenvironment.scot/archives-and-research/archives-and-collections/properties-in-care-collections – over 41,000 objects of cultural significance relating to the history and archaeology of PiCs.
- National Collection of Aerial Photography (NCAP) www.ncap.org.uk – over 30 million aerial images featuring historic events and places worldwide, including 1.6 million images of Scotland.
- 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.

As set out in accounting policy 1k Heritage Assets, HES does not recognise these assets on its balance sheet, the exception is acquisition since the year ended 31 March 2006 where reliable cost information is available. The value of Heritage Assets included in the Balance Sheet are set out in the table below:

Collections

	2021-22	2020-21
	£000	£000
Cost and net book value as at beginning and end of period	361	361

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

18. INVESTMENTS – CHARITY

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

	2021-22 £000	2020-21 £000
HESe	-	-
Scran	1,157	1,157
As at end of period	1,157	1,157

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

HESe

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

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

	2021-22 £000	2020-21 £000
Income	6,091	1,817
Expenditure	(8,152)	(4,853)
Loss	(2,061)	(3,036)
Gift aid to HES	-	-

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

	2021-22 £000	2020-21 £000
Current assets	2,922	3,963
Creditors: amounts falling due within one year	(8,006)	(6,992)
Creditors: amounts falling due after more than one year	(13)	(7)
Net Assets	(5,097)	(3,036)

The prior year creditors figures have been adjusted to reflect the fact that the loan is payable within one year, previously reported as after more than one year.

Scran

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

Scran was dormant for 2021-22 and did not have any income or expenditure for the current or prior year.

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

	2021-22 £000	2020-21 £000
Current assets	1,157	1,157
Net Assets	1,157	1,157

Scran's current assets at 31 March 2021 and 31 March 2022 relate solely to amounts owed by Historic Environment Scotland as a result of the transfer of its net assets on 1 April 2016.

19. STOCK

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

	2021-22 Group £000	2021-22 Charity £000	2020-21 Group £000	2020-21 Charity £000
Retail stocks net of obsolescence provision	2,135	-	2,819	-
Work stocks - raw materials and consumables	372	370	389	380
	2,507	370	3,208	380

The value of retail stocks is shown net of a provision for obsolete and discontinued stock. The value of the provision as at 31 March 2022 was £97,000 (2020-21: £198,000).

Retail stocks included as cost of sales for 2021-22 were £1,326,000 (2020-21: £209,000).

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

20. DEBTORS

	2021-22	2021-22	2020-21	2020-21
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Trade debtors	1,133	894	475	211
Taxes	448	448	564	564
Amounts owed by group undertakings	-	7,475	-	6,383
Prepayments	1,185	1,116	1,218	1,192
Accrued income	600	590	365	361
Reimbursement of provisions	528	528	931	931
Other debtors	377	377	93	93
	4,271	11,428	3,646	9,735

21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021-22	2021-22	2020-21	2020-21
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Accrual for grants payable	21,995	21,995	22,798	22,798
Grants retentions	495	495	1,283	1,283
Trade payables	530	442	1,074	993
Amounts owing to group undertakings	-	1,244	-	1,462
Other payables	2,336	2,314	1,506	1,480
Accruals	5,574	5,250	6,280	5,937
Deferred income	1,963	1,865	1,231	1,065
	32,893	33,605	34,172	35,018

22. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2021-22	2021-22	2020-21	2020-21
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Accruals for grants payable	9,235	9,235	6,385	6,385
Grants retentions	1,789	1,789	699	699
Deferred income	661	648	675	675
	11,685	11,672	7,759	7,759

23. DEFERRED INCOME

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

	2021-22 Group £000	2020-21 Charity £000
Total deferred income at the beginning of the period	1,906	1,740
Amounts deferred during the period	(1,047)	(886)
Amounts released during the period	1,765	1,659
Total deferred income at the end of the period	2,624	2,513

24. PROVISIONS FOR LIABILITIES – GROUP AND CHARITY

	Compensation payments £000	Dilapidations £000	Total £000
Balance as at 1 April 2021	969	1,963	2,932
Provisions made in the year	-	331	331
Provisions used during the year	(19)	(123)	(142)
Provisions released during the year	(422)	(44)	(466)
Balance as at 31 March 2022	528	2,127	2,655

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

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

25. FUNDS

	As at 1 April 2021	Income	Expenditure	Transfer between reserves	Gains & losses	As at 31 March 2022
	£000	£000	£000	£000	£000	£000
Restricted funds - Group and Charity						
Heritage Lottery Fund - Engine Shed	2,624	-	(64)	-	-	2,560
Historic Scotland Foundation - Kilmartin Glen	-	200	(200)	-	-	-
Stirling Council - Doune Rural Tourism Infrastructure Fund (RTIF)	-	195	(345)	150	-	-
Stockholm University - Directorate of Overseas Surveys (DOS) Digitisation	-	140	(287)	147	-	-
Art & Humanities Research Council (AHRC) - Capability for Collections Fund	40	143	(151)	-	-	32
AHRC - Towards a National Collection	(4)	406	(384)	-	-	18
AHRC - Rockart	29	-	(206)	218	-	41
Funds less than £100,000	49	545	(699)	83	-	(22)
Total restricted funds - Group and Charity	2,738	1,629	(2,336)	598	-	2,629
Unrestricted funds - Group						
General reserve	(4,842)	95,771	(99,837)	415	-	(8,493)
Designated fund	1,963	-	-	-	-	1,963
Revaluation reserve	20,762	-	-	(1,013)	1,575	21,324
Total unrestricted funds - Group	17,883	95,771	(99,837)	(598)	1,575	14,794
Unrestricted funds - Charity						
General reserve	(1,806)	94,774	(96,778)	415	-	(3,395)
Designated fund	1,963	-	-	-	-	1,963
Revaluation reserve	20,762	-	-	(1,013)	1,575	21,324
Total unrestricted funds - Charity	20,919	94,774	(96,778)	(598)	1,575	19,892
All funds - Group	20,621	97,400	(102,173)	-	1,575	17,423
All funds - Charity	23,657	96,403	(99,114)	-	1,575	22,521

Designated funds

Purpose

Properties in care conservation fund

HES established a new designated fund as at 31 March 2021 to support conservation of our Properties in Care. The fund is expected to be fully utilised during the year to 31 March 2023.

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

Restricted funds

Restriction and use

Heritage Lottery Fund Engine Shed	For the construction of the Engine Shed, a dedicated building conservation centre.
Historic Scotland Foundation Kilmartin Glen	For interpretation at Kilmartin Glen Museum.
Stirling Council Doune RTIF	For improvement to Doune Castle pathways.
Stockholm University - DOS Digitisation	For the digitisation of the Directorate of Overseas Surveys (DOS) Collection.
Architectural Heritage Research Council (AHRC) - Capability for Collections Fund	For the purpose of purchasing capital equipment for research.
AHRC - Towards a National Collection	To cover the costs of running the programme Towards a National Collection, creating a unified virtual 'national collection'.
AHRC - Rock Art	To fund the Rock Art research programme, dedicated to recording, researching and raising awareness of over 3,000 prehistoric carvings.

26. NET ASSETS BY FUND

Net Assets	Fixed assets £000	Cash £000	Other net current liabilities £000	Creditors falling due outside one year £000	Provisions £000	2021-22 Total £000
Group						
Restricted funds	2,560	69	-	-	-	2,629
General reserve	21,004	10,958	(26,115)	(11,685)	(2,655)	(8,493)
Designated fund	-	1,963	-	-	-	1,963
Revaluation reserve	21,324	-	-	-	-	21,324
Total Funds	44,888	12,990	(26,115)	(11,685)	(2,655)	17,423
Charity						
Restricted funds	2,560	69	-	-	-	2,629
General reserves	22,161	10,578	(21,807)	(11,672)	(2,655)	(3,395)
Designated fund	-	1,963	-	-	-	1,963
Revaluation reserve	21,324	-	-	-	-	21,324
Total Funds	46,045	12,610	(21,807)	(11,672)	(2,655)	22,521

Net Assets	Fixed assets £000	Cash £000	Other net current liabilities £000	Creditors falling due outside one year £000	Provisions £000	2020-21 Total £000
Group						
Restricted funds	2,624	114	-	-	-	2,738
General reserve	22,445	10,722	(27,318)	(7,759)	(2,932)	(4,842)
Designated fund	-	1,963	-	-	-	1,963
Revaluation reserve	20,762	-	-	-	-	20,762
Total Funds	45,831	12,799	(27,318)	(7,759)	(2,932)	20,621
Charity						
Restricted funds	2,624	114	-	-	-	2,738
General reserve	23,602	10,186	(24,903)	(7,759)	(2,932)	(1,806)
Designated fund	-	1,963	-	-	-	1,963
Revaluation reserve	20,762	-	-	-	-	20,762
Total Funds	46,988	12,263	(24,903)	(7,759)	(2,932)	23,657

27. LEASING – GROUP AND CHARITY

Total payments for operating leases for 2021-22 were £2,046,000 (2020-21: £2,050,000).

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

	Land & Buildings	Equipment	2021-22 Total	Land & Buildings	Equipment	2020-21 Total
	£000	£000	£000	£000	£000	£000
Not later than one year	2,040	6	2,046	1,979	1	1,980
Later than one year and not later than five years	7,898	-	7,898	7,632	-	7,632
Later than five years	10,266	-	10,266	12,401	-	12,401
	20,204	6	20,210	22,012	1	22,013

28. REVALUATION RESERVE – GROUP AND CHARITY

	2021-22	2020-21
	£000	£000
As at beginning of period	20,762	20,893
Revaluation and indexation of cost / valuation	1,136	(2,772)
Revaluation and indexation of accumulated depreciation	439	3,645
Gain on revaluation of fixed assets	1,575	873
Transfer of realised element of revaluation reserve to unrestricted reserve	(1,013)	(1,004)
As at end of period	21,324	20,762

29. FINANCIAL COMMITMENTS – GROUP AND CHARITY

HES has given indicative authorisation to grant applicants. While these do not represent a firm offer of grant, they reflect future potential offers and are an indication of the pressure on grants which HES faces. As at 31 March 2022, indicative authorisations totalled:

	2021-22 £000	2020-21 £000
Commitments due in:		
Less than one year	3,401	2,661
More than one year and less than five years	5,119	8,829
More than five years	-	-
Total	8,520	11,490

30. FINANCIAL INSTRUMENTS

As at 31 March 2022 the carrying value of financial instruments totalled:

	2021-22 Group £000	2021-22 Charity £000	2020-21 Group £000	2020-21 Charity £000
Assets measured at amortised costs	15,100	21,946	13,732	19,311
Liabilities measured at amortised costs	41,955	42,764	40,025	41,037

31. CONTINGENCY LIABILITIES – GROUP AND CHARITY

There are no contingent liabilities that required to be disclosed as at 31 March 2022 or as at 31 March 2021.

32. POST BALANCE SHEET EVENTS – GROUP AND CHARITY

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

33. CHANGE IN ACCOUNTING POLICY – GROUP AND CHARITY

Expenditure presentation – group and charity

HES began reshaping its operating model during the year to 31 March 2022. As at 31 March 2022, the reshaping, consisting of seven newly shaped directorates was not fully complete. However, the financial statement for the year to 31 March 2022 based on the new operating model as presentation is considered to provide the readers of the financial statement with more reliable and relevant information.

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

	As previously reported	Adjustment	Restated
	£000	£000	£000
Consolidated statement of financial activity for the year ended 31 March 2021			
Expenditure on:			
Raising Funds	(4,503)	126	(4,377)
Charitable activities	(72,785)	(139)	(72,924)
Grants	(7,887)	13	(7,874)
Total expenditure	(85,175)	-	(85,175)

Equivalent adjustments have been made to the charity statement of financial activity, as well as the expenditure notes to the financial statements.

33. CHANGE IN ACCOUNTING POLICY – GROUP AND CHARITY (continued)

Staff numbers – group and charity

The reshaping and creation of seven newly shaped directorates also impacted staff number reporting.

The prior year comparatives have been restated to reflect this change in presentation.

The impact on headcount reporting is as follows:

The average number of full-time equivalent (FTE) staff employed, by occupational group, for the year to 31 March 2021 were previously reported as:

	As previously reported FTE
Commercial and Tourism	499
Conservation	427
Heritage	144
Corporate Services	77
Finance and Performance	63
Communications	23
People	21
Development and Partnership	16
Internal Audit and legal	7
Senior management	9
Agency / temporary staff	11
	1,297

The average number of full-time equivalent (FTE) staff employed, by occupational group, for the year to 31 March 2021 have been restated as:

	As previously reported FTE
Cultural Assets	136
External Relations and Partnerships	40
Finance and Corporate Services	126
Heritage	122
Marketing and Engagement	143
Operations	679
People	31
Senior Management	9
Agency / temporary staff	11
	1,297

ACCOUNTS DIRECTION



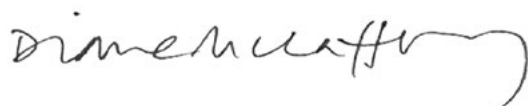
HISTORIC ENVIRONMENT SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

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

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

Signed by the authority of the Scottish Ministers



Deputy Director, Culture and Historic Environment Division

Dated: 29 September 2015

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

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