

ANNUAL REPORT AND
FINANCIAL STATEMENTS
AITHISG BHLIADHNAIL
AGUS AITHRIS IONMHAIS
2017-18



HISTORIC
ENVIRONMENT
SCOTLAND

ÀRAINNEACHD
EACHDRAIDHEIL
ALBA





View of Craigmillar Castle

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INTRODUCTION

RO-RÀDH

2017-18 has been an exceptional year for Historic Environment Scotland. Building on the success of our first full year of operation in 2016-17, we have continued to develop and grown rapidly into our role as the lead public body

As managers of the 336 Properties in Care, we have seen record-breaking visitor numbers. During 2017-18, an exceptional year for Scotland's tourist industry, we received more than 5 million visitors (2016-17: 4.3 million) to our 76 paid attractions. While these numbers are to be celebrated, one of our most significant challenges is that of balancing immediate visitor access and a high quality visitor experience with conservation for the long term. So an important achievement of the year has been the launch of our first ever Asset Management Plan and associated Investment Plan, which sets out a long term and considered approach to prioritising and managing the long-term care and improvement of all our properties, archives and assets. It was particularly appropriate that launch took place at our new centre, the Engine Shed. Opened in July 2017 as Scotland's first dedicated building conservation centre, the Engine Shed offers a new and unique insight into how we can all help care for historic buildings and does so in a building which is itself a model of contemporary restoration, designed and overseen by HES expert staff.

Meanwhile, as the lead public body our activities and impact are wide ranging. We continue to provide crucial investment which in turn boosts local economies across Scotland, so this year we invested £15.4 million through our grants programmes as well as our planned £10 million investment to improve the condition of the properties we directly manage. We also have a significant local impact through our regulatory roles in relation to planning and heritage management. Each year we publish a detailed report on Planning for Scottish Ministers and this, together with the detailed reports on the Properties in Care and climate change, complements the narrative in this Annual Report and Financial Statements to give more insight.

None of this can happen without a skilled and dedicated work force and we are committed not only to investing in our current workforce, through a comprehensive People Strategy, but to developing the necessary skills for the future. This year we received accreditation as a Living Wage Employer, boosted the availability of skills through our fellowship and internship programmes, as well as our internal leadership programmes, and offered over 40 Apprenticeships covering skills from traditional stonemasons to new visitor facing services.

Our plans for 2018-19 are equally ambitious. From our major investment programme to growing our digital archives, from supporting the Year of Young People 2018; and continued investment in skills and apprenticeships, to supporting Scotland's transition to a low carbon economy, with ambitious new research and international strategies, we will continue to increase awareness of the historic environment, protect that environment, and share our cultural heritage with the world.



Jane Ryder OBE
Chair of HES Board
Historic Environment Scotland



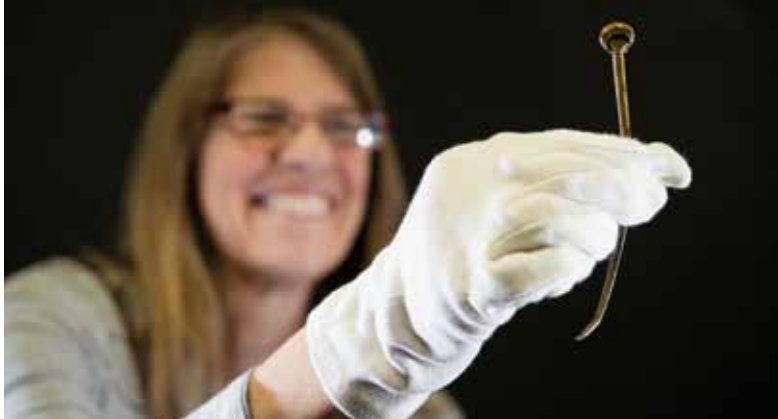


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**LEARNING &
PARTNERSHIP
PROJECTS
DELIVERED**

54,000

**EXTRA ARCHIVAL ITEMS
MADE AVAILABLE ONLINE**



28,497

**TRAVEL
SUBSIDIES FOR
SCHOOLS**

194,143

HISTORIC
SCOTLAND
MEMBERS



PROVIDED
**40 MODERN
APPRENTICES**



LAUNCHED
SCOTLAND'S 1ST
Heritage
Awareness Day

TRUSTEES' REPORT

Objectives and Activities

AITHISG NAN URRASAIREAN

Cinn-ùidhe is Gnìomhachd

OUR OBJECTIVES

Historic Environment Scotland (HES) was established by the Historic Environment Scotland Act 2014 as a non-departmental public body (NDPB) of the Scottish Government and a registered charity. HES came into full operation in October 2015. We have the statutory responsibility for investigating, caring for and promoting Scotland's historic environment. More than 300 properties and thousands of artefacts in the care of Scottish Ministers are entrusted to HES for preservation, conservation and operation.

As an organisation, our mission is:

- Enhance knowledge and understanding of our cultural heritage.
- Protect and conserve it for the enjoyment, enrichment and benefit of everyone, now and for future generations.
- Share and celebrate our heritage with the world.

To achieve this, we work within five key themes:

LEAD

We will fulfil a leading and enabling role in the historic environment sector through our activities and by supporting, empowering and collaborating with others to secure the brightest future for our nation's historic environment.

UNDERSTAND

We will increase knowledge and understanding of the historic environment through investigation, research and recording.

PROTECT

We will enhance the protection of the historic environment through regulation, conservation, collection and investment.

VALUE

We will promote the value of the historic environment through education, learning, outreach and skill sharing.

PERFORM

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



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

Our key objectives are held within our Annual Operating Plan 2017-18 and *For All Our Futures*, our Corporate Plan for 2016-19. Both of these documents can be found online at historicenvironment.scot/corporate-publications.



CONTRIBUTION TO NATIONAL PERFORMANCE FRAMEWORK

HES supports the Scottish Government's goal of creating opportunities for all of Scotland to flourish through increased sustainable growth and through implementation of A Plan for Scotland: The Scottish Government's Programme for Scotland 2017-18 and Scotland's Economic Strategy.

By working with our partners to successfully achieve our corporate objectives, we contribute to the success of the Scottish Government's Strategic Objectives and the following National Outcomes in Scotland Performs through the 2017-18 financial year. For the 2018-19 year, HES performance will contribute to the revised National Performance Framework, launched in June 2018.



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

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

ACHIEVEMENTS & PERFORMANCE

As we move into our third Annual Operating Plan and begin the process to create our second Corporate Plan, we remain confident in our performance as we work with our partners and stakeholders to deliver economic and social benefit to the people of Scotland, while protecting and conserving the historic environment.



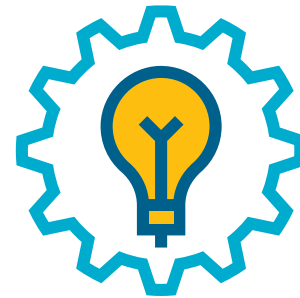
MANAGING THE HISTORIC ENVIRONMENT

WE MAINTAINED OUR KEY ROLE IN THE PLANNING SYSTEM MAKING RELEVANT DECISIONS, PROVIDING ADVICE AND SUPPORT TO DECISION MAKERS AND APPLICANTS, AND CONTINUING OUR WORK TO PROTECT AND MANAGE SCOTLAND'S WORLD HERITAGE SITES.



IMPACT

WE GENERATED MORE THAN £600M IN DIRECT INVESTMENT TO THE SCOTTISH ECONOMY.



INNOVATION

WE OPENED SCOTLAND'S FIRST DEDICATED BUILDING CONSERVATION CENTRE IN STIRLING, THE ENGINE SHED.



QUALITY

WE MET THE HIGHEST NATIONAL STANDARDS TO RECEIVE ARCHIVE AND MUSEUM ACCREDITATION AND BECAME A LIVING WAGE EMPLOYER.

THIS YEAR WE CONNECTED PEOPLE ACROSS SCOTLAND WITH THEIR HERITAGE, ENHANCING UNDERSTANDING AND ENRICHING LIVES THROUGH WIDE-RANGING ACTIVITIES AND PROJECTS.



EXPERIENCE

WE WELCOMED OVER 5M VISITORS TO PAID ATTRACTIONS IN OUR CARE AND A FURTHER 2.7M USED OUR ONLINE INFORMATION SERVICES.



INVESTMENT

INVESTED £15.4 MILLION THROUGH OUR GRANTS PROGRAMME.



AWARENESS

WE CONTRIBUTED TO THE YEAR OF HISTORY, HERITAGE AND ARCHAEOLOGY AND EXTENDED OUR ENGAGEMENT THROUGH HOSTING OUR FIRST HERITAGE AWARENESS DAY.



CONSERVATION AND MANAGEMENT

WE LAUNCHED OUR ASSET MANAGEMENT PLAN, SETTING OUT OUR NEW STRATEGY ON HOW WE WILL MONITOR AND MAINTAIN OUR HISTORIC PROPERTIES AND MODERN INFRASTRUCTURE TO MAINTAIN A CONSISTENTLY EXCELLENT VISITOR EXPERIENCE.

KEY PERFORMANCE INDICATOR (KPI) RESULTS 2017-18

In 2017-18, we have seen 97% of our year two Annual Operating Plan targets achieved or partially achieved.

MEASURE	LEAD	TARGET	RESULT
Increased the contribution of heritage tourism to the Scottish economy	Delivered education, outreach, events and research to celebrate the Year of History, Heritage and Archaeology in 2017	Dedicated Heritage Awareness Day and events	Achieved
	Increased HES contribution to heritage tourism expenditure	£430 million	£600 million
	Maintained and developed international networks and collaboration with ICOMOS, NARA, China - Forbidden City project and UNESCO (via Scottish Government and DCMS)	By March 2018	Achieved
Championed the historic environment by taking the lead role in the delivery of Our Place in Time	Published Annual Report on delivery of Our Place in Time	By March 2018	Achieved
	Worked with partners to deliver World Heritage Site Management Plan actions	By March 2018	Achieved
	Published HES Research findings	By March 2018	Achieved
Managed the impact of climate change by improving knowledge and understanding	Published Climate Change Annual Report	By March 2018	Achieved
	Tested and disseminated a climate change impact methodology for the historic environment	By March 2018	Achieved
	Provided a "Resource for Communities" to help them access our support	By March 2018	Under development¹
	Published guidance for local communities on Community Planning Partnerships, reuse of historic buildings and participation requests	By March 2018	Under development¹
	Published final policy and guidance on Asset Transfer Requests and associated register of assets	By March 2018	Achieved

	MEASURE	TARGET	RESULT
UNDERSTAND			
Increased knowledge and understanding of the historic environment	Added new information to the National Record of the Historic Environment through programmes of field investigation, survey and recording	By March 2018	Achieved
	Undertaken, sponsored and supported research, including PhDs	By March 2018	Achieved
	Worked with lead bodies in the sector to deliver Scotland's Archaeology Strategy	By March 2018	Achieved
	Allocated grants for rescue archaeology and research through the Archaeology programme	By March 2018	£1.03m allocated
	Established the proportion of Canmore records that meet specific quality standards	Baseline	35.9%
	Revised and updated legal documentation for deposited archival collections	30	30
	Submitted Archive Accreditation application	By March 2018	Achieved
	Concluded appraisal of collections and archive accommodation options	By March 2018	Underway²
	Increased the number of collection items digitally accessible online by 54,000	50,000	54,000
PROTECT			
Improved the condition of Scotland's historic environment	Published Annual Conservation Report on properties in the care of Scottish Ministers	By March 2018	Achieved
	Delivered our Investment Plan	By March 2018	Achieved
	Achieved museum accreditation	March 2018	Achieved
	Delivered a draft Scotland-wide built heritage investment plan	March 2018	Not achieved³
	Investment in historic environment grants	> £14.5 million	£15.4 million
	Analysed results of "What's Your Heritage", undertaken stakeholder review and consulted on any new or amended policy and guidance documents	March 2018	Underway⁴
	Dealt with Regulatory activities, consultations and decisions within required timescales	90%	97.84%
	Published annual Planning Performance Report	March 2018	Achieved
	Provided craft modern apprenticeships across Conservation activities	24 craft apprenticeships	38 craft apprenticeships
	Provided Modern Apprenticeships across Commercial and Tourism activities	5 apprenticeships	12 tourism apprenticeships
	Managed, repaired and maintained properties in our care in line with Schemes of Delegation	By March 2018	Achieved
	Opened the Engine Shed to the public	By March 2018	Achieved

KEY PERFORMANCE INDICATOR (KPI) RESULTS 2017-18

MEASURE	VALUE	TARGET	RESULT
Enhanced engagement with the historic environment and provided excellent service to our visitors and service users	Increased visitors to staffed properties	> 4 million	5.04 million
	Membership Growth	> 170,000	194,143
	Education visits provided	75,000	118,161
	Travel subsidies for schools provided	20,000	28,497
	Learning and partnership projects delivered	> 50	106
	Staffed sites with VisitScotland rating of 4 stars or above	92%	92.06%
	Updated statements of significance for Properties in Care (PICs)	30	31
	Delivered a prioritised programme of investment in our visitor facing operations at PICs	By March 2018	Achieved
	Prepared an innovative programme for young people at properties in our care to support Year of Young People	By March 2018	Achieved
	Produced new HES Volunteer Policy	March 2018	Achieved
Increased social media audiences	15%	17%	
Reduced number of days sites are closed	By March 2018	624⁵	

	MEASURE	TARGET	RESULT
PERFORM			
We are an efficient, resilient and sustainable organisation	Annual efficiency savings	£1.4 million	£3.3 million
	Implemented our Digital Strategy	March 2018	Underway
	Prepared and published Customer Service Standards	March 2018	Achieved
Our staff are fully engaged in the transformation Created an organisation that earns respect as the lead public body for the historic environment	Income generated from PICs and commercial activities	> £49 million	£58 million
	Developed and started to implement our Learning and Development Plan	March 2018	Underway
	Implemented a Corporate Action Plan to support our staff engagement	March 2018	Achieved
	Average Working Days Lost	7.5	8.85⁶
	Reduced Accident Incidence rate (per 1,000 footfall) at sites	5% reduction	5.2% reduction
	Prepared and delivered an IT Business Plan	March 2018	Underway
We actively promote equalities	Published Equality Outcomes and a Mainstreaming Report	March 2018	Achieved
	Prepared an action plan to widen our user base	March 2018	Achieved
	Consulted on our Gaelic Language Plan 2018-23	March 2018	Achieved
Reduced our Carbon emissions in line with our Carbon Management Plan	Published Annual Sustainability Report	March 2018	Achieved

Explanatory Notes

- HES is fully committed to engaging with local communities to provide advice and guidance on how they can support and make use of the historic environment. In 2017-18, we formed a new Development and Partnership team to examine and promote these opportunities and we published our first Asset Transfer Policy, to allow groups to bring forward ideas on how assets in our care could be used by local communities. We expect this work to continue through 2018-19.
- HES holds more than 5 million individual items within our collections, spanning millennia of history. We are continuing to assess the best options for housing our full collection and providing easy visitor access to as much of it as possible.
- This indicator tracks progress towards our commitment to lead the development of a Scotland-wide Built Heritage Investment Plan to ensure a holistic approach to the investment of money, time and expertise in Scotland's historic environment. The development and delivery of this is a unique opportunity to bring together a broad range of asset owners, managers and

influencers. The deliverable was not achieved within this year. The scope and scale is such that for a comprehensive plan to be meaningful and have credibility, it is now recognised that development will take longer than initially planned. Work is underway under the auspices of the Our Place in Time Built Heritage Investment Working Group, chaired by HES. Consensus has been agreed on moving away from the Built Heritage Investment Plan as a fund and towards a broader package of measures for the management of the historic environment. It is intended the plan will include an agreed approach to prioritisation of investment, regulation, policy, advice and improved approaches to asset management. HES is leading the development of this joined up approach to address built heritage needs and investment. The Built Heritage Investment Plan Working Group will progress as agreed with HES deploying additional resources to support delivery.

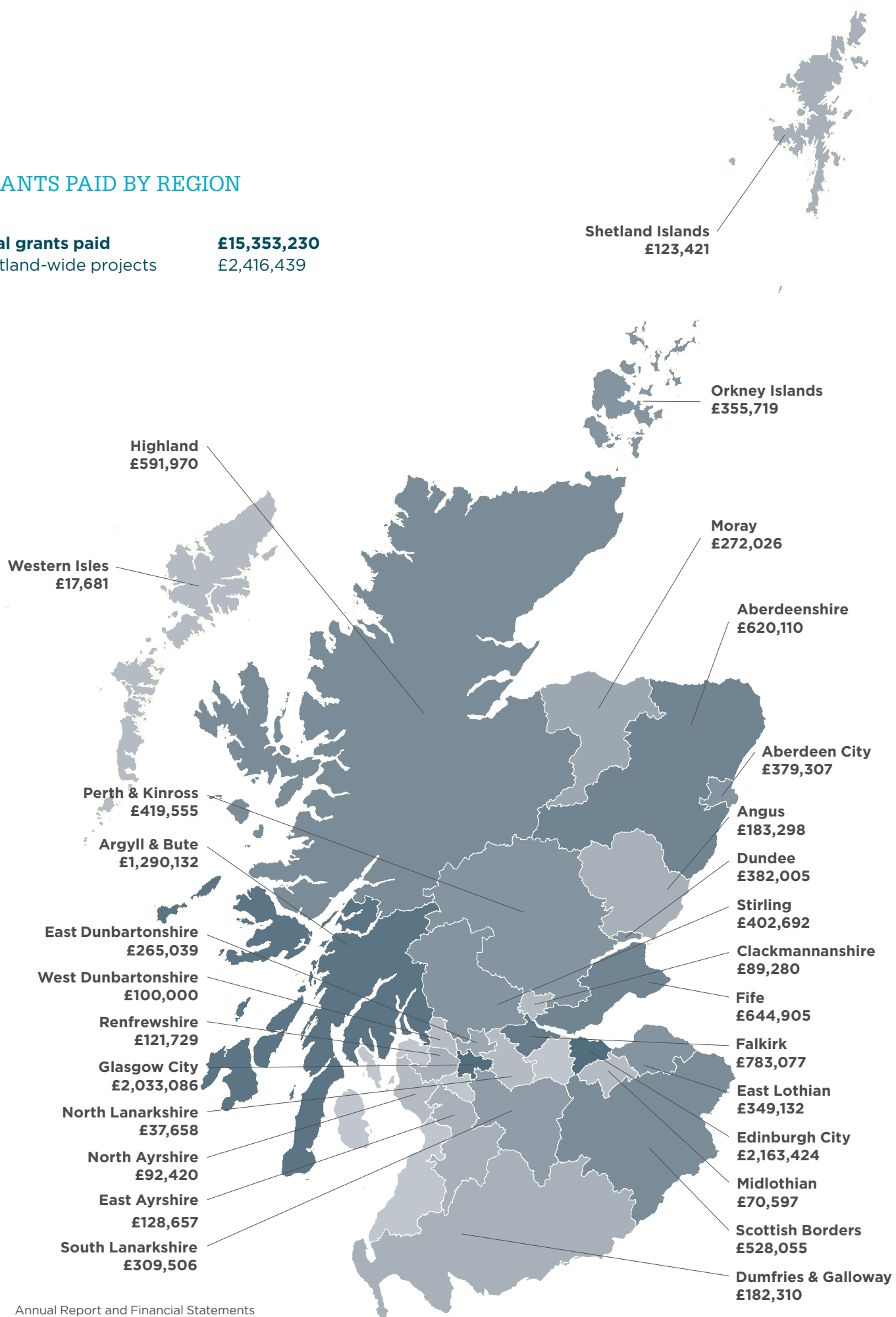
4 Development of What's Your Heritage? has continued, with stakeholder consultation taking place in 2017-18, ahead of a public consultation on the draft policy in 2018-19. Final publication of the new policy is expected in 2018-19.

5 This equates to 98% of advertised opening maintained from 2016-17. This means that we carried out more conservation work in 2017-18 while maintaining access at 2016-17 levels through extended seasonal opening and improved staffing – the number of days of site closures is lower (access rate is higher) than it otherwise would have been without that intervention.

6 Two-thirds of working days lost were due to long-term illness. HES actively works to support staff through such illnesses and back into work, as and when appropriate. In 2017-18, HES undertook a number of internal campaigns to encourage including awareness raising of mental health, workplace stress and cancer. Programmes are in place to encourage a healthy staff lifestyle, including discounted gym memberships, flexible working practises and support to access therapists.

GRANTS PAID BY REGION

Total grants paid £15,353,230
 Scotland-wide projects £2,416,439





FINANCIAL REVIEW

LEIRMHEAS AIR IONMHAS

HES is both a non-department public body (NDPB) of the Scottish Government and a registered charity, which means that it reports financial performance in two main ways. The principal difference lies within how grant funding awarded to and by HES is accounted for. Whilst these financial statements must be prepared on a charity basis, the Trustees also provide information below in accordance with how the Scottish Government would see our finances.

This financial review covers the HES group including HES's subsidiaries Historic Environment Scotland Enterprises Limited (HESe) and SCRAN Limited.

AS A CHARITY

The Consolidated Statement of Financial Activity splits income into four main categories: Government grant-in-aid, Charitable Activities, Donations and Trading Activities. The amounts derived from each of the income streams within each category can be found in notes 3 to 5 of the financial statements. HES's expenditure comprises staff costs, operational expenditure, including investment plan spend, and grants distributed.

Staff costs account for over 50% of the organisation's running costs, when excluding investment grants. HES is committed to having no compulsory redundancies. All new posts are considered by the Staffing Committee and only once

they have been approved will recruitment take place. Further information regarding staff costs is detailed in the Remuneration and Staff Report.

Remaining operational expenditure relates to the direct and indirect cost of running, repairing and maintaining Properties in Care of the Scottish Ministers, providing access to the collections of HES and Scottish Ministers and providing advice and guidance to the Scottish Government, other organisations and individuals.

The Consolidated Statement of Financial Activity splits expenditure into three categories: Raising Funds, Charitable Activities and Grants Distributed. Raising Funds expenditure includes the cost of opening ticketed sites across the portfolio of properties managed by HES, the cost of the retail activity and the cost of producing images and publications sold by the organisation. Charitable Activities expenditure comprises the costs of opening, maintaining and repairing sites which are free to the public to view, producing free publications and provision of advice and educational activities. Notes 6 to 8 of the financial statements provide a breakdown of the costs associated with each expenditure category. Organisation central support costs, including Human Resources, Finance, Information Systems and Head Office running costs are allocated on a headcount and spend basis to the three categories.

OUR INCOME AND EXPENDITURE

The organisation recorded net income of £1.0 million for the year ended 31 March 2018 (2017: £9.9 million net income) as reported under the Charities SORP (FRS102). The reduction in net income is largely as a result of additional spend incurred in 2017-18 to improve the condition of our properties for visitors through our investment plan. Other key movements in income and expenditure are outlined below.

Despite poor weather conditions in March and a split Easter, record visitor numbers in the year across our 76 paid attractions has generated admissions and retail income of £50.9 million (2017: £42.4 million).

Membership numbers have also continued to increase with over 194,000 members (2017: over 172,000 members) generating income of £4.2 million (2017: £3.7 million). This includes £0.4 million (2017: £0.5 million) generated from donations through the gift aid scheme.

Our trading income is generated by HESe. HES employ the staff used for HESe activities and recharge the cost of these, including overheads, to HESe. HESe generated a profit of £3.4 million (2017: £3.5 million) which it will gift in full to HES.

The Scottish Government contributed a cash grant-in-aid of £37.1 million (2017: £41.1 million) to help us maintain the PiCs and to carry out our regulatory and charitable activities. Of this funding, £5.6m was ring-fenced towards the delivery of HES's investment plan, which was launched during 2017-18.



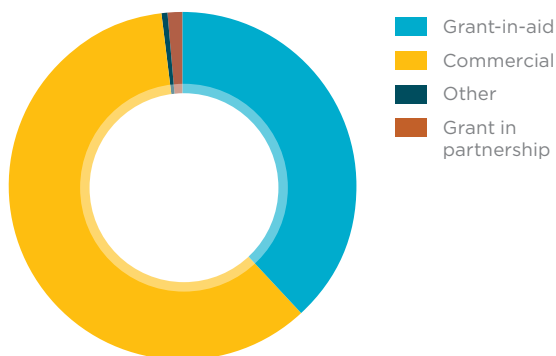
We received grant funding of £0.8 million (2017: £2.6 million) from the Heritage Lottery Fund. Of this, £0.4 million (2017: £2.1 million) was the remaining contribution towards the Engine Shed, with £0.4 million (2017: £0.3 million) to fund projects such as Scotland's Urban Past and various skills programmes.

Revenue expenditure for the year totalled £96.3 million (2017: £85.0 million). This included an impairment charge during the year of £1.8 million (2017: £nil) in respect of the Engine Shed, Scotland's Building Conservation Centre. The development of the Engine Shed project, approval and delivery spanned a considerable time – some seven years. Without the necessary funding in place at the start, the project could not proceed. However, conditions attached to funding from the European Regional Development Fund (ERDF) created an artificial time constraint on the construction phase which immediately put the design process under pressure. As a direct consequence, client-led changes during the construction phase led to extensions in time and cost increases.

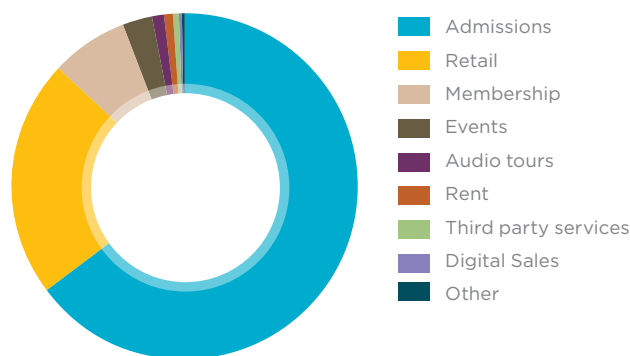
HES is committed to distributing investment grants to other voluntary sector bodies, charities and individuals, either directly or via local authorities, to enable them to invest in and protect Scotland's historic environment. In the year ended 31 March 2018, grants of £15.4 million (2017: £16.2 million) were paid to institutions, projects and local authorities. Many grants are payable over a number of years and are paid following proof of approved expenditure by the recipient. Under the Charities SORP we are required to account for grants as soon as we offer a grant. These amounted to £11.4 million (2017: £11.0 million). As at 31 March 2018, HES had accrued grants offered of £24.3 million (2017: £28.0 million).

Capital expenditure during the year was £2.8 million (2017: £6.8 million). Of this, £1.4 million related to the purchase of computer equipment, with an additional £0.4 million spent on wi-fi and mobile working projects within assets under construction.

Total Income



Commercial Income



AS A GOVERNMENT BODY

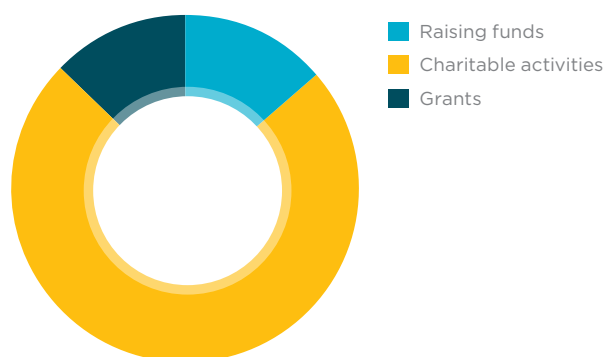
Outturn reported to the Scottish Government

	2018 £m	2017 £m
Income (net of cost of sales)	54.0	47.6
Expenditure	95.4	90.7
Net expenditure for the year	41.4	43.1
Funded by:		
Scottish Government Funding - cash	37.1	41.1
Scottish Government Funding - non cash	8.9	3.3
Surplus outturn for the year	4.6	1.3
Split:		
Cash	(0.1)	-
Non-cash	4.7	1.3
	4.6	1.3

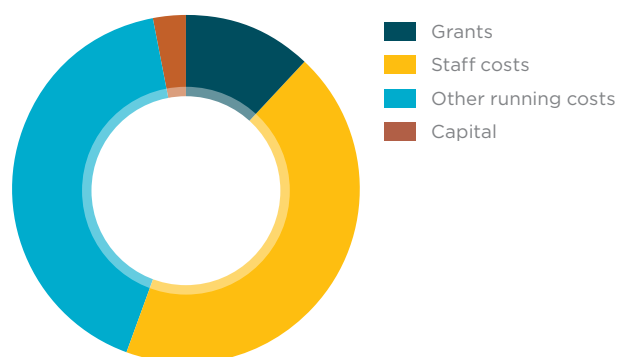
Reconciliation of outturn reported to Scottish Government and the statutory accounts

	2018 £m	2017 £m
Surplus outturn reported to Scottish Government	4.6	1.3
Add:		
Restricted grant income awarded but will be received in future years	-	1.0
Release of restricted grant income	(0.4)	-
Reduction in grants payable (difference between grants offered in year and payable)	2.9	4.1
Capitalisation of asset purchases	2.8	6.8
	9.9	13.2
Less: non-cash grant	(8.9)	(3.3)
Reported net income for the year ended 31 March	1.0	9.9

Expenditure



Total Expenditure



HES recorded a net surplus outturn of £4.6 million for the year ended 31 March 2018 (2017: £1.3 million).

We are required to operate within the financial limits prescribed in the Financial Memorandum issued by the Scottish Government, and to comply with the Scottish Public Finance Manual.

These operational results exclude the financial impact of accounting for grants in accordance with the Charities SORP. A reconciliation of the surplus outturn to the Charity's financial statements is shown on page 23.

CASH BALANCES

As at 31 March 2018 HES had cash balances totalling £4.5 million (2017: £5.4 million). HES operates a Government Banking Service bank account as well as several commercial accounts with RBS (under Scottish Government Banking Services contract). Additionally, HESe Ltd has its own commercial bank account with the Royal Bank of Scotland. SCRAN Ltd also has its own bank account with the Bank of Scotland that is to be closed as part of the entity's winding up process. Operational balances are maintained in commercial accounts and surpluses are regularly transferred to the Government Banking Service account, therefore HES does not benefit from interest received on cash balances.

RESERVES POLICY AND GOING CONCERN

HES relies on Government grant-in-aid to enable it to continue its current level of charitable activities. Due to Scottish Government rules HES does not normally retain reserves.

We hold both restricted and unrestricted reserves and details of these are provided in Note 11 to the financial statements.

HES carries forward an unrestricted deficit of £5.0 million (2017: £6.9 million), excluding the revaluation reserve. The commitment made by HES to pay out future grants means that there is a disparity between grant income receivable and investment grants payable which results in a net current liabilities position in the Balance Sheet. Although grant spending is managed on an annualised basis, the Board and Accountable Officer consider that income from government grants and self-generated income will be sufficient to meet the ongoing expenses and grant payments of HES.

As at 31 March 2018, HES had restricted reserves of £3.5 million (2017: £4.2 million). Of this, £2.8 million (2017: £3.1 million) relates to HLF funds received to fund the Engine Shed, and will be released to unrestricted reserves in line with the depreciation of the building. The remaining £0.7m (2017 £1.1m) represents grants recognised in advance of expenditure.

There is some provision to use the Historic Scotland Foundation for surpluses at the year end, with the approval of the Scottish Government Sponsors. No surpluses were transferred in the year ended 31 March 2018 (2017: none).

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

FUNDS HELD ON BEHALF OF OTHERS

HES does not hold any funds on behalf of others in the current or prior year.

PRINCIPAL RISKS

The Trustees recognise that investment is required for the conservation of Properties in Care and the Storage Collections in specialist accommodation. Regular inspections and maintenance are carried out to monitor the condition of the properties to provide the Trustees with assurance that they provide a safe environment for staff and visitors. Potential risks are proactively managed. During the year ended 31 March 2018, HES published an Asset Management Plan that outlines the continued preservation, maintenance and conservation of the Properties in Care, as well as the steps being taken to maintain modern infrastructure such as car parks, visitor facing facilities and mechanical and electrical

installations that are critical to site operations. At the same time, HES published an Investment Plan that sets out the programme of investment scheduled to run until the year ended 31 March 2022. The Investment Plan aims to enhance the condition of sites operated by HES and improve the visitor experience. It is additional to the operating budget and will be delivered over and above business as usual activity.

Both the Asset Management Plan and Investment Plan are available to download on the HES website's publications section at the following address: **[historicenvironment.scot/publications](https://www.historicenvironment.scot/publications)**.

Most of HES's own income generation arises from admissions to Properties in Care and retail income. A principal risk to this is the effect of Brexit on tourism, in particular: a significant drop in visitor numbers as a result of adverse exchange

rate movements, changes in border control, changes in visa requirements and the availability of staffing due to a possible reduction in EU migrant workers. HES is in the process of undertaking evidence based exercises drawing on knowledge and expertise from across the organisation, which will work to ensure that risks from Brexit can be mitigated as far as possible. Other risks to income generation relate to maintaining the quality, security and safety of the visitor experience, and these will be dealt with by the Investment and Asset Management plans.

STATUS OF LAND AND BUILDINGS AND SIGNIFICANT CHANGES TO FIXED ASSETS

The Historic Environment Scotland Act 2014 allowed the transfer of some Fixed Assets of Historic Scotland and the Royal

Commission on the Ancient and Historical Monuments of Scotland (RCAHMS) to Historic Environment Scotland. Scottish Ministers retained the ownership or guardianship of Properties in Care and their associated collections. The investment in maintaining and caring for these historic properties is written off in the year of expenditure in the Statement of Financial Activity under the category Charitable Activities. Expenditure of a capital nature in pursuance of commercial activities are capitalised. Additionally, the organisation incurred costs of £2.8 million on operating assets such as motor vehicles, computer equipment and office furniture and equipment in the year ended 31 March 2018 (2017: £1.4 million).

The Engine Shed project was completed during the year and capitalised at a total of £10.0 million. An impairment of £1.8 million was recognised against



Conservation work at Urquhart Castle

the land and buildings at the Engine Shed as part of the year-end valuation review.

Assets under construction as at 31 March 2018 of £0.5m primarily represent continued investment in information technology, in particular with respect to cyber security and improved wi-fi and mobile working equipment.

HERITAGE ASSETS & OTHER ANTIQUES, WORKS OF ART

HES is fortunate to own a number of portraits by Sir Henry Raeburn. They are recorded at their cost-price of £0.4 million on the balance sheet as this is believed to be a reasonable estimate of value. Works of Art valued in the balance sheet at £1.6 million relate to the Stirling Castle Tapestries. These are seven hand-woven tapestries hanging on the walls of the Queen's Inner Hall in the royal palace at Stirling Castle. HES has many other items in its collections but it is not feasible to have these valued due to the cost of the exercise and the unique nature of the collection.

SUPPLIER PAYMENT PERFORMANCE

Standard supplier payments terms are generally 30 working days but HES follows the Scottish Government target for the payment of invoices within 10 working days of their receipt. 89% of invoices were paid within 10 working days (2017: 87%) and 98% were paid within 30 working days (2017: 98%).

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.

GRANTS POLICY

Historic Environment Scotland offers a range of grants and funding schemes to individuals and organisations, to assist with projects that benefit the historic environment and which deliver the training and skills needed in this area.

These projects vary in scope and size, with decisions on the provision of grant and the outcomes that will be delivered by each project considered in line with Historic Environment Scotland's overall corporate objectives and within the strategic aims of the Scottish Government.

Targeted outcomes include:

- Delivering measurable benefits for communities.
- Promoting public access, interaction and engagement.
- Bringing vacant buildings back into use and promoting quality repairs.
- Delivering a viable and sustainable future for a building.
- Developing knowledge and skills.
- Building capacity for local heritage management and resilience.

- Empowering communities to take an active role in understanding and enhancing the historic environment.

The seven grant programmes HES operates can be found at historicenvironment.scot/our-grants. Details of the grants awarded during the year ended 31 March 2018 can be found at historicenvironment.scot/grants-awarded.

PLANS FOR FUTURE PERIODS

In 2018-19 our total budget will be £105m, of which over £12m will be invested to enhance the condition of our sites and improve the experience of our visitors as well as other corporate priorities. Our Investment Plan maps out the framework used to guide our investment decisions across a wide range of priorities. The budget also includes a further £14.5m for the delivery of positive outcomes through our grants programmes.

We will continue to lead on Scotland's first ever strategy for the historic environment, Our Place in Time, supporting the five groups reporting to Scotland's Historic Environment Forum on Built Heritage Investment; Climate Change; Heritage Tourism; Skills and Expertise; and Volunteering. A report on the collective impact of our sector will be published in 2018-19, along with an audit of Scotland's historic environment.

Scotland continues to grow as a leading tourism destination and HES plays a key role in advocating for Scotland internationally, as well as promoting sustainable growth. In 2018-19 we will develop our Visitor Strategy, setting out how we will improve the experience for visitors to our sites while also growing our commercial income. A significant challenge will be to balance those aims with conservation for the long term. We will also develop our International Strategy and work to understand the challenges and opportunities which the UK's planned withdrawal from the European Union presents.

The Engine Shed, which opened in 2017 as Scotland's first dedicated building conservation centre, will continue to flourish as both a hub for conservation excellence and a public learning resource. We plan to welcome 10,000 visitors and 2,000 school pupils to the Engine Shed, along with delivering an events programme for professionals and public audiences. Across all of our sites we will provide 75,000 free education visits and 20,000 school travel subsidies, as well as partnering with over 50 projects to develop diverse audiences in Scotland.

Alongside the wider global consequences of climate change, increased frequency of extreme and unpredictable weather presents an immediate challenge of adapting and protecting our built heritage from potentially damaging effects. Building on our published report, A Climate Change Risk Assessment, we will support Scotland's transition to a low carbon economy and provide leadership on the adaptation of traditional buildings. Our own greenhouse gas emissions will be reduced by 2.4% in line with our Carbon Management Plan.

In 2018-19 we will continue to increase knowledge and understanding of the historic environment by leading and supporting a wide range of research initiatives, helping to grow the evidence base for our sector. As well as investigative and survey work in the field, we are investing in digital collections and services and will increase the number of users to our websites by 5%. By March 2019 we will have developed our Digital Strategy.

Developing the specialist skills required to care for the historic environment as well as providing career paths and opportunities is an essential part of our remit. We plan to publish a Skills Investment Plan for the sector in partnership with Skills Development Scotland. Young people are key to the sustainability of our work and to this end HES is proud to partner with National Trust for Scotland and Historic Houses Association to offer Young Scot card-holders entry to our sites for £1 during 2018, the Year of Young People.

Our detailed commitments for 2018-19 are set out in the Annual Operating Plan, available online at **[historicenvironment.scot/annual-operating-plan](https://www.historicenvironment.scot/annual-operating-plan)**.

STRUCTURE, GOVERNANCE AND MANAGEMENT

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GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

SCOPE OF RESPONSIBILITY

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

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

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

GOVERNANCE FRAMEWORK

HES is a charity and a non-departmental public body, established by the Historic Environment Scotland Act 2014. The 2014 Act sets out our statutory functions. The Board of Trustees of HES is statutorily responsible for overseeing the delivery of HES's functions and for the overall performance of the organisation. The responsibilities of the Board cover the following main areas:

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

To discharge these responsibilities the Board of Trustees met five times in the financial year. At each meeting the Board received a report on: key operational matters from the Chief Executive; a financial report; minutes of sub-committees to the Board; papers for decision and reports on specific topics as necessary. The Board's aim is that Board agendas are increasingly reflective of strategic risks, as well as any specific risks escalated, while all relevant aspects of risk management are highlighted as necessary. The Board also meets from time to time outside of the formal meeting cycle to consider specific matters such as the development of strategy.

The Board and the Accountable Officer are also supported by the Audit, Risk and Assurance Committee and the Staff Governance Committee, both committees forming essential components of governance for the organisation.

As HES Chief Executive I am appointed by and I am responsible to the HES Board. The Chief Executive has chaired a Senior Management Team (SMT) comprising senior staff from HES. The SMT receives regular reports on progress on the delivery of commitments and considers major strategic decisions required to ensure continued delivery. The SMT meets fortnightly. The responsibilities delegated to myself by the Board and to the members of the SMT are laid out in the Scheme of Internal Delegation (as approved by the Board). I am charged with responsibility for overall corporate performance, management within HES and exercise of HES's statutory powers as a regulatory body. I am additionally responsible for functions including, but not limited to, approval of Directorate plans and budget allocations, operational policies spanning multiple directorates, structure and staffing below SMT level and approval of expenditure,

investment and procurement up to thresholds agreed with the Board. Day-to-day implementation of the Corporate Plan is delegated to members of the SMT. Details of the members of the SMT are given on page 37.

Further information on the mission and aims of HES and the role of the Scottish Ministers and the Chief Executive is set out in the HES Framework Document at [historicenvironment.scot/framework-document/](https://www.historicenvironment.scot/framework-document/).

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The process within HES accords with the SPFM for the year ended 31 March 2018 and guidance from the Scottish Ministers.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

The Audit, Risk and Assurance Committee, chaired by a Trustee, provide the Board and Accountable Officer with independent advice and assurance on the effectiveness of the internal control and risk management systems. The Audit, Risk and Assurance Committee meets on a quarterly basis to receive reports from the Director of Finance, Internal Audit and our External Auditors (Deloitte LLP) on behalf of Audit Scotland concerning internal control issues and recommendations and are notified of actions to be taken to address any issues or weaknesses identified. The Audit, Risk and Assurance Committee also consider the adequacy of arrangements for corporate governance. Membership of the Audit, Risk and Assurance Committee comprises three HES Board members and one co-opted member.

Members during the year ended 31 March 2018 were:
Ian Brennan (Chair, Trustee)
Trudi Craggs (Trustee)
Ian Robertson (Trustee)
Wendy Ferguson (Co-opted member)

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

The HES Board approved a revised Risk Management Policy and Strategy in December 2017. The revised approach, based on good practice in public and third sector organisations, provides greater clarity on roles and responsibilities and the processes which underpin the identification, assessment and management of risk.

As part of the process, HES's risk maturity was re-assessed which showed that HES has maintained a median score of 3 on a 5 point scale, indicating consolidation of the HES approach over the course of the year. Key to this has been the development of an organisational culture which promotes and enables the competent management of risk at all levels through Corporate, Directorate and Project Risk Registers in order to maintain focus on the delivery of corporate objectives.

Developing on from this in 2017-18, risk management is now integrated into HES Board decision making, project and business case appraisal and Directorate Planning. A series of risk management workshops were also carried out during the year to determine the effectiveness and appropriateness of the organisation's identification of risks, controls and mitigating actions. HES's newly appointed Head of Internal Audit and Business Improvement has used the outputs from this, in conjunction with the Corporate Risk Register, to inform and develop a three-year internal audit plan which was approved by the Audit, Risk and Assurance Committee in January 2018. The next step is to undertake an assurance mapping exercise on the Corporate Risk Register, which will be completed in 2018.

We are aware that Audit Scotland has recently carried out a review of the work of the Scottish Government Internal Audit Directorate, with the final report due in July. We will consider the findings of the review and any implications to HES when available.

There will be an Information Assurance Board appointed, which will collectively deal with information risk, data handling, business continuity, information, records, document management and security. There were no significant lapses of data security during the year.

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

REVIEW OF EFFECTIVENESS

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

- The work of the HES Board and the strategic direction it gives to the organisation;
- The managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- The work of the internal auditor, which submits to the HES Audit, Risk and Assurance Committee regular reports

which include the Head of Internal Audit 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;

- The Audit, Risk and Assurance Committee which oversees the work of the internal auditors; and
- Comments made by the external auditor in its management letter and other reports.

MATTERS ARISING

During 2016-17, I identified the following three areas on which I required further assurance, namely:

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

COMPLIANCE WITH STATUTORY AND REGULATORY OBLIGATIONS AT THE PROPERTIES IN CARE

During the year, HES published its Asset Management Plan. This outlines the continued preservation, maintenance and conservation of our Properties in Care and also the steps we are taking to maintain a modern infrastructure, such as car parks, visitor-facing facilities, mechanical and electrical installations, which are critical to operations. The Investment Plan outlines the investment dedicated to delivering the Asset Management Plan. An internal audit is planned in 2018-19 on the Asset Management Plan and in 2020-2021 on the Statutory Compliance and Risk Management in Conservation.

RE-TENDERING OF CONTRACTS

The Procurement team have now either re-let the contracts concerned or they are currently subject to procurement. During 2018-19, contract management will become the main focus for the Procurement team.

BUSINESS CONTINUITY PLANNING

During the year a new post of Head of Physical Security was recruited. This role is responsible for establishing a Physical Security Department, which will be accountable for managing all aspects of the physical security of buildings and grounds at HES sites. In addition to this, the Director of Corporate Services is taking the lead on developing an organisational business continuity plan. Work on this will continue throughout 2018-19.

Other areas for improvement that have been identified during 2017-18 are:

- Third party funding / grants
- Information assets
- Equality impact assessments

CONCLUSION

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



Alex Paterson
Chief Executive and
Accountable Officer
20 August 2018



THE ORGANISATION

HES is a non-departmental public body (NDPB) created under The Historic Environment Scotland Act 2014 and is sponsored by the Directorate for Culture, Tourism and Major Events in Scottish Government.

HES was registered as a Scottish Charity (SC045925) on 20 August 2015 with the following charitable purposes:

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

HES wholly owns two subsidiaries:

Historic Environment Scotland Enterprises Limited (HESe) and SCRAN Ltd. HESe Ltd carries out non-core trading activity, including retail sales of Historic Environment Scotland merchandise and catering facilities and the commercial on-line sale of images. The results for HESe are consolidated in the Group's financial statements.

SCRAN Ltd ceased trading on the 31 March 2016 and was dormant for the year to 31 March 2018.

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

BOARD OF TRUSTEES

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

HES MCU carrying out rock scaling work, Salisbury Crags, Holyrood Park.



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

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

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

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

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

The trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Trustees are appointed to the Board by Scottish Ministers following an open process. These appointments are regulated by the Commissioners for Ethical Standards in Public Life in Scotland.

When Trustees join the Board, they undergo an induction process to familiarise them with the operation of HES. This includes introduction to and engagement with staff, the role and responsibilities of the board, information regarding the Code of Conduct, completion of the Register of Interests and exercises to ensure person development of trustees.

For ongoing training and development, trustees 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 trustees have attended events and courses, and draw on their experience elsewhere, to feedback and share examples of good practice with trustees and staff. This is brought together in an annual self-assessment and recommendations, with a commitment to continuous improvement.

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

Chair:

Jane Ryder OBE



Board Chair Jane Ryder is a specialist in corporate governance and regulation. She was formerly Chief Executive of the

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

Dr Janet Brennan



Dr Janet Brennan is a former Chair of the Scottish Castles Association, and a lecturer and author. She has a portfolio

of trusteeships in the heritage sector and is a member of the Board of Management at Dumfries and Galloway College. She was reappointed from 19 January 2017 to 21 January 2021.

Ian Brennan



Ian Brennan is Director of Finance and Risk at the Scottish Housing Regulator. He was a member of the Board

of Cardonald College between 2005 and 2013, serving as vice chair between 2012 and 2013. He also chaired the college's

Audit Committee, Remuneration Committee and Organisational Development Committee. He was a member of the Board of Glasgow Kelvin College from 2013 to June 2016 and throughout this period he chaired the Financial Control Committee. In addition he was a member of the Board of Colleges Scotland from 2012 and 2014 during which time he chaired the Audit & Risk Committee. His appointment is from 1 November 2016 to 31 October 2020.

Trudi Craggs



Trudi Craggs is qualified as a solicitor in Scotland and is highly regarded as a specialist in planning and transport

as well as in governance and public law. She is a member of the Tayside and Central Scotland Regional Transport Partnership and a member of the Board of Management of Forth Valley College. Her appointment is from 19 January 2015 to 18 January 2019.

Andrew Holmes



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

Council. He retired in 2008 and had previously served on the board of National Museums of Scotland. His appointment to our board is from 19 January 2015 to 18 January 2019.

Dr Coinneach Maclean



Dr Coinneach Maclean is an archaeologist and former Deputy Chief Executive of the National Trust for Scotland. He is

a Gaelic speaker, brought up on the island of South Uist. He is a member of the Scottish Committee of the National House Building Council. His initial appointment was from 19 January 2015 to 18 January 2018. He was reappointed from 19 January 2018 to 18 January 2022.

Dr Fiona McLean



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

has worked with more than 40 community groups on local and national historic environment projects. Her appointment was from 19 January 2015 to 18 January 2018. She was reappointed from 19 January 2018 to 18 January 2022.

Dr Paul Stollard



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

was responsible for the reform of the Scottish building standards and has also been a Regional Director of the Health and Safety Executive (Scotland and Northern England). Since 2017, Dr Stollard has been employed part-time by Scottish Ministers to chair the Review Panel into the consequences for the Scottish

fire standards of the Grenfell fire. His appointment is from 19 January 2015 to 18 January 2019.

Dr Ken Thomson



Dr Ken Thomson is Principal and Chief Executive of Forth Valley College having previously held posts of Depute Principal, Director of Learning and prior to that, Head of Science. He is a Board member and Trustee of JISC and a Fellow of the Institute of Directors. He was reappointed from 19 January 2017 to 18 January 2021.

Ian Robertson



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

The Board is subject to a Code of Conduct and is required to ensure that all relevant interests are declared. Copies of the Code of Conduct, the Register of Declared Interests and approved Board Minutes are available online at historicensevironment.scot/board-papers.

SENIOR MANAGEMENT TEAM

The Chief Executive / Accountable Officer

Alex Paterson

12 September 2016 to present

A Senior Management Team, including the Chief Executive, manages the operations of the organisation. The Senior Management Team in 2017-18 was made up of:

Barbara Cummins

Director of Heritage
1 October 2015 to present

Stephen Duncan

Director of Commercial & Tourism
1 October 2015 to present

Gary Love

Director of Corporate Services
1 October 2015 to present

Lisa McGraith

Director of Communications
1 October 2015 to present

Dr David Mitchell

Director of Conservation
1 October 2015 to present

Donella Steel

Director of Finance
21 August 2017 to present

Alison Turnbull

Director of Development & Partnership
30 October 2017 to present



REMUNERATION AND STAFF REPORT

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REMUNERATION POLICY

Remuneration for the HES Chief Executive is set by the HES Board and is approved by the Scottish Government Remuneration Group.

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

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

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

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

SERVICE CONTRACTS

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

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

PENSION PROVISION

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

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for each scheme.

Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** and **alpha**, a member builds up a pension based on their pensionable earnings during their period of scheme membership.

At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pension Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and

14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

DISCLOSURE OF REMUNERATION AND EXPENSES

This section of the Remuneration Report is subject to audit.

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

No Trustees received any remuneration from HES in the year ended 31 March 2018 (2017: nil).

Expenses relating to accommodation and travel and subsistence claimed by or paid on behalf of the Trustees is £32k (2017: £23k). The number of trustees during the year ended 31 March 2018 was 11 (2017: 12).

The total amount of employee pay and benefits paid to the Senior Management Team in the year was £686k (2017: £671k).

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

	2018			2017		
	SALARY	PENSION BENEFITS	TOTAL	SALARY	PENSION BENEFITS	TOTAL
	£000	£000	£000	£000	£000	£000
Chief Executive						
Alex Paterson ¹	115-120	46	160-165	65-70	25	90-95
Dr David Mitchell ²	-	-	-	45-50	47	90-95
Directors						
Barbara Cummins	70-75	27	95-100	65-70	27	95-100
Stephen Duncan	70-75	27	95-100	65-70	27	95-100
Gary Love	70-75	-	70-75	65-70	15	80-85
Lisa McGraith	70-75	27	95-100	65-70	27	95-100
Dr David Mitchell ²	70-75	16	85-90	40-45	41	80-85
Jennie Smith ³	20-25	8	25-30	55-60	35	90-95
Donella Steel ⁴	40-45	36	75-80	-	-	-
Alison Turnbull ⁵	25-30	10	35-40	-	-	-
Other Key Management Personnel						
Adam Jackson ⁶	-	-	-	20-25	11	30-35
Jo McCoy ⁷	-	-	-	5-10	2	5-10
Diana Murray ⁶	-	-	-	25-30	19	45-50
Paul Smart ⁸	-	-	-	0-5	1	0-5

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

- 1 Alex Paterson was appointed as Chief Executive on 12 September 2016.
- 2 Dr David Mitchell served as Chief Executive for the period 1 April 2016 to 11 September 2016. His prior year remuneration figures were apportioned based on remuneration received for each post.
- 3 Jennie Smith was acting Director of Finance from 1 April 2016 to 20 August 2017.
- 4 Donella Steel was appointed as Director of Finance on 21 August 2017.
- 5 Alison Turnbull was appointed as Director of Development and Partnership on 30 October 2017.
- 6 Employee's position on the Senior Management Team ended on 30 August 2016.
- 7 Employee's position on the Senior Management Team ended on 10 May 2016.
- 8 Paul Smart was seconded from the Scottish Government. His secondment ended on 15 April 2016.

PAY MEDIAN

As at 31 March 2018 the pay median for all staff was £22,123 (2017: £21,723).

The banded remuneration of the highest paid director in HES in the year ended 31 March 2018 was £115k – £120k (2017: £115k – £120k annualised). This was 5.37 (2017: 5.41) times the median remuneration of the workforce of £22,123 (2017: £21,723).

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

BONUSES

There were no bonuses paid during the year (2017: nil).

COMPENSATION FOR LOSS OF OFFICE

No director or member of the senior management team received compensation for loss of office during the current or prior years.

PENSION BENEFITS

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

	Real increase in pension and related lump sum at pension age	Accrued pension at pension age at 31 March 2018 and related lump sum	CETV at 31 March 2017	CETV at 31 March 2018	Real increase in CETV
	£000	£000	£000	£000	£000
Chief Executive					
Alex Paterson	2.5-5	0-5	18	52	25
Directors					
Barbara Cummins	0-2.5	10-15	144	168	14
Stephen Duncan	0-2.5	25-30	355	390	15
Gary Love	0-2.5 (plus lump sum 0-2.5)	30-35 (plus lump sum 95-100)	627	667	(1)
Lisa McGraith	0-2.5	10-15	101	118	8
Dr David Mitchell ¹	0-2.5	25-30	324	350	3
Jennie Smith	0-2.5	10-15	159	165	3
Donella Steel	0-2.5	15-20	251	277	20
Alison Turnbull	0-2.5	0-5	-	6	4

¹ CETV as at 31 March 2017 has been restated from the original disclosed figure of £321k following a recalculation of the amount by Civil Service Pensions. This restatement is reflected in the comparative table opposite.

	Real increase in pension and related lump sum at pension age	Accrued pension at pension age at 31 March 2017 and related lump sum	CETV at 31 March 2016	CETV at 31 March 2017	Real increase in CETV
	£000	£000	£000	£000	£000
Chief Executive					
Alex Paterson	0-2.5	0-5	-	18	13
Directors					
Barbara Cummins	0-2.5	10-15	123	144	13
Stephen Duncan	0-2.5	25-30	328	355	15
Gary Love	0-2.5 (plus lump sum 0-2.5)	30-35 (plus lump sum 90-95)	587	627	12
Lisa McGraith	0-2.5	10-15	87	101	7
Dr David Mitchell	2.5-5	20-25	252	324	56
Jennie Smith	0-2.5	10-15	130	159	20
Other Key Management Personnel					
Adam Jackson	0-2.5	10-15	150	162	5
Jo McCoy	0-2.5	10-15	176	177	1
Diana Murray	0-2.5 (plus lump sum 2.5-5)	30-35 (plus lump sum 100-105)	717	740	18
Paul Smart	0-2.5 (plus lump sum 2.5-5)	25-30 (plus lump sum 75-80)	577	579	1

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

STAFF REPORT

Staff costs

	2018	2017
Staff costs comprise:	£000	£000
Wages and salaries	33,054	30,377
Social security costs	2,980	2,741
Employer's contributions to pension schemes	6,342	5,863
Early departure costs	-	26
Agency temporary staff costs	785	792
Total employment costs	43,161	39,799
Less: Recoveries in respect of outward secondments	(37)	(28)
Total net costs	43,124	39,771

Employees receiving benefits, excluding pension costs, of more than £60,000:	2018	2017
Banding		
£60k - 69k	-	5
£70k - 79k	5	-
£80k - 89k	-	1
£110k - 120k	1	-
Total number of staff	6	6

Staff numbers

The average number of staff by band in the year ended 31 March 2018 were:

Band	Number of Staff	Male	Female
Senior Posts:			
Chief Executive	1	1	
Director	7	3	4
Band F	36	21	15
Bands A - E	1,333	752	581
	1,377	776	601

The average number of staff employed in the year ended 31 March were:

	2018	2017
Full time	1,085	1,003
Part time	292	261
	1,377	1,264

The average number of full time equivalent staff employed by occupational group in the year ended 31 March were:

	2018	2017
Commercial & Tourism	529	471
Conservation	420	397
Central Services	139	125
Heritage Management	147	141
Investment Grants	10	10
Senior management	8	8
Agency/temporary staff	22	23
	1,274	1,175

The comparative figures for the prior year have been restated following the restructuring of the occupational groups within HES.

STAFF REPORT (continued)

Sickness Absence (Unaudited)

In the year ended 31 March 2018, the average sickness absence was 10 days including leavers (2017: 9 days) and 12,462 total days (2017: 10,414 days) were lost due to sickness absence. This is split 3 average number of working days lost to ill-health short-term absences (2017: 3 days) and 7 average number of working days lost to ill-health long-term absences (2017: 6 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.

Employees with Disabilities (Unaudited)

Historic Environment Scotland is committed to equality of opportunity for all its employees. We recognise that people with disabilities have the same range of skills and qualities as non-disabled people. It is important that full advantage is taken of these skills so that every person is given the opportunity to make the fullest contribution in line with their abilities. Applications from people with disabilities for employment or promotion are given full and fair consideration. The percentage of staff declaring a disability in the year ended 31 March 2018 was 2% (2017: 2%).

Equal Opportunities and Diversity

Historic Environment Scotland is committed to equality of opportunity for all its employees and customers, and to treating every member of staff and every customer with dignity and respect. It is the organisation's policy to ensure that all staff are able to work in an environment free from discrimination, harassment and bullying.

In April 2017 HES published its first Equalities Mainstreaming Report and Equality Outcomes for the period 2017-21. This report which is available on the HES website sets out the actions to achieve the Equality Outcomes. Progress is reported to HES Staff Governance Committee which is a sub-committee of the HES Board.

In this first year some examples of deliverables include:

- The introduction of BSL tours at premier visitor attractions
- Accessibility improvements to our website
- Year of Young People activity
- Apprenticeships and positive action internships
- Gender Pay Gap published
- Establishment of HES Equality Planning Group

Health and Safety at Work

HES is committed to ensuring the highest standards of health and safety at work of its staff, visitors and others who may be affected by our work activities. We aim to provide safe and healthy work places 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 representatives are present at all HES sites, as well as a team of health and safety advisors. They ensure that each site remains safe not only for staff but also for visitors, with dedicated visitor safety risk assessments being used specifically to protect visitors from site hazards at ancient monuments.

Additionally, HES runs programs 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 also 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 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 and one which creates new opportunities for apprentices and modern apprenticeships, and developing a culture of mentoring and support for everyone. In aspiring to be an effective learning organisation, HES encourages and supports 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 offers support to employees who wish to develop their careers through further training and education, including training courses 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 in ensuring the growth and success of HES as an organisation.

Employee Consultation

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

Trade Union Relationships (Unaudited)

HES works in partnership with its three recognised trade unions; Unite the Union, Public and Commercial Services Union (PCS) and Prospect. There is a Partnership Agreement that 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.

Trade Union (Facility Time Publication Requirements) Regulations 2017

In the year ended 31 March 2018, HES had 23 union representatives across our three recognised Trade Unions. During the year, 10 undertook and recorded Trade Union activities or duties. The percentage of HES union representatives' working hours spent on facility time was:

Banding	Number of employees
0%	13
1 - 50%	10

The total cost of this facility time represents 0.006% of HES's total paybill for 2017-18.

69.6% of total paid facility time hours was spent on paid trade union activities in 2017-18.

Volunteers

In the year ended 31 March 2018 we provided opportunities to 405 volunteers (2017: 317), who dedicated 7,740 hours (2017: 8,565) to volunteering with us. These included our HES Board Members, archive, data and survey volunteers, conservation volunteers, practical conservation groups, rangers, volunteer tour guides, and visitor activity and event volunteers.

Expenditure on Consultancy

Expenditure on consultancy for the year ended 31 March 2018 was £380k (2017: £313k).

Exit Packages

There were no exit packages during the current or prior years.



Alex Paterson

Chief Executive and
Accountable Officer
20 August 2018

REFERENCE AND ADMINISTRATIVE DETAIL

TUAIRISGEUL AIR FIOSRACHADH RIANACHAIL

Principal Office and Registered Address

Longmore House
Salisbury Place
Edinburgh EH9 1SH

Charity Number

SC045925

Bankers

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

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

Bank of Scotland
300 Lawnmarket
Edinburgh EH1 2PH

Solicitors

Harper MacLeod LLP
65 Haymarket Terrace
Edinburgh EH12 5HD

Auditors

External:

Deloitte LLP
110 Queen Street
Glasgow G1 3BX

Internal:

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

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.

Opinion on financial statements

We have audited the financial statements in the Annual Report and financial statements of Historic Environment Scotland for the year ended 31 March 2018 under the Historic Environment Scotland Act 2014 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheet, the Consolidated Cashflow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Historic Environment Scotland Act 2014 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Historic Environment Scotland Act 2014 and directions made thereunder by the Scottish Ministers, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual report and financial statements

The Accountable Officer is responsible for the other information in the annual report and financial statements. The other information comprises the information other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual report and financial statements and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

REPORT ON REGULARITY OF EXPENDITURE AND INCOME

Opinion on regularity

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

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

REPORT ON OTHER REQUIREMENTS

Opinions on other matters prescribed by the Auditor General for Scotland

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.

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

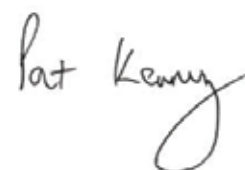
We are required by The Charities Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- 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.

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



Pat Kenny, CPFA
(for and on behalf of Deloitte LLP)
110 Queen Street
Glasgow
G1 3BX
20 August 2018

Deloitte LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006 (for firms)/section 21 of the Public Finance and Accountability (Scotland) Act 2000.

FINANCIAL STATEMENTS

Year ended: 31 March 2018

CUNNTASAN BLIADHNAIL

Bliadhna crìochnaichte: 31 Màirt 2018



FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2018

CUNNTASAN BLIADHNAIL AIRSON A' BHLIADHNA CRÌOCHNAICHTE 31 MÀIRT 2018

Consolidated Statement of Financial Activity for the year ended 31 March 2018

		2018			2017		
	Note	Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
Income from:							
Government grant-in-aid		37,145	-	37,145	41,124	-	41,124
Charitable Activities	3	43,383	1,201	44,584	36,155	4,342	40,497
Donations	4	73	-	73	48	-	48
Trading Activities	5	15,120	-	15,120	13,102	-	13,102
Other Income		370	-	370	175	-	175
Total		96,091	1,201	97,292	90,604	4,342	94,946
Expenditure on:							
Raising Funds	6	(13,179)	-	(13,179)	(11,170)	-	(11,170)
Charitable Activities	7	(68,786)	(2,226)	(71,012)	(60,621)	(1,344)	(61,965)
Grants Distributed	8	(12,082)	-	(12,082)	(11,896)	-	(11,896)
Total		(94,047)	(2,226)	(96,273)	(83,687)	(1,344)	(85,031)
Net Income / (Expenditure)		2,044	(1,025)	1,019	6,917	2,998	9,915
Transfers Between Funds	11	(289)	289	-	(283)	283	-
Gain on Revaluation of Tangible Assets	26	1,206	-	1,206	1,048	-	1,048
Net Movement in Funds		2,961	(736)	2,225	7,682	3,281	10,963
Reconciliation of funds							
Total Funds Brought Forward		11,750	4,225	15,975	4,068	944	5,012
Total Funds Carried Forward	11	14,711	3,489	18,200	11,750	4,225	15,975

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

The notes on pages 56 to 91 form part of these financial statements.

Consolidated and Charity Balance Sheets as at 31 March 2018

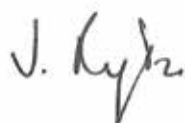
	Note	2018 Group £000	2018 Charity £000	2017 Group £000	2017 Charity £000
Fixed assets:					
Intangible assets	14	381	381	581	581
Tangible assets	15	41,251	41,251	41,233	41,233
Heritage assets	16	361	361	361	361
Investments	17	-	1,157	-	1,157
Total fixed assets		41,993	43,150	42,175	43,332
Current assets:					
Stock	18	2,556	269	2,087	359
Debtors	19	4,671	4,472	5,137	8,465
Cash at bank and in hand		4,492	3,194	5,416	5,307
Total current assets		11,719	7,935	12,640	14,131
Current liabilities:					
Creditors: Amounts falling due within one year	20	(27,010)	(27,837)	(29,827)	(32,488)
Net current liabilities		(15,291)	(19,902)	(17,187)	(18,357)
Total assets less current liabilities		26,702	23,248	24,988	24,975
Creditors: Amounts falling due outside one year	21	(7,617)	(7,606)	(6,925)	(6,912)
Provisions	23	(885)	(885)	(2,088)	(2,088)
Net assets		18,200	14,757	15,975	15,975
Funds:					
Restricted income funds	11	3,489	3,489	4,225	4,225
Unrestricted funds	11	(5,046)	(8,489)	(6,825)	(6,825)
Revaluation reserve	11, 26	19,757	19,757	18,575	18,575
Total unrestricted funds		14,711	11,268	11,750	11,750
Total funds		18,200	14,757	15,975	15,975

These financial statements of Historic Environment Scotland, registered charity number SC045925, were approved by the Board of Trustees and authorised for index on 20 August 2018.

They were signed on its behalf by



Alex Paterson
Chief Executive and Accountable Officer



Jane Ryder OBE
Chair of Trustees

The notes on pages 56 to 91 form part of these financial statements.

Consolidated Cashflow Statement for the year ended 31 March 2018

	Note	2018 £000	2017 £000
Reconciliation of net income to net cash flow from operating activities			
Net income for the year ended 31 March		1,019	9,915
Adjustments for			
Depreciation and amortisation		2,356	1,950
Impairment of tangible assets	15	1,832	-
(Gain) / loss on disposal of fixed assets		(18)	250
Increase in stock	18	(469)	(708)
Decrease / (increase) in debtors	19	466	(196)
Decrease in creditors	20, 21	(2,124)	(6,083)
(Decrease) / increase in provisions	23	(1,203)	1,170
Net cash provided by operating activities		1,859	6,298
Cashflows from investing activities			
Purchase of tangible and intangible fixed assets	14, 15	(2,827)	(6,877)
Proceeds on disposal of tangible fixed assets		44	29
Net cash used in investing activities		(2,783)	(6,848)
Change in cash and cash equivalents in the reporting period		(924)	(550)
Cash and cash equivalents at 1 April		5,416	5,966
Cash and cash equivalents as at 31 March		4,492	5,416

The notes on pages 56 to 91 form part of these financial statements.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of Preparation

Historic Environment Scotland (HES), a public benefit entity, is a non-departmental public body (NDPB), formed under the Historic Environment Scotland Act 2014 on 1 October 2015. HES is the result of a merger between Historic Scotland and the Royal Commission on the Ancient and Historical Monuments of Scotland and became a registered charity on 20 August 2015.

These financial statements have been produced in accordance with the Accounts Direction issued by Scottish Ministers; the Charities and Trustee Investment (Scotland) Act 2005; and the Charities Accounts (Scotland) Regulations 2006. The Accounts Direction is reproduced as an appendix to the financial statements.

As an NDPB, the financial statements are prepared under Financial Reporting Standard (FRS) 102 and the Charities Statement of Recommended Practice (SORP) FRS 102.

The financial statements have been prepared under the historical cost convention modified to account for the revaluation of tangible fixed assets and, where material, current asset investments and inventories to fair value as determined by the relevant accounting standard.

The presentation currency of these financial statements is Sterling. Unless otherwise stated, all amounts have been rounded to the nearest £1,000.

HES Enterprises Ltd, a wholly owned subsidiary of HES, meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemption available to it in respect of its separate financial statements in relation to presentation of a cashflow statement.

Accounting Standards

Effective 1 April 2017, HES has adopted the following amendment to reporting standards:

- Amendments to FRS 102 – Fair value hierarchy disclosures

The adoption of this amendment has had no material impact on the results or financial statement disclosures of HES.

Going Concern Basis

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

The Board and Accountable Officer do not consider there to be any material uncertainties about the charity's ability to continue as a going concern. As such, the financial statements have been prepared on a going concern basis.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Charity and its subsidiary undertakings made up to 31 March 2018.

A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the Consolidated Statement of Financial Activity from the date that control commences until the date that control ceases. Control is established when the Charity has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. These financial statements consolidate those of HES, HES Enterprises Ltd and SCRAN Ltd on a line by line basis for assets and liabilities.

HES Enterprises Ltd, company number SC510997, was incorporated in Scotland on 16 July 2015 and commenced trading on 1 April 2016. HES Enterprises Ltd is a wholly owned subsidiary of HES.

SCRAN Ltd, company number SC163518, became a wholly owned subsidiary of HES when SCRAN Trust, a former subsidiary of the Royal Commission on the Ancient and Historical Monuments of Scotland (RCAHMS), transferred all of its assets, liabilities and undertakings to HES on 22 February 2016.

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

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 of the year for which the financial statements are being prepared. Exchange differences are recorded in the Consolidated Statement of Financial Activity.

Income

Income is recognised when the charity is entitled to the funds, it is probable the income will be received and the amount can be measured reliably. Income from the Friends of Historic Scotland (membership) is accounted for on a cash basis. Income received in advance of an event is recorded as deferred income until the event has taken place. All income is accounted for net of Value Added Tax (VAT).

Grant-in-aid

HES receives grant-in-aid from the Scottish Government to finance its net expenditure. Grant-in-aid is treated as income and credited to the Consolidated Statement of Financial Activity in the period in which it is received.

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable the settlement will be required and the amount of the obligation can be measured reliably. All expenditure is accounted for on an accruals basis. Expenditure is shown net of VAT where it is recoverable. Irrecoverable VAT is charged as a cost against the activity for which the expenditure is incurred.

Fund Accounting

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

Grants Payable

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

Tangible Fixed Assets

The capitalisation thresholds for the principal categories of assets are:

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

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

1. ACCOUNTING POLICIES (continued)

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

All tangible fixed assets are reviewed annually for impairment and are carried at fair value based on the valuation policy noted below.

Land, Buildings and Dwellings

All of the feuhold property comprising the non-monument estate is the subject of a 5 year rolling programme of professional valuations in accordance with the Charities SORP. Approximately 20% of the estate is valued each year by District Valuers (DV) of the Valuation Office Agency acting in the capacity of external valuers. For this report valuations have been prepared by DVs as at 31 March 2018 on the undernoted basis in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. These valuations are updated annually by HES using appropriate indices and, following valuation, the remaining life may be restated.

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

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

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

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

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

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

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

Leasehold Building Improvements

Leasehold building improvements (LBIs) represent the fit-out costs for leases of which HES is the 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 and Plant and Equipment

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

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

Computer Equipment

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

Antiques and Works of Art

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

Depreciation

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

Land: Not depreciated

Buildings and dwellings: On an individual basis not exceeding 60 years

Leasehold building improvements: Over the term of the lease

Plant and equipment: 5 years

Motor vehicles: 5 years

Computer equipment: 3 years

Development costs: On an individual basis not exceeding 10 years

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

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

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

Impairments

HES assesses whether there is any indication that assets are impaired at each reporting date. Indicators could include a significant decline in an asset's market value or evidence of physical damage.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. Impairment losses are recognised as expenditure in the Consolidated Statement of Financial Activities. Any subsequent reversal in impairment, due to an increase in recoverable value, is recognised as a reduction in expenditure in the Consolidated Statement of Financial Activity.

Donated Assets

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

Intangible Assets

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

Heritage Assets

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

1. ACCOUNTING POLICIES (continued)

Archives and Collections

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

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

It is the opinion of the Accountable Officer that due to the number of items, lack of comparative market values and the diverse nature of the collection, reliable cost or valuation information cannot be obtained. HES does not therefore recognise these assets on its balance sheet. The exception is an acquisition of seven Raeburn paintings which are recorded at their historical cost on the balance sheet (note 16).

Heritage Assets in the Guardianship of Scottish Ministers

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

Crown Properties

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

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

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

Other Properties

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

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

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

Conservation Costs

Expenditure which is required to conserve and maintain Heritage Assets, in line with HES's responsibility to protect and enhance the historic environment, is recognised in the Consolidated Statement of Financial Activity when it is incurred.

Realised Element on Depreciation of Revaluation Reserve

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

Investments

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

Stock

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

Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at banks and on hand.

Debtors

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

Creditors and Provisions

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

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. Rentals payable are charged to the Consolidated 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. There are no assets held under finance leases.

Financial Instruments

The financial assets and liabilities held by HES qualify as basic financial instruments as described in Section 11 of FRS 102. Basic financial instruments, comprising trade debtors, cash and cash equivalents and trade payables, are initially recognised at transaction value and subsequently measured at their settlement value. Cash is held on deposit in NatWest Government Banking Service account, the Royal Bank of Scotland and the Bank of Scotland and is available on demand. Trade debtors and trade creditors consist of balances outstanding at the financial year end.

Pension Costs

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

Early Departure Costs

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

Allocation of Support Costs

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

Taxation

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

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

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

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

Reclassification of Comparative Figures

Comparative figures shown below have been reclassified to incorporate the following accounting treatments:

- Restatement of the prior year net book value of donated assets held in Antiques & Works of Art so as to only include donated assets here;
- Reclassification of income generated by HES from Donations and Trading Activities into Charitable Activities Income;
- Recognition of Governance Costs within Support Costs rather than being disclosed as a separate line item within the expenditure supporting notes to the financial statements; and

- Prior year expenditure being amended to reflect the internal restructuring of directorates:
 - › Collections and Survey & Recording are now included in Heritage Management; and
 - › Enterprise and Education & Outreach are now included in Commercial & Tourism

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 1, the Trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

3. INCOME FROM CHARITABLE ACTIVITIES – GROUP

	Unrestricted £000	Restricted £000	2018 Total £000	Unrestricted £000	Restricted £000	2017 Total £000
Admissions	37,899	-	37,899	31,081	-	31,081
Membership	4,169	-	4,169	3,712	-	3,712
Audio Tours	748	-	748	668	-	668
Digital Sales	155	-	155	240	-	240
Third Party Services	204	-	204	215	-	215
Visitor Events	82	-	82	134	-	134
Heritage Lottery	-	768	768	-	2,618	2,618
Funding and ERDF Partnership Funding	-	433	433	-	1,724	1,724
Other	126	-	126	105	-	105
	43,383	1,201	44,584	36,155	4,342	40,497

4. INCOME FROM DONATIONS – GROUP

	2018 Unrestricted £000	2017 Unrestricted £000
Other	73	48
	73	48

5. INCOME FROM TRADING ACTIVITIES – GROUP

	2018 Unrestricted £000	2017 Unrestricted £000
Retail	13,033	11,342
Events	1,582	1,337
Consultancy	36	12
Rent and car park	469	411
Total	15,120	13,102

6. EXPENDITURE ON RAISING FUNDS – GROUP

	Commercial & Tourism	Heritage & Management	2018
	£000	£000	Total
			£000
Direct salaries	4,967	414	5,381
Direct costs	4,907	204	5,111
Support costs	2,540	147	2,687
	12,414	765	13,179

	Commercial & Tourism	Heritage & Management	2017
	£000	£000	Total
			£000
Direct salaries	4,443	304	4,747
Direct costs	3,764	116	3,880
Support costs	2,411	132	2,543
	10,618	552	11,170

7. EXPENDITURE ON CHARITABLE ACTIVITIES – GROUP

	Conservation	Heritage Management	Commercial & Tourism	2018
	£000	£000	£000	Total
				£000
Direct salaries	14,731	4,998	9,782	29,511
Direct costs	13,198	2,903	9,533	25,634
Support costs	7,217	1,906	4,912	14,035
Impairment	1,832	-	-	1,832
	36,978	9,807	24,227	71,012
Unrestricted	36,044	9,244	23,498	68,786
Restricted	934	563	729	2,226
	36,978	9,807	24,227	71,012

During the year ended 31 March 2018 the Group recognised an impairment charge of £1,832k against the Engine Shed, Scotland's Building Conservation Centre. The events and circumstances that led to the impairment are explained further in the Financial Review on page 20.

2017

	Conservation £000	Heritage Management £000	Commercial & Tourism £000	Total £000
Direct salaries	13,637	6,041	8,752	28,430
Direct costs	10,775	1,576	7,165	19,518
Support costs	7,240	2,114	4,665	14,017
	31,652	9,731	20,582	61,965
Unrestricted	31,288	9,250	20,083	60,621
Restricted	364	481	499	1,344
	31,652	9,731	20,582	61,965

8. EXPENDITURE ON GRANT DISTRIBUTION – GROUP

	2018 £000	2017 £000
Grants payable	11,517	11,230
Direct Salaries	351	348
Support costs	100	138
Direct costs	114	180
	12,082	11,896

Grants payable are net of £224k (2017: £125k) returned to HES.
Further details of investment grants are given in note 10.

9. SUPPORT COSTS – GROUP

	2018	2017
	£000	£000
Office running costs	6,102	7,003
Information Systems	4,217	4,068
Finance	2,403	2,170
HR	1,810	1,693
Communications	1,514	980
Chief Executive Office	572	591
Development & Partnership	78	-
Governance	135	195
	16,831	16,700

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

Governance costs include the external auditor's remuneration of £91k (2017: £92k). This is comprised of £76k (2017: £80k) for the external audit of Historic Environment Scotland, £13k (2017: £10k) for the external audit of Historic Environment Scotland Enterprises Ltd and £2k (2017: £2k) for the external audit of SCRAN Ltd.

Governance costs also include the internal auditor's remuneration of £44k (2017: £43k).

10. INVESTMENT GRANTS – GROUP AND CHARITY

	2018	2017
	£000	£000
Grants commitment at 1 April	28,016	33,154
Net of new grants committed and lapsed charged to Consolidated Statement of Financial Activity	11,018	10,754
Grants recovered in year	224	125
Retentions released	432	137
Grants paid in year	(15,354)	(16,154)
Grants commitment at 31 March	24,336	28,016

During the year ended 31 March 2018 HES paid out £15,354k of investment grants (2017: £16,154k). This was made up of:

			2018			2017
	Grants to Institutions	Grants to Individuals	Total	Grants to Institutions	Grants to Individuals	Total
	£000	£000	£000	£000	£000	£000
Ancient Monuments	189	-	189	197	-	197
Archaeology	704	22	726	655	10	665
City Heritage Trust	3,439	-	3,439	3,000	-	3,000
Conservation Area Regen Scheme	3,275	-	3,275	3,495	-	3,495
HES Repair Scheme	3,873	-	3,873	4,076	16	4,092
Historic Environment Support Fund	87	2	89	55	5	60
Organisational Support Fund	2,366	-	2,366	2,122	-	2,122
Places of Worship	850	-	850	1,485	-	1,485
Thatching	7	2	9	29	14	43
Voluntary Sector	538	-	538	995	-	995
	15,328	26	15,354	16,109	45	16,154

10. INVESTMENT GRANTS – GROUP AND CHARITY (continued)

The grants and funding schemes offered by HES to support projects that promote and protect our historic environment are as follows:

Ancient Monuments

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

Archaeology Programme

The main purpose is to mitigate destruction of archaeological sites through funding of projects involving survey, excavation, advice, training and education, in order to help deliver Scotland's Archaeology Strategy.

City Heritage Trusts

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

Conservation Area Regeneration Scheme (CARS)

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

Historic Environment Support Fund

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

Historic Environment Repair Grant Scheme

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

Organisational Support Fund

Financial support is provided to organisations responsible for the operation, management or safeguarding of historic environment assets to assist in the delivery of defined projects/activities and/or to provide resilience funding.

Places of Worship Scheme

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

Thatched Building Maintenance Grant Scheme

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

Voluntary Sector

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

This table lists grants with a value of £100k or more paid during the year to 31 March 2018.

Institution	£000
Edinburgh World Heritage Trust	1,481
Glasgow City Council	894
Architectural Heritage Fund	811
Falkirk Council	771
Argyll & Bute Council	763
Aberdeenshire Council	605
Glasgow City Heritage Trust	520
Inverness City Heritage Trust	457
Scottish Borders Council	384
Edinburgh Printmakers Limited	365
National Trust for Scotland	363
Dundee Historic Environment Trust	357
War Memorials Trust	309
Stirling City Heritage Trust	282
Glasgow Building Preservation Trust	276
Orkney Islands Council	270
Cambo Heritage Trust	257
Aberdeen City Heritage Trust	256
Duart Castle Partnership	232
East Dunbartonshire Council	229
Archaeology Scotland	219
New Lanark Trust	190
Queen's Hall (Edinburgh)	182
Society of Antiquaries of Scotland	179
Fife Council	164
Perth & Kinross Heritage Trust	163
Glasgow Life	155
Auchindrain Trust	137
Highland Council	130
East Ayrshire Council	117
St Athernase Church (Leuchars)	113
Renfrewshire Council	108
Scottish Civic Trust	104
Langstane Housing Association	103
AOC (Scotland) Limited	100
West Dunbartonshire Council	100
Various grants below £100k	3,208
	15,354

10. INVESTMENT GRANTS – GROUP AND CHARITY (continued)

This table lists grants with a value of £100k or more paid during the year to 31 March 2017.

Institution	£000
Glasgow City Heritage Trust	1,330
Argyll & Bute Council	806
Architectural Heritage Fund	772
New Lanark Trust	704
National Trust for Scotland	590
Highland Council	585
Scottish Historic Buildings Trust	512
Blairs Farm Steading (Forres)	443
Falkirk Council	426
Edinburgh World Heritage Trust	375
Historic Scotland Foundation	350
Dundee Historic Environment Trust	327
Perth & Kinross Heritage Trust	271
Glasgow Building Preservation Trust	254
West Dunbartonshire Council	250
East Ayrshire Council	231
Aberdeenshire Council	207
Archaeology Scotland	207
Angus Council	206
Orkney Island Council	202
Aberdeen City Heritage Trust	201
Glasgow City Council	192
Cambo Heritage Trust	188
Fife Historic Buildings Trust	187
Stirling City Heritage Trust	185
Scottish Waterways Trust	184
Society of Antiquaries of Scotland	179
Duart Castle Partnership	164
East Dunbartonshire Council	163
Scape Trust	163
Stirling City Heritage Trust (Traditional Buildings)	163
Built Environment Forum Scotland	160
War Memorials Trust	159
Borders Council	156
Inverness City Heritage Trust	153
Auchindrain Trust	126
Dunoon Burgh Hall Trust	126

Scottish Civic Trust	120
Langstane Housing Association	118
Shetland Islands Council	117
Inchture & Kinnaird Church	112
Kirkmichael Trust	107
North Ayrshire Council	103
Renfrewshire Council	103
East Lothian Council	100
Glasgow University	100
Various grants below £100k	3,277
	<hr/> 16,154 <hr/>



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

	As at 31 March 2017 £000	Incoming £000	Expenditure £000	Transfer between reserves £000	As at 31 March 2018 £000
Restricted reserves – Group and Charity					
Charitable Activities – Engine Shed capital spend					
Heritage Lottery Fund	3,118	445	(783)	-	2,780
Charitable Activities					
Adapt Northern Heritage Board	14	-	(23)	9	-
AI App	-	-	(18)	14	(4)
Antonine Web	-	-	(20)	20	-
Bute House Funding	-	100	(104)	4	-
Cairngorm Heritage Project	-	2	-	-	2
Creative Scotland	-	11	(38)	27	-
Education Resources	2	-	-	-	2
EFFESSUS	-	3	(3)	-	-
Visit Scotland	-	25	(64)	39	-
GIS Medin	3	4	(15)	8	-
Heritage Lottery Fund - Scotland's Urban Past	-	266	(319)	53	-
Heritage Lottery Fund - Skills For The Future	-	57	(57)	-	-
Inner Forth Development	-	54	(125)	71	-
Planning, Review & Research	11	-	(11)	-	-
Scotland's Community Heritage Conference	-	5	(22)	17	-
Scotland's Places	15	15	(40)	10	-
Travel Subsidy	-	163	(134)	-	29
	45	705	(993)	272	29
Donations					
Antonine Site Development	-	-	(3)	3	-
Bord Na Gaidhlig	-	6	(9)	3	-
Castlehill Partnership	-	13	(13)	-	-
Flying Programme	-	2	(5)	3	-
Historic Scotland Foundation	-	28	(33)	5	-
Project Renovating Historic Buildings	-	1	(1)	-	-
Rock Art	737	-	(192)	-	545
Romantic Scotland	325	-	(190)	-	135
Scottish Civic Trust	-	-	(1)	1	-
Scottish Natural Heritage	-	1	(3)	2	-
	1,062	51	(450)	17	680
Total Restricted Reserves	4,225	1,201	(2,226)	289	3,489

Unrestricted reserves - Group					
Unrestricted reserves	(6,825)	96,091	(94,047)	(265)	(5,046)
Revaluation reserve	18,575	1,206	-	(24)	19,757
	11,750	97,297	(94,047)	(289)	14,711
Unrestricted reserves - Charity					
Unrestricted reserves	(6,825)	86,655	(88,081)	(238)	(8,489)
Revaluation reserve	18,575	1,206	-	(24)	19,757
	11,750	87,861	(88,081)	(262)	11,268
All Funds - Group	15,975	98,498	(96,273)	-	18,200
All Funds - Charity	15,975	89,051	(90,269)	-	14,757

	As at 31 March 2016 £000	Incoming £000	Expenditure £000	Transfer between reserves £000	As at 31 March 2017 £000
Restricted reserves - Group and Charity					
Charitable Activities - Engine Shed capital spend					
Heritage Lottery Fund	932	2,191	(5)	-	3,118
Charitable Activities - Other					
Travel subsidy	-	186	(193)	7	-
Antonine web	-	39	(65)	26	-
Heritage Lottery Fund Scotland's Urban Past	-	245	(295)	50	-
Heritage Lottery Fund - Skills	-	182	(207)	25	-
GIS Medin	5	3	(5)	-	3
Scotland's Places	1	24	(10)	-	15
Adapt Northern Heritage Board	-	17	(3)	-	14
Archaeology	-	5	(5)	-	-
Education Resources	-	10	(8)	-	2
EFFESSUS	-	61	(61)	-	-
Visit Scotland	-	20	(39)	19	-
Inner Forth Development	-	32	(48)	16	-
Planning, Review & Research	-	45	(40)	6	11
Scottish Ten	-	1	(24)	23	-
	6	870	(1,003)	172	45

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

	As at 31 March 2016 £000	Incoming £000	Expenditure £000	Transfer between reserves £000	As at 31 March 2017 £000
Donations					
Edinburgh Rockfall	-	27	(72)	45	-
Mavisbank	-	2	(16)	14	-
Dumbarton Castle	-	20	(68)	48	-
Trinity House	-	25	(25)	-	-
Orkney Rangers	-	4	(4)	-	-
Glaif	6	2	(12)	4	-
Rock Art	-	807	(70)	-	737
Romantic Scotland	-	382	(57)	-	325
Antonine Site Development	-	12	(12)	-	-
	6	1,281	(336)	111	1,062
Total Restricted Reserves	944	4,342	(1,344)	283	4,225
Unrestricted reserves - Group					
Unrestricted reserves	(13,470)	90,604	(83,687)	(272)	(6,825)
Revaluation reserve	17,538	1,048	-	(11)	18,575
	4,068	91,652	(83,687)	(283)	11,750
Unrestricted reserves - Charity					
Unrestricted reserves	(13,470)	85,955	(79,038)	(272)	(6,825)
Revaluation reserve	17,538	1,048	-	(11)	18,575
	4,068	87,003	(79,038)	(283)	11,750
All Funds - Group	5,012	95,994	(85,031)	-	15,975
All Funds - Charity	5,012	91,345	(80,382)	-	15,975

2018

Net Assets	Fixed assets £000	Cash £000	Other net current liabilities £000	Creditors falling outside one year £000	Provisions £000	Total £000
Group						
Unrestricted funds	19,456	3,783	(19,783)	(7,617)	(885)	(5,046)
Restricted funds	2,780	709	-	-	-	3,489
Revaluation reserve	19,757	-	-	-	-	19,757
Total funds	41,993	4,492	(19,783)	(7,617)	(885)	18,200
Charity						
Unrestricted funds	20,613	2,485	(23,096)	(7,606)	(885)	(8,489)
Restricted funds	2,780	709	-	-	-	3,489
Revaluation reserve	19,757	-	-	-	-	19,757
Total funds	43,150	3,194	(23,096)	(7,606)	(885)	14,757

2017

Net Assets	Fixed assets £000	Cash £000	Other net current liabilities £000	Creditors falling outside one year £000	Provisions £000	Total £000
Group						
Unrestricted funds	20,482	4,309	(22,603)	(6,925)	(2,088)	(6,825)
Restricted funds	3,118	1,107	-	-	-	4,225
Revaluation reserve	18,575	-	-	-	-	18,575
Total funds	42,175	5,416	(22,603)	(6,925)	(2,088)	15,975
Charity						
Unrestricted funds	21,639	4,200	(23,664)	(6,912)	(2,088)	(6,825)
Restricted funds	3,118	1,107	-	-	-	4,225
Revaluation reserve	18,575	-	-	-	-	18,575
Total funds	43,332	5,307	(23,664)	(6,912)	(2,088)	15,975

12. STAFF COSTS

	2018 £000	2017 £000
Wages and salaries	33,054	30,377
Social security costs	2,980	2,741
Employer's contributions to pension schemes	6,342	5,863
Early departure costs	-	26
Agency temporary staff costs	785	792
Total employment costs	43,161	39,799
Less Recoveries in respect of outward secondments	(37)	(28)
Total net costs	43,124	39,771

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” are unfunded multi-employer defined benefit schemes but HES is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (civilservice.gov.uk/pensions).

For the year ended 31 March 2018, employers' contributions of £6,186k (2017: £5,720k) were payable to the PCSPS at one of four rates in the range 20% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation.

The contribution rates are set to meet the cost of the benefits accruing during the year ended 31 March 2018 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 £129k (2017: £139k) were paid to one or more of the panel of three appointed stakeholder pension providers. 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 £5k (2017: £5k) 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the **partnership** pension providers at the balance sheet date were £11k (2017: £8k). No contributions were prepaid at that date (2017: £nil).

Key management personnel and trustee remuneration is disclosed in the Remuneration and Staff Report on pages 38 to 47.

13. RELATED PARTIES – GROUP AND CHARITY

Group Undertakings:

Historic Environment Scotland Enterprises Limited (HESe)

HESe, a wholly owned subsidiary of Historic Environment Scotland (HES), is the trading arm of HES with the purpose of carrying out non-primary commercial business for the brand. HES enters into transactions with HESe through the provision of personnel and overheads support services.

SCRAN Limited (SCRAN)

SCRAN Ltd, formerly a wholly owned subsidiary of SCRAN Trust, became a subsidiary of HES on 22 February 2016. SCRAN ceased trading on 31 March 2016 and on 1 April 2016 transferred its net assets to HES.

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

Transactions undertaken with group undertakings during the year were:

	2018	2017
	£000	£000
Historic Environment Scotland Enterprises (HESe)	5,684	5,978
SCRAN Limited	55	165

Transactions undertaken with HESe in the current and prior year relate to the supply of personnel and services. Transactions undertaken with HESe in the prior year also included £1,110k in respect of the sale of retail stock at cost less a provision of £525k. Transactions undertaken with SCRAN in the current and prior year relate to the transfer of SCRAN's net assets to HES.

Amount receivable from / due to group undertakings:

	Debtors receivable		Creditors outstanding	
	2018	2018	2017	2017
	£000	£000	£000	£000
Historic Environment Scotland Enterprise (HESe)	270	2	3,865	1,953
SCRAN Limited	-	1,157	-	1,102

13. RELATED PARTIES – GROUP AND CHARITY (continued)

Other Related Parties:

Related party and reason	Charges Levied by HES		Charges incurred by HES		Grants Awarded by HES		Amounts due to/ (from) HES at 31 March	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Edinburgh Napier University HES Trustee, Paul Stollard, is a member of the Court there	1	1	10	2	-	-	-	-
Forth Valley College HES Trustees, Dr Ken Thomson, is Principal and Trudi Craggs, is a Board Member there	9	9	48	52	-	-	-	5
JPS Restoration HES Director, Dr David Mitchell's, brother-in-law owns the company	-	-	4	8	-	-	(1)	(1)
Scottish Ironworks Foundation HES Director, Dr David Mitchell, is a Trustee there	-	1	-	-	-	-	1	1
Society for Antiquaries of Scotland HES Head of Archaeology, Dr Rebecca Jones', spouse is a Director there	-	-	16	4	32	71	(55)	(127)

Centre for Digital Documentation and Visualisation (CDDV) LLP

During the year ended 31 March 2010 Historic Scotland entered into a Limited Liability Partnership with Glasgow School of Art to form CDDV LLP. It was agreed that CDDV would deliver the digital documentation of the five Scottish World Heritage sites and five international Heritage sites in a project known as the Scottish Ten, as well as undertaking commercial projects. This work continued with Historic Environment Scotland. During 2017-18 HES levied charges of £5k (2017: £1k) to CDDV and incurred charges of £14k (2017: £220k) from CDDV. There were no balances outstanding at the year-end (2017: £49k payable by HES).

Apart from the above, none of the Trustees or key managerial staff of HES has undertaken any material transactions with HES during the year.

14. INTANGIBLE ASSETS – GROUP AND CHARITY

	Archive rights £000	Computer & Software licences £000	Total £000
Cost			
As at 1 April 2016	54	1,494	1,548
Additions	-	45	45
Transfers	-	414	414
As at 1 April 2017	54	1,953	2,007
Additions	-	8	8
Disposals	-	(451)	(451)
As at 31 March 2018	54	1,510	1,564
Accumulated amortisation			
As at 1 April 2016	(1)	(1,336)	(1,337)
Charge for the year	(7)	(82)	(89)
As at 1 April 2017	(8)	(1,418)	(1,426)
Charge for the year	(8)	(191)	(199)
Disposals	-	442	442
As at 31 March 2018	(16)	(1,167)	(1,183)
Net book value			
As at 31 March 2016	53	158	211
As at 31 March 2017	46	535	581
As at 31 March 2018	38	343	381

Amortisation of Archive Rights is included within Charitable Activities within the Consolidated Statement of Financial Activity. The Computer & Software Licence amortisation costs are included with Information Systems Support Costs and are allocated as described in note 9 above.

15. TANGIBLE FIXED ASSETS – GROUP AND CHARITY

	Land	Buildings	Dwellings	Motor Vehicles
	£000	£000	£000	£000
Cost				
As at 1 April 2016	2,466	20,958	3,423	2,883
Additions	-	69	-	429
Transfers	-	815	-	-
Indexation	49	442	58	-
Disposals	-	-	-	(182)
Revaluation	1	87	49	-
As at 31 March 2017	2,516	22,371	3,530	3,130
As at 1 April 2017	2,516	22,371	3,530	3,130
Additions	-	-	-	357
Transfers	511	9,526	-	-
Indexation	56	537	70	-
Disposals	-	-	-	(371)
Revaluation	74	285	6	-
As at 31 March 2018	3,157	32,719	3,606	3,116
Accumulated Depreciation & Impairment				
As at 1 April 2016	-	(1,274)	(252)	(2,319)
Charge for the year	-	(753)	(119)	(208)
Disposals	-	-	-	180
Revaluation	-	285	121	-
As at 1 April 2017	-	(1,742)	(250)	(2,347)
Charge for the year	-	(927)	(132)	(220)
Disposals	-	-	-	371
Impairment	(246)	(1,586)	-	-
Revaluation	-	101	141	-
As at 31 March 2018	(246)	(4,154)	(241)	(2,196)

Computer Equipment	Plant & Equipment	Antiques & Works of Art	Assets under Construction	Total
£000	£000	£000	£000	£000
5,168	6,545	2,331	6,018	49,792
753	260	-	5,320	6,831
-	-	-	(1,229)	(414)
-	-	-	-	549
(1)	-	-	(276)	(459)
-	-	-	-	137
5,920	6,805	2,331	9,833	56,436
5,920	6,805	2,331	9,833	56,436
1,373	419	-	670	2,819
-	-	-	(10,037)	-
-	-	-	-	663
(1,220)	(239)	-	-	(1,830)
-	-	-	-	365
6,073	6,985	2,331	466	58,453
(3,809)	(5,679)	(552)	-	(13,885)
(454)	(294)	(77)	-	(1,905)
1	-	-	-	181
-	-	-	-	406
(4,262)	(5,973)	(629)	-	(15,203)
(648)	(218)	(76)	-	(2,221)
1,202	239	-	-	1,812
-	-	-	-	(1,832)
-	-	-	-	242
(3,708)	(5,952)	(705)	-	(17,202)

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

	Land	Buildings	Dwellings	Motor Vehicles
	£000	£000	£000	£000
Net Book Value				
As at 31 March 2016	2,466	19,684	3,171	564
As at 31 March 2017	2,516	20,629	3,280	783
As at 31 March 2018	2,911	28,565	3,365	920
Historic Cost				
As at 31 March 2016	1,171	6,612	-	564
As at 31 March 2017	1,171	7,496	-	783
As at 31 March 2018	1,436	15,436	-	920

At 31 March 2018 approximately 20% of the land, buildings and dwellings assets were valued by District Valuers (DV) of the Valuation Office Agency acting in the capacity of external valuers. HES undertakes this valuation exercise annually as part of a 5-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 value of land, buildings and dwellings assets on a historical cost basis is shown in the table above. Any historic cost value of dwellings purchased over 12 years ago will be included within the buildings category.

Three tapestries at Stirling Castle were partially donated by the Historic Scotland Foundation. The net book value of the donated assets held in Antiques & Works of Art as at 31 March 2018 was £241k (2017: £255k).

Computer Equipment	Plant & Equipment	Antiques & Works of Art	Assets under Construction	Total
£000	£000	£000	£000	£000
1,359	866	1,779	6,018	35,907
1,658	832	1,702	9,833	41,233
2,365	1,033	1,626	466	41,251
1,359	866	1,779	6,018	18,369
1,658	832	1,702	9,833	23,475
2,365	1,033	1,626	466	23,282

16. HERITAGE ASSETS – GROUP AND CHARITY

Collections

	2018	2017
	£000	£000
Cost and Net Book Value		
As at 31 March and 1 April	361	361

The valuation above solely relates to a collection of seven paintings purchased by HES in the year ended 31 March 2006.

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

HES does not have legal ownership of the majority of the heritage assets it cares for. However, in the opinion of the Accountable Officer, these assets are integral to the operation and being of HES and are therefore included within these financial statements. A description of the assets and consideration of their value is set out in the accounting policies that form part of these financial statements.

17. INVESTMENT – CHARITY

HES owns 100% of the ordinary share capital of HESe Ltd and SCRAN Ltd. HESe Ltd is carried on the balance sheet at a cost of £1.

The value of the investment HES holds in SCRAN Ltd is carried at the net asset value:

	2018	2017
	£000	£000
Total current assets	1,157	1,166
Creditors: Amounts falling due within one year	-	(9)
Total net assets	1,157	1,157
Capital and reserves		
Share capital	1,908	1,908
Accumulated losses	(751)	(751)
	1,157	1,157

The subsidiary had a result for the year of £nil (2017: £nil).

18. STOCK

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

	2018	2018	2017	2017
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Retail stocks net of obsolescence provision	2,287	-	1,728	-
Work stocks - raw materials and consumables	269	269	359	359
	2,556	269	2,087	359

Retail stocks included as cost of sales amounted to £4,867k (2017: £3,955k) in the year. Retail stocks are written down to net realisable value by £81k (2017: £106k) and this is included in cost of sales.

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

19. DEBTORS

	2018	2018	2017	2017
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Trade debtors	788	479	839	432
Amounts owed by group undertakings	-	270	-	3,865
Taxes and social security	669	669	205	206
Prepayments	1,449	1,426	1,124	1,116
Accrued income	1,622	1,520	2,853	2,767
Other debtors	143	108	116	79
	4,671	4,472	5,137	8,465

20. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2018	2017	2017
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Accrual for grants payable	18,655	18,655	23,120	23,120
Trade payables	495	493	2	2
Amounts owing to group undertakings	-	1,159	-	3,055
Other taxation and social security	759	759	656	656
Other payables	721	710	615	609
Accruals and deferred income	6,380	6,061	5,434	5,046
	27,010	27,837	29,827	32,488

21. CREDITORS – AMOUNTS FALLING DUE OUTSIDE ONE YEAR

	2018	2018	2017	2017
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Accruals and deferred income	7,617	7,606	6,925	6,912
	7,617	7,606	6,925	6,912

22. DEFERRED INCOME

	2018	2018	2017	2017
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Balance at 1 April	298	161	420	365
Balance transferred on creation of HESe	-	-	-	(131)
Income released in the year	(298)	(161)	(414)	(234)
Income deferred in the year	342	236	292	161
Balance at 31 March	342	236	298	161

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

23. PROVISION FOR LIABILITIES – GROUP AND CHARITY

	Pension costs	Compensation payments	Waste water	Holiday pay	Dilapidations	Total
	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2017	58	238	53	92	1,647	2,088
Raising Funds						
Provisions made in the year	-	10	-	-	80	90
Provisions used during the year	(11)	(29)	-	-	-	(40)
Provisions released during the year	-	(37)	-	-	-	(37)
Charitable Activities						
Provision made in the year	-	13	-	-	-	13
Provisions used during the year	(14)	(39)	-	-	-	(53)
Provisions released during the year	-	(50)	-	-	(1,126)	(1,176)
Balance as at 31 March 2018	33	106	53	92	601	885

The provision for pension costs relates to the compensation element of the former Early Retirement Package payable to officers who were over the age of 50 but below the age of 60. On attaining the age of 60 the compensation element ceases. Payments are made on a monthly basis with final settlement expected during the year ending 31 March 2020.

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, which includes £51k in relation to the reimbursement of expenses. The final outcome and date of any settlement for these claims is unknown at this stage.

The provision for waste water relates to sewage treatment works at Urquhart Castle where a dispute continues with the contractor. The matter is ongoing and the timing of the expected settlement is not known at this stage.

The provision for holiday pay relates to a change in EU regulations on how overtime for holiday pay should be assessed. HES remains in negotiations with trade unions on the appropriate way of addressing this change and on any required pay out to staff. Discussions remain ongoing and the timing of the expected settlement is not known at this stage.

During the year, £1,126k was released from the dilapidations provision in respect of HES no longer being obligated to undertake dilapidation works at the HES head office building of Longmore House. HES is in discussions with the landlord in order to finalise a fifteen year extension to the existing lease, which terminates in October 2019. A new provision of £80k was recognised during the year in respect of the warehouse lease at Newcraighall, Edinburgh, which ended in May 2018. The remaining element of the dilapidation provision is for the additional head office building at John Sinclair House, which has a break option in October 2022.

24. LEASING – GROUP AND CHARITY

Total payments for operating leases in the year ended 31 March 2018 are £1,757k (2017: £1,746k).

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

	2018			2017		
	Land & Buildings	Equipment	Total	Land & Buildings	Equipment	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	1,720	2	1,722	1,730	2	1,732
Later than one year and not later than five years	5,586	5	5,591	4,164	3	4,167
Later than five years	14,784	-	14,784	5,002	-	5,002
	22,090	7	22,097	10,896	5	10,901

25. LOSSES STATEMENT – GROUP AND CHARITY

Losses resulting from unpaid direct debits, cash losses and bad debts recorded during the year total £58k (2017: £28k).

26. REVALUATION RESERVE – GROUP AND CHARITY

	2018	2017
	£000	£000
As at 1 April	18,575	17,538
Revaluation of assets	607	541
Indexation	663	550
Backlog depreciation	(64)	(43)
Transfer of realised element of Revaluation Reserve to unusable reserves	(24)	(11)
As at 31 March	19,757	18,575

27. FINANCIAL COMMITMENTS

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

	2018	2017
	£000	£000
Commitments due in:		
Less than one year	9,803	4,823
More than one year and less than five years	6,599	6,094
More than five years	-	-
Total	16,402	10,917

In addition, HES has capital commitments in respect of building works on properties in its care. As at 31 March these commitments totalled:

	2018	2017
	£000	£000
The Engine Shed, Stirling	-	150
Total	-	150

28. FINANCIAL INSTRUMENTS

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

	2018 Group £000	2018 Charity £000	2017 Group £000	2017 Charity £000
Assets measured at amortised costs	6,092	4,720	6,576	9,889
Liabilities measured at amortised costs	34,274	35,207	36,454	39,239

29. POST BALANCE SHEET EVENTS

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



HISTORIC ENVIRONMENT SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

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

1. The statement of accounts for the financial year ended March 31, 2017, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) and the Charities SORP which is in force for the year for which the statement of accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
3. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers

Deputy Director, Culture and Historic Environment Division

Dated: 29 September 2015



SUSTAINABILITY REPORT

AITHISG SO-SHEASMHAICH

INTRODUCTION

In a drive towards a low carbon economy, the Scottish Government initially set world leading climate change targets; to slash Scotland's carbon emissions by 80% by 2050, with an interim reduction of 42% by 2020. In 2014 this interim target was met and exceeded (45.8%) with a new target set for a reduction of 50% for 2020. These targets present Scotland with significant social and economic opportunities, as well as challenges, and will require a range of actions across society and the economy.

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

Our Carbon Management Plan sets out our intention to reduce greenhouse gas emissions through its operations in line with national targets to 2050. It takes an innovative approach to carbon management, focused through a series of five-year periods, each of which is allocated a specific carbon budget. In practice, for the duration of this current plan, this requires a progressive decrease in carbon emissions of between 2.2 per cent and 2.4 per cent each year to 2020, leading to an overall 11 per cent reduction for the period 2015-2020. This ambitious target requires a transformational change in the way we factor carbon into our business operations. Our target for the 2017-18 financial year is 2.3%.

This sustainability report highlights Historic Environment Scotland's (HES) high level performance for financial year 2017-18 in a number of key areas: (GHG) emissions, energy, waste management, business travel, water consumption, action on biodiversity, sustainable procurement and adaptation. The purpose of this reporting is to improve performance management in relation to sustainability, through greater accountability and transparency.

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

Emissions have been calculated using the UK Government GHG Conversion Factors.

2017-18 Performance Summary

AREA	ACTUAL PERFORMANCE	TARGET	STATUS
Total GHG Emissions	6,216 tCO ₂ e	-2.3%	-5.3%
Total Energy Consumption	19,035,181 kWh		6.4%
Total Waste Disposal	1217 tonnes		
Recycle Rate	46 %		
Total Water Consumption	78,015 m ³		
Total Energy Expenditure	£ 1,389,788		
Total Waste Expenditure	£ 227,872		
Total Business Travel Expenditure	£ 799,138		
Total Water Expenditure	£ 56,941		

GHG EMISSIONS OVERVIEW

	2014-15	2015-16	2016-17	2017-18	Annual Change	Change Against Baseline
Grand total	6,986	6,616	6,565	6,216	-5.3%	-11.0%
Energy	6,036	5,729	5,557	5,142	-7.5%	-14.8%
Waste	90	136	146	187	27.7%	107.2%
Business travel	811	693	799	821	2.7%	1.2%
Water	48	59	62	66	6.5%	38.6%

GHG emissions (tCO₂e)

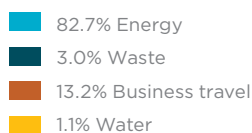
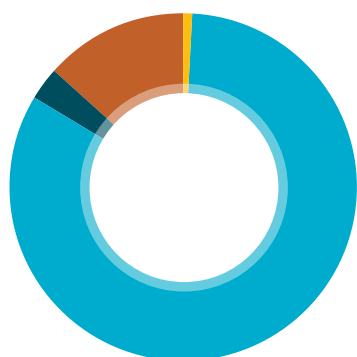
TOTAL GHG EMISSIONS BUDGET

Year	Target HES GHG Emissions		Actual HES GHG Emissions		Difference Against GHG Emissions budget	
	Annual Emissions Budget (tCO ₂ e)	Year-on-Year Change	Actual Emissions (tCO ₂ e)	Change	Difference (%)	Difference (tCO ₂ e)
Baseline	6,986	-	6,986	-	-	-
2015-16	6,832	-2.2%	6,616	-5.3%	-3.1%	-216
2016-17	6,679	-2.2%	6,565	-3.9%	-1.7%	-114
2017-18	6,525	-2.3%	6,216	-5.3%	-3.0%	-309
2018-19	6,371	-2.4%	-	N/A	-	-
2019-20	6,218	-2.4%	-	N/A	-	-
Total	32,625	11.0%	19,397	-14.5%	-7.8%	-638

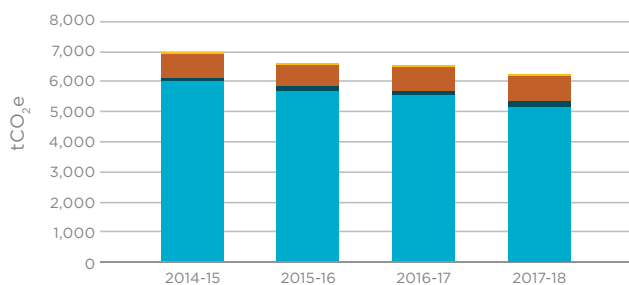
Total GHG emissions Budget (tCO₂e)

GRAPHICAL ANALYSIS

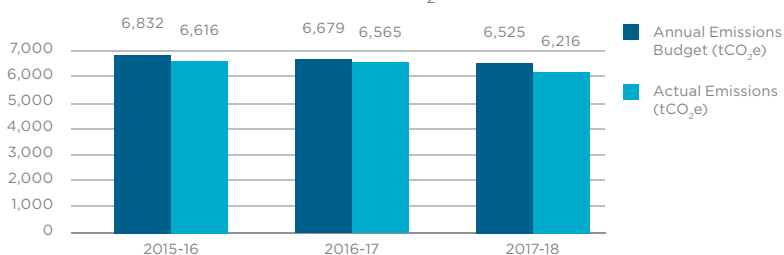
2017-18 Carbon Footprint



Annual Carbon Performance



Budget v Annual Emissions (tCO₂e)



TARGETS AND COMMENTARY

Our target

In our CMP we have adopted the approach of setting a total 'carbon budget' for the entire target period (i.e. to 2050), based on national targets, where year-on-year carbon 'overspend' or 'underspend' can be carried forward and counted in subsequent years. This cumulative, multi-year approach helps to even out the variables (peaks and troughs) in annual Greenhouse Gas (GHG) emissions brought on by factors beyond our control (e.g. weather), in order to highlight good (or otherwise) performance across the target period.

Therefore we have set a long-term GHG emissions reduction target, from April 2015 and concluding in March 2050, over a period of 35 years. This approach not only serves to highlight the long-term nature of climate change and the need for sustained commitment, but also sets out the longer term corporate commitment of HES beyond the duration of the Corporate Plan and the average period of appointment of the Board, Chief Executive and Senior Management Team, thus aiming for a degree of continuity. For each period, HES has set a five-year carbon budget (published as a new CMP) that correlates directly with the national Scottish Government 2050 target. The total carbon budget for each period represents a milestone in meeting the final 2050 target, and performance reported against

these milestones will provide clear indication as to whether the organisation is on track to achieve this. This approach should help to make the long-term target more tangible for HES. It also provides natural review points at which to reassess performance, governance, etc., and to produce a revised CMP if necessary.

Period 1 (this current period) covers the period from April 2015 to end-March 2020. The total carbon budget allowed for HES operations over this period is 32,620 tCO₂e, calculated to match the Scottish Government's 42% reduction target for 2020. This requires an annual reduction of 2.2 to 2.4%, and an overall reduction of 11% over this period.

Our current GHG emissions

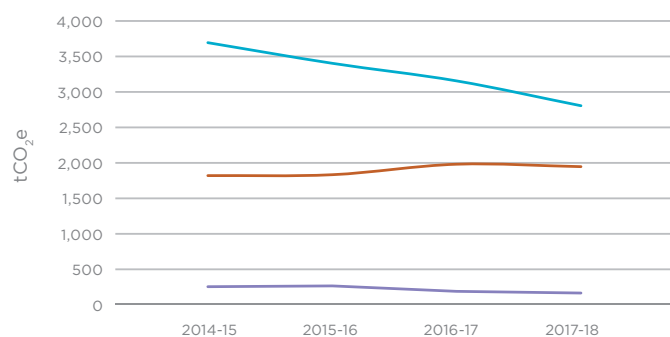
During 2017-18 we emitted a total of 6,216 tCO₂e GHG emissions in comparison to our 6,525 tCO₂e annual budget for 2017-18, meaning that we have made an additional reduction of 309 tCO₂e. This means that we have made a total reduction in GHG emissions of 5.3% in comparison to our annual target of 2.3% for 2017-18, which is an additional reduction of 3% beyond target. Overall (from 2014-15 to 2017-18) we have emitted 19,397 tCO₂e and made a saving of 14.5% so far. This consists of a 7.5% reduction in energy emissions against the previous year, a 27.7% increase in waste emissions, a 2.7% increase in business travel emissions and a 6.5% increase in water emissions.

Energy consumption (kWh) from Gas and Electricity has increased against the previous year. However, carbon reductions from both utilities have improved because their associated Conversion Factors have reduced due to the National Grid becoming cleaner from the integration of more renewable technologies as power sources.

ENERGY		2014-15	2015-16	2016-17	2017-18	Annual Change	Change Against Baseline
GHG emissions (tCO ₂ e)	Electricity	3,680	3,394	3,150	2,806	-10.9%	-23.7%
	Electricity (T&D)	322	280	285	262	-7.9%	-18.5%
	Natural gas	1,814	1,826	1,955	1,925	-1.5%	6.1%
	Other fuels	221	228	166	148	-10.7%	-32.7%
Actual consumption (kWh)	Total Energy	18,146,957	18,134,375	17,889,444	19,035,181	6.4%	4.9%
	Electricity	7,444,933	7,344,074	7,645,643	7,982,201	4.4%	7.2%
	Natural gas	9,808,991	9,871,990	9,564,716	10,453,709	9.3%	6.6%
	Other fuels	893,033	918,311	679,085	599,271	-11.8%	-32.9%
Financial indicators	Total Energy	£1,312,506	£1,280,984	£1,298,261	£1,389,788	7.1%	5.9%
	Electricity	£922,463	£945,620	£1,011,041	£1,068,511	5.7%	15.8%
	Natural gas	£356,444	£324,481	£254,134	£280,021	10.2%	-21.4%
	Other fuels	£33,599	£10,883	£33,086	£41,257	24.7%	22.8%
	3rd party re-charge: Electricity	£-98,217	£-28,780	£-106,311	£-215,473	102.7%	119.4%
	3rd party re-charge: Natural gas	£-60,964	£-29,855	£-84,352	£-95,374	13.1%	56.4%

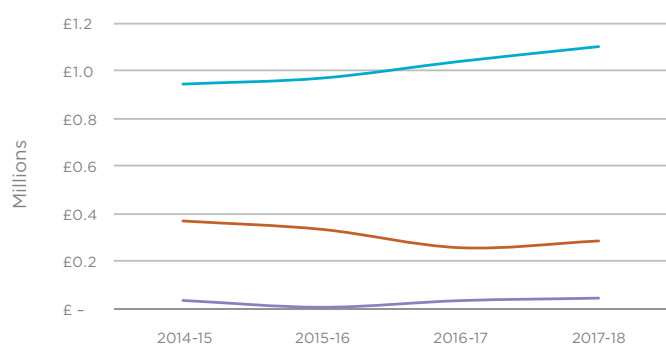
GRAPHICAL ANALYSIS

Emissions: Energy



■ Electricity
■ Natural gas
■ Other fuels

Expenditure: Energy



■ Electricity
■ Natural gas
■ Other fuels

TARGETS AND COMMENTARY

Energy use in our buildings represents 82.7% of our overall carbon footprint. Across the HES Estate there has been a 9.3% increase in natural gas consumption against the previous year, a 10.7% decrease in other fuels (i.e. burning oil, LPG and gas oil) and a 4.4% increase in electricity consumption. Because of this, total expenditure for energy bills have increased by 7.1% against the previous year. Increases in gas and electricity consumption were largely caused by a cold snap from late February to March 2018. Furthermore, the addition of a new building – Scotland’s new building conservation centre, the Engine Shed (July 2017) has contributed to our overall increase in electricity and gas consumption. However, carbon emissions for energy have decreased by 7.5% overall, which includes a 1.5% decrease in natural gas emissions against the previous year, a 10.7% decrease in other fuels and a 7.9% decrease in electricity consumption.

It must also be noted that the considerable decrease in other fuels can partly be attributed to two occurrences of late invoices for gas oil at Incholm Abbey and LPG at Fort George falling beyond the 17-18 financial year (May and June 2018).

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

DIRECT BUSINESS IMPACTS

The greatest impacts arise from electricity and natural gas consumption in our buildings. HES continue to roll-out technical improvements to our Estate as outlined in our new Carbon Management Plan 2020 – ‘Carbon Management Hierarchy’. Reducing our energy consumption plays a pivotal role in meeting our carbon targets. It also produces cost savings, in terms of both direct energy costs and the Climate Change Levy (CCL), a tax on energy for non-domestic customers.

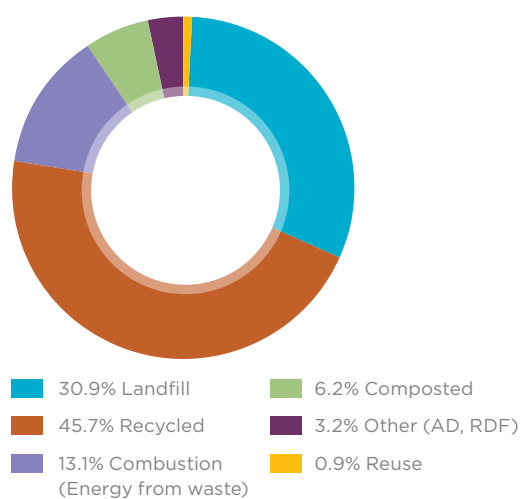
INDIRECT BUSINESS IMPACTS

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

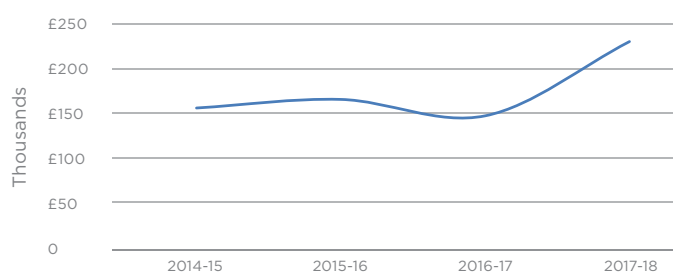
WASTE		2014-15	2015-16	2016-17	2017-18	Annual Change	Change Against Baseline
GHG emissions (tCO ₂ e)	Total waste	90	136	146	187	27.7%	107.2%
	Landfill	77	127	139	172	24.0%	123.1%
	Recycled	10	8	6	10	72.2%	-4.6%
	Combustion (Energy from Waste)	2	1	2	3	128.4%	48.7%
	Composting	0.38	0.33	0.23	0.45	94.9%	18.4%
	Other (AD, RDF)	0.00	0.00	0.00	0.85	N/A	N/A
	Reuse	0.00	0.00	0.00	0.04	N/A	N/A
Actual output (tonnes)	Total waste	1,291	1,078	1,036	1,217	17.4%	-5.7%
	Landfill	342	424	495	376	-24.1%	9.8%
	Recycled	774	543	430	557	29.3%	-28.1%
	Combustion (Energy from Waste)	112	57	73	160	120.3%	42.7%
	Composted	63	54	38	75	95.0%	19.1%
	Other (AD, RDF)	0.00	0.00	0.00	39	N/A	N/A
	Reuse	0.00	0.00	0.00	11	N/A	N/A
Financial indicators	Total waste disposal	£155,630	£164,945	£147,122	£227,872	54.89%	46.42%
	Non-hazardous waste	£155,630	£164,945	£147,122	£227,872	54.89%	46.42%

GRAPHICAL ANALYSIS

Waste Composition



Expenditure: Waste Disposal



TARGETS AND COMMENTARY

GHG emissions

Waste represents around 3.0% of our overall carbon footprint. HES has not set any specific waste reduction targets, however it is included in the overall target for GHG reduction in the Carbon Management Plan. This year has seen an increase in tonnes CO₂e from waste from the 2016-17 figure; this can be attributed to a larger tonnage of waste calculated through capturing more waste streams than ever before. It is also due to the significant rise in the conversion figures for general municipal waste. It is likely this figure will continue to rise whilst we continue to complete a more accurate view of waste generation in our organisation. Once this has been established we will be drafting specific waste targets to go alongside a holistic corporate waste plan for the organisation.

The majority of our carbon emissions come from waste we are sending to landfill totalling, 172.30tCO₂e. Most of this waste is coming from our general municipal waste and partly from skips used by our work teams on construction or depot sites. For some of these figures, if we were unable to get data regarding rates of recycling from general waste bins or skips following collection, then we have assumed that 100% of this waste goes to landfill. An error was made in last year's figures with landfill waste classified as Average Construction which does not have a conversion factor. This year this classification has been amended to Commercial and Industrial waste. As amended, last year's landfill GHG emissions

should have been 161.90tCO₂e rather than the 139.5tCO₂e published. This still shows that our GHG emissions have risen from landfill even though we have reduced our overall tonnage in this area by 120.8 tonnes. This is due to the conversion factors for municipal waste rising.

For this year's reporting we have also included three new waste processing categories for our conversion calculations: Anaerobic Digestion (AD) (17.95 tonnes), Refuse Derived Fuel (RDF) (21.28 tonnes) and Reuse (10.80 tonnes). Currently, there are no GHG conversion factors for RDF, we therefore used those associated with combustion as the nearest alternative. Reuse is a priority to us, however this year only a small percentage of donations have been recorded, with the figure representing mainly aggregates from construction and a very small percentage of reuse of IT equipment and donations. Towards the end of the financial year we signed up to Warp It, an online resource distribution network, to aid reuse for all staff and to help record a more accurate view of reuse. This will be reported on in 2018-19.

Waste weights

Waste tonnage has increased by 179.24 tonnes from the year before (2016-17). The majority of this weight data has been calculated using estimates, either by estimating the average bin fill level for the year and using the DEFRA density conversion figures for the specific waste stream, or by using the average weights provided by contractors. This

means that our overall tonnage is only a very rough indication of the real figures we are generating. In addition, due to the widespread nature of our sites and offices and a history of ad hoc collections managed locally, there is always inevitably waste that has not been captured through this exercise. For this year's figures we have included IT recycling figures, printer toner recycling figures, sanitary waste and event waste figures for the first time. This is partly accounting for the increase in tonnage this year, alongside the addition of the Engine Shed to our estate. Nonetheless, some other sites have been removed from the list such as Bute House where the waste is now managed by Scottish Government, along with other sites which we previously believed we were paying for waste but a data cleanse has identified it is not ours.

Costs

Along with a rise in tonnage, waste costs have risen dramatically by £80,750. This can be attributed to a better data capture from our waste streams, and in the main from adding sanitary waste into the analysis which has added on £24,225 in itself. This year we have also added into the cost analysis the consumables relating to waste such as bin liners from figures we took from our largest waste contract which covers 33 of our sites out of our total number of 103 waste producing sites. Therefore, this cost only represents around a third of what we are spending on these types of consumables for the rest of the estate. However currently we are

not tracking this type of data for the rest of our sites, although this is something we will look to do in the future so we can estimate the true cost of waste. Currently other costs such as staff time in managing and transporting waste and costs of transport of waste, waste containment and vehicle use have not been included in this analysis. A report we commissioned in 2016-17 estimated that these true costs may amount to around 10 times more than the costs directly associated with contracts.

Recycling

Our recycling figures have improved only very slightly this year with us recycling around 45.7% of our waste. This improvement is attributed to receiving better data on how much of this waste is diverted from landfill and where our general waste goes to Material Recovery Facilities (MRFs). Our waste contractor for 33 of our sites combined the diversion from landfill figure into a recycling category and couldn't provide more details on the true processes this waste is subject to which includes a combination of recycling and combustion. Therefore, we have halved the percentage diverted from landfill and assigned half to recycling and half to combustion. We have requested that next year this proportion of the general waste is reported on, as combustion ensues differing conversion factors to carbon emissions and it also does not give a fair representation of our actual recycling rate. The figures for how much waste we are putting

directly into our general waste and recycling bins show that we are only segregating 32% of our waste into recycling bins, with 68% going directly into general waste bins. This can be attributed in part to some of our sites transporting recycling waste to recycling centres rather than having regular collections. This is something we are working to change currently, and our next year's figures should hopefully improve this rate.

Projects

We are striving to reduce waste and improve infrastructure and management of waste. We recruited a Circular Economy Project officer in January 2018 to drive these projects forward and to draw up a holistic waste plan for the organisation. Improving data capture and management continues to be a priority alongside a stronger emphasis on waste prevention at purchasing stage and the introductions of more circular models within our business. Our waste reduction initiatives in 2017-18 included more work on reducing disposable coffee cups in our head office and at the Engine Shed including the sale of discounted keep cups along with a complete ban of disposables for climate week. We also took part in a trial being run by Zero Waste Scotland where we charged 5p for disposable cups, with the findings of this trial being fed into a paper for Scottish Government regarding future policy on disposables.

DIRECT BUSINESS IMPACTS

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

INDIRECT BUSINESS IMPACTS

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

BUSINESS TRAVEL

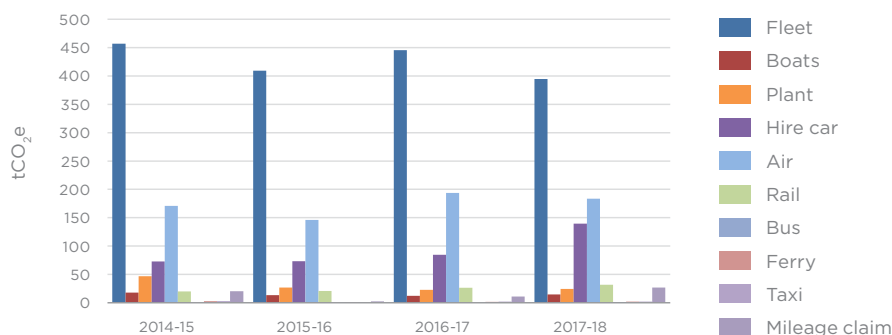
	2014-15	2015-16	2016-17	2017-18	Annual Change	Change Against Baseline
Total business travel	811	693	799	821	2.7%	1.2%
Fleet	457	409	446	395	-11.4%	-13.6%
Boats	18	13	12	15	19.4%	-16.9%
Plant	47	27	23	25	8.4%	-47.3%
Hire car	73	73	85	140	65.2%	92.1%
Air	171	146	194	183	-5.3%	7.2%
Rail	20	21	26	32	20.5%	60.6%
Bus	0	0	0	1	N/A	N/A
Ferry	3	0	1	2	42.2%	-28.2%
Taxi	3	1	2	2	2.1%	-35.2%
Mileage claim	20	2	11	27	149.2%	32.7%
Total business travel	£679,310	£582,985	£813,596	£799,138	-1.8%	17.6%

GHG emissions (tCO₂e)

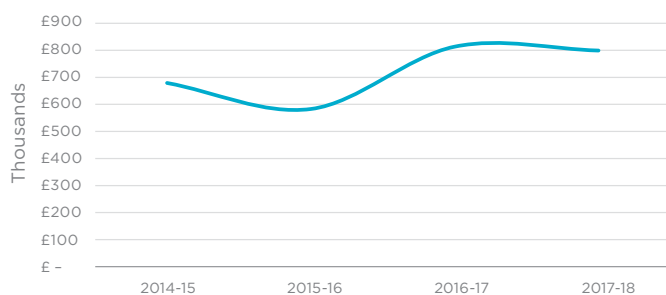
Financial indicators

GRAPHICAL ANALYSIS

GHG Emissions: Business Travel



Expenditure: Business Travel



TARGETS AND COMMENTARY

Business travel represents 13.2% of our overall carbon footprint. We have not set any specific business travel reduction targets; however, since business travel is the second-highest contributor to HES's emissions, it is still considered a priority.

HES fleet is a priority for action because we have direct control of it. Reducing emissions in this area will be delivered via a reduction in vehicle use through use of alternatives such as video conferencing and more efficient use of vehicles through improved journey planning, monitoring and reporting. Further initiatives we have implemented are the support and use of sustainable travel alternatives (cycling, walking, and public transport). Notable projects this year include the rollout of five HES branded pool bikes to Edinburgh staff as an

alternative to using taxis, their own vehicles and even public transport. In 2017-18 a total of 102 miles were cycled by staff, saving approximately 0.03 tCO₂ instead of using taxis and public transport.

This year, we launched 'Cyclescheme', an employee benefit that offers tax discounted bikes and can be paid off through salary sacrifice. This gives staff a cheaper, healthier and more sustainable travel option for commuting to and from work. For Bike Week (June 2017) we hosted Dr Bike sessions, a cycle breakfast and an afternoon ride to Craigmillar Castle to support cycling across the organisation.

Other significant areas of business travel such as air travel and hire cars would benefit from improved management and monitoring. Taxi use, while low in terms of proportional carbon emissions, is highly visible to the public, and addressing it will signal a transformational approach to business travel. To help tackle this, and to devolve further responsibility to directorates, an initial carbon footprint analysis was carried out with the Heritage directorate to measure progress on annual reductions of business travel, with plans to expand this to other directorates across the organisation. Promotion of the Business Travel Policy and alternative modes for short journeys would also support the above initiatives.

We are a large and geographically spread organisation with a range of business functions and staff travel is essential to carry out day-to-day business objectives.

Part of our mission is to share and celebrate our cultural heritage with the world and our "Lead" strategic theme states that we will fulfil a leading and enabling role through our activities and by supporting empowering and collaborating with others. In many circumstances, fulfilment of these may require us to travel outwith Scotland to other parts of the UK and this is reflected in 2017-18 in the rise of rail travel against the previous year (20.5%).

Overall, business travel emissions have decreased by 2.7% when compared with the previous year. Emissions from our fleet have decreased by 11.4% against the previous year and this is by far the largest source of emissions for HES business travel. This may be partly due to data improvements since the introduction of a Fleet Management Service. However, emissions from hire cars show a significant increase of 65.2% against the previous year, and a 149.2% increase in Grey Fleet (staff use of own vehicles). The decrease in air travel emissions, a 5.3% decrease from the previous year, is a result of reduced international travel.

Business travel expenditure has decreased by 1.8% against the previous year. This decrease is partially caused by a decrease in domestic air travel and the improvement of its associated Conversion Factor. To help reduce emissions, we currently have a Fleet Management Service agreement with Scottish Natural Heritage, which is enabling us to implement continuous improvements to management and data quality.

DIRECT BUSINESS IMPACTS

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

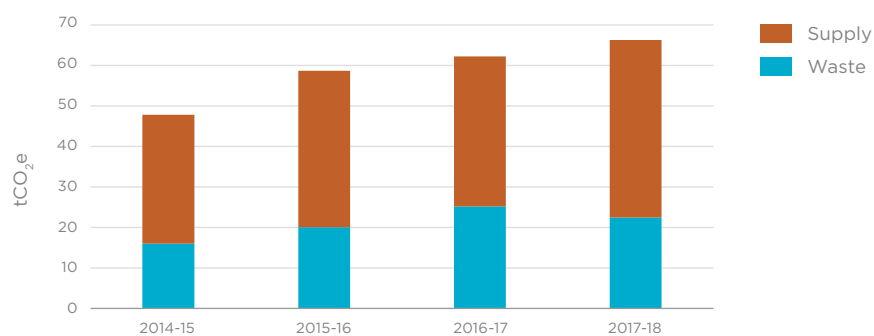
INDIRECT BUSINESS IMPACTS

Reducing emissions from business travel will play a part towards achieving national climate change targets and demonstrating exemplary behaviours. We are also in a position to influence staff members, third party organisations and visitors in choosing more sustainable forms of transport. For instance, we include links to Traveline Scotland and the National Cycle Network on our website to help visitors plan visits to our sites in a sustainable way. We are a Cycle Friendly Employer and have bicycle facilities available for staff and visitors at both of our headquarters and at Edinburgh and Stirling Castle (currently being rolled out to other sites). We have a salary advance scheme available to staff for the purchase of bicycles and season tickets for public transport. 'Cyclescheme' has also been provided for staff to get access to tax discounted bikes.

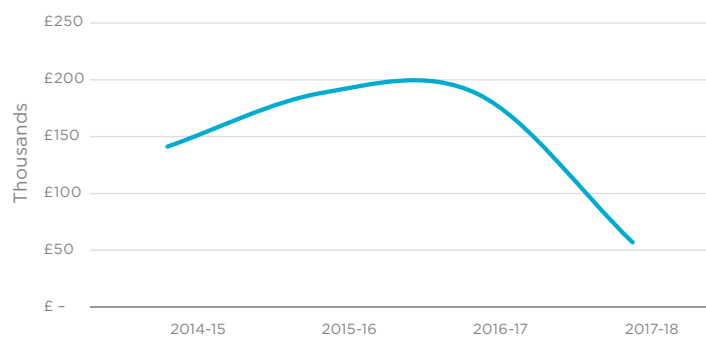
WATER		2014-15	2015-16	2016-17	2017-18	Annual Change	Total Change
GHG emissions (tCO ₂ e)	Total water emissions	48	59	62	66	6.5%	39%
	Supply	16	20	25	22	-10.9%	40%
	Waste	32	39	37	44	18.3%	38%
Actual consumption (m ³)	Metered supplies	46,401	58,319	73,202	65,198	-10.9%	41%
	Unmetered supplies (estimate)	11,048	12,408	13,485	12,817	-5.0%	16%
Financial indicators	Water supply	£141,199	£188,595	£187,589	£56,941	-69.6%	-60%
	3rd party re-charge: Water	-£34,225	-	-	-	N/A	N/A

GRAPHICAL ANALYSIS

GHG Emissions: Water



EXPENDITURE: WATER SUPPLY



TARGETS AND COMMENTARY

Water represents 1.1% of our overall carbon footprint. We have not set any specific water reduction targets but believe that there are still emission and cost savings to be made from water consumption reduction measures. However, improved monitoring and data acquisition forms part of our actions to reduce emissions through increased implementation of smart meters across our estate.

The data demonstrates that metered water consumption has decreased by 10.9% when compared with the previous year. This could partially be caused by improved monitoring and targeting of consumption due to an increase of 3 Automated Meter Reading (AMR) device installations against the previous year. It is also likely to be linked to the addition of some larger consuming sites to Half-Hourly (HH) online monitoring software, allowing for better understanding and management of water consumption. Water expenditure has significantly reduced by 69.6% due to large advanced payment refund from our water supplier.

Total water emissions have increased by 6.5% because waste water emissions have increased by 18.3% against the previous year. This is partly attributed to improved data acquisition and report improvements and should be similar for the next financial year thereafter.

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

DIRECT BUSINESS IMPACTS

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

INDIRECT BUSINESS IMPACTS

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

BIODIVERSITY

TARGETS AND COMMENTARY

Biodiversity report

There are many opportunities across our operations to support biodiversity whilst fulfilling our role as the lead public body for Scotland's historic environment. The management of Properties in Care has opportunities for supporting biodiversity improvement and understanding. Properties in Care can be special for biodiversity; many have been protected from development, particularly agricultural improvement, which has allowed the preservation of local habitats and species. Many sites therefore support populations of rare birds, bats, amphibians and many invertebrates as well as providing important wildlife corridors which allow plants and animals to migrate as part of normal activity and to spread as a result of pressure from development and climate change. Our Scheduled Monument Consent process includes a section on wildlife to ensure proposed works do not affect European Protected Species, and to ensure that adequate mitigation is put in place.

Our Ranger Service, based at Holyrood Park, Linlithgow Peel and the Heart of Neolithic Orkney World Heritage Site, undertake site management, education and interpretation at these and other sites, and a large proportion of their work is related to biodiversity.

We also have a Natural Heritage Advisor supporting staff and others on biodiversity issues relating to site management, interpretation and education, and have over 100 HES staff are formally recognised as Green Champions, undertaking local initiatives to promote sustainability and good environmental practice across our sites.

Ranger activities

During 2017-18 our Ranger Service has undertaken a number of activities to promote and support biodiversity. These include:

1. Education and outreach

- Undertaking a programme of education focusing on the conservation of the natural and historic environment to 482 education groups (an increase of 289% against the previous year), totalling to 9414 (342% increase) children and students.
- Raising awareness to the wider public and encouraging participation through delivering 120 (173% increase) guided walks and activities involving 3184 (327% increase) participants.

2. Volunteer Programme

- Continuing to run our volunteer programme to provide opportunities for those with an interest in nature and conservation to get involved in the conservation, monitoring and protection of our natural landscapes. This year saw 16 (increase of 33% against previous year) new Volunteer Rangers recruited alongside

a continued programme for wildlife survey volunteers.

- Working with volunteers to carry out 296 (152% increase) hours of surveys for 5 different species: adder's-tongue fern, Himalayan balsam, wood sage plume moth, maiden pink and sticky catchfly.
- Providing opportunities to 16 (60% increase) young people to get involved in nature conservation through the Junior Ranger Scheme.

3. Research and Conservation

- Undertaking 745 (140% increase against previous year) hours of survey work (296 Volunteer hours, 449 Ranger hours) for 7 different species and groups of species (Himalayan balsam, adder's-tongue fern, maiden pink, plume moth, sticky catchfly, bumblebees and butterflies). 2017-18 saw a significant reduction in the intensity of the Himalayan balsam population but a rise in extent.
- Gorse has been cut back to help prevent encroachment on rare and scarce mosses within Holyrood Park.
- Continued monitoring of the sticky catchfly reintroduction and Maiden pink translocations in Holyrood Park. 2017-18 saw the first self-seeded plant at Haggis Knowe.
- So far, 41 Statements of Natural Importance have been completed as part of an ongoing program to cover all of the properties managed by HES, with 292 reports now completed. These report on key species with importance to biodiversity, as well as helping to inform

the management of the site to help boost biodiversity. We have developed and improved the depth and detail of existing surveys such as Statements of Natural Heritage Significance to further improve understanding of Biodiversity at Properties in Care. Protecting rare species and habitats.

4. Site management for biodiversity

- Continued Implementation of meadow management and altering grass cutting regimes at sites, now including the Ring of Brodgar, Dryburgh Abbey, Edzell Castle, Spynie Palace and Doune Castle.
- Continued to erect bat and bird boxes throughout our estate.
- Continued to time works to avoid conflict with wildlife, for example roosting bats and nesting birds.
- Continued tree and hedge planting and maintaining were appropriate.

5. Partnership Working

- Continued support of local and national Biodiversity Action Plans such as the Edinburgh City Biodiversity Action Plan were 17 out of 17 actions either completed or on course for completion in stated timeframe. This included 3 new wildflower meadows created in Holyrood Park, along with 5 rare plant and 4 rare insects surveyed.
- Working with the Edinburgh Adapts Action Plan on Natural Environment and Greenspace Actions including ensuring our sites continue to act as corridors for species to migrate through, altering

grass cutting regimes and meadow management.

- Working with Scottish Natural Heritage and the National Trust for Scotland (NTS) to protect a newly nesting pair of peregrine falcons at Threave Castle. Parts of the castle and island were closed to visitors to avoid disturbance, and site staff monitored bird behaviour closely. This is now in its third year and an additional four chicks were born in 2017-18, a total of 7 since partnership began three years ago.
- Continue to work with NTS Osprey viewing facility to raise awareness amongst visitors of the nesting birds.

6. Statutory duties

The Nature Conservation (Scotland) Act 2004 places a statutory duty on all public sector bodies in Scotland to further the conservation of biodiversity. The Wildlife and Natural Environment (Scotland) Act 2011 also introduced a requirement for all public bodies to make a report publicly available on their compliance with biodiversity duty. Biodiversity duty reports are required every three years. The following actions were taken in 2017-18 to help deliver on such duties:

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

specialist advice and provide ecological surveys or licences to support applications.

- Published our first [Biodiversity Report 2015-17](#) detailing our current activities and future plans and objectives relating to Biodiversity (December 2017).
- Initial drafting of a HES Biodiversity Policy being carried out by ranger team (started in February 2018).
- Published our [Biodiversity Delivery Statement](#) which commits to ensure that biodiversity is highlighted more closely, and is more broadly taken into account through our policies, actions and activities that might directly or indirectly impact biodiversity (March 2018).

DIRECT BUSINESS IMPACTS

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

INDIRECT BUSINESS IMPACTS

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

SUSTAINABLE PROCUREMENT

TARGETS AND COMMENTARY

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

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

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

We use 'Sustainability Tests' for larger contracts to ensure that we build sustainable criteria into the specification of the product/ services where possible and also link this to evaluation criteria. We will, where applicable, use the Sustainable Procurement Tools currently being constructed by the Scottish Government in response to the sustainable procurement

duty included in the Procurement Reform (Scotland) Act 2014.

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

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

We also include a requirement in our major projects for the successful bidder to incorporate a number of areas, including maximising the skills and training outcomes from its projects, with Skills and Training Key Performance Indicators to monitor progress; consideration in the use of social enterprise organisations in the delivery of requirements and engaging with the local community by means of Community-Based Activities, centred around alleviating the

effects of living in poverty including social isolation and poor health; positive approach to workforce-related matters as part of a fair and equitable employment and reward package.

In addition, Procurement are working closely with the Climate Change Team so that sustainable outcomes can be built into future projects.

DIRECT BUSINESS IMPACTS

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

INDIRECT BUSINESS IMPACTS

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

CLIMATE CHANGE ADAPTATION

Introduction

In May 2014, the Scottish Government published “Climate Ready Scotland: Scottish Climate Change Adaptation Programme”, which sets out the government’s aims over the next five years to prepare Scotland for climate change. In this, Historic Scotland was mandated to research the impacts of climate change on traditional buildings, disseminate knowledge, skills and tools to manage these, and work to increase the resilience of Scotland’s built heritage and historic environment. These objectives have transferred to HES and continue to be a focus for us, with annual progress being reported here. These obligations reaffirmed our approach to climate change adaptation as set out in our Climate Change Action Plan, which came to an end in December 2017. For now, this action plan still forms the basis and steer of our work focused around climate change adaptation. A new Climate Change Strategy for Historic Environment Scotland will be launched towards the end of 2018, with climate change adaptation forming a key strand of this new plan.

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

Climate Change Scientist Role

In May 2017, we appointed our Climate Change Scientist (Environmental Risk Management) as a full time addition to the Climate Change Team at Historic Environment Scotland. The increased capacity that this role brings to the team has allowed for more specific research on the impacts of climate change on the historic environment. A key component of this role has been to continue to build and strengthen relationships with external partners, such as those with Adaptation Scotland and the Historic Environment Adaptation Working Group (HEAWG).

Climate Change Risk Assessment (CCRA)

In partnership with the Scottish Environment Protection Agency (SEPA) and the British Geological Survey (BGS), we have undertaken a comprehensive analysis of natural hazard risk, to our Properties in Care. This has resulted in the development of: (i) a current climate risk register for the HES estate, and (ii) a methodology for assessing the impacts of climate change on heritage assets in the wider historic environment.

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

In January 2018 we formally published the results which indicated that out of the 352 sites investigated, 89% are exposed to high, or very high levels of risk (some of our 336 PICs have more than one area of ‘guardianship’ or ‘ownership’, meaning we ran the assessment for 352 ‘sites’). When we then consider the mitigating factors and controls already in place, such as routine maintenance and ongoing conservation work, the number of sites classified as ‘at risk’ is reduced to 53%. With this new information, we can now conduct a more in-depth analysis of climate change risk at the high-risk sites identified in the baseline study. This evaluation of climate change risk will provide improved evidence-based decision-making in order to prioritise on-going investment through our conservation and maintenance programmes, thus ensuring the long-term survival of the properties in our care.

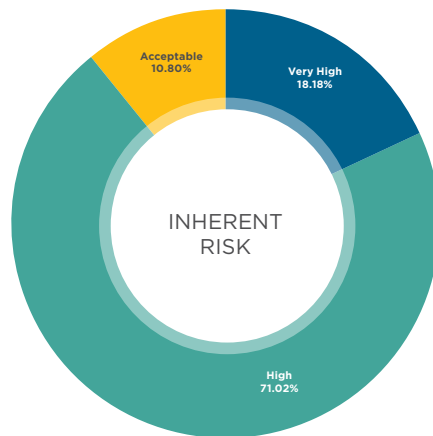


Figure 1: Initial results from the CCRA. The ‘inherent risk’ score does not take into account any mitigants and controls already in place at our PICs. An assessment of staff and visitor presence at our PICs alters the risk score to produce the ‘residual risk’. More information available in Section 2.3 of the full report.

The project generated a huge amount of public and media interest with all of Scotland’s national newspapers reporting on it in the days after the official launch. The Guardian started the media attention with an exclusive article published to coincide with the official launch of the report. The Herald published an opinion piece in which they referred to HES as being world-leaders in our ambition to tackle climate change and preserve our nation’s heritage for future generations. There was an overwhelmingly positive international response to the report on social media, including tweets from organisations such as

Greenpeace who made reference to the fact it’s not only our future that is at risk from climate change, it’s our past as well. NBC from the United States interviewed Ewan Hyslop (Head of Technical Research and Science) for a film piece they published online ([historicenvironment.scot/extraordinary-humans-S1-E16](https://www.history.com/news/historic-environment-scotland-heritage-at-risk)).

As part of our dissemination plan for this project, we planned to host a one day seminar at the Engine Shed, part of a series of events in March. The purpose of this event was to showcase a range of work being undertaken in the heritage sector with respect

to climate change impacts on the historic environment, and to demonstrate the relevance of this work to sectors out with our own. It would also serve as a platform through which to showcase our own Climate Change Risk Assessment. The event was due to take place in early March 2018, but we took the difficult decision to postpone this due to the impacts of a severe cold-spell, with much of the UK covered by a Met Office weather warning. The seminar was rescheduled to take place in May 2018.

Adaptation Scotland

Throughout 2017/2018 we have continued to work closely with Adaptation Scotland (AS), and as with previous years have benefited directly from their continued input and advice, particularly concerning our Climate Change Risk Assessment, which was launched in January 2018. Adaptation Scotland is a programme funded by the Scottish Government and delivered by the sustainability charity Sniffer, which provides advice and support to help organisations, businesses and communities prepare for, and build resilience to climate change impacts. We were asked to join an expert working group set up by AS to refresh their Five Steps to Climate Change Adaptation Guidance. To date this has involved attending various workshops to trial new and improved guidance and to provide feedback on the process.

In July 2017 we published a third case study through the Adaptation Scotland website. This case study was about increasing skills for adapting and maintaining traditional buildings. A shortened version of this case study was incorporated into AS guidance for businesses that also featured cases studies from St Andrews University and SP Energy Networks.

In February 2018 we invited Adaptation Scotland to feature in a series of short films we have had commissioned to discuss the importance of partnership working. These films are due to be launched later in 2018.

In March 2018 we hosted Adaptation Scotland's bi-annual Adaptation Learning Exchange meeting at the Engine Shed in Stirling. This event saw around 50 climate change adaptation experts from across Scotland come together to share knowledge and expertise. Based on the success of our CCRA launch, we were asked to join a panel discussion alongside colleagues from Scotland's National Coastal Change Assessment (NCCA) project, to share our lessons learnt and best practice from launching milestone projects such as our CCRA.



Aerial view of Tantallon Castle

Fit for the Future

In the autumn of 2017 Fit for the Future (FFtF) created its first Climate Change Adaptation Group which will see members of FFtF collaborating and sharing knowledge to become adaptive organisations together. The group will develop a shared approach to climate change adaptation for all members across the Network to ensure land and buildings become fit for the future. The group is spear-headed by National Trust and RSPB, with input from Historic England, the Royal Household, Wildfowl and Wetlands Trust, Sustainability West Midlands, Heritage Lottery Fund and Historic Environment Scotland.

Fit for the Future is a solution-sharing network for organisations that want to become more sustainable, reduce their energy bills and lower the impact they have on the environment. It works on the principle that, more often than not, the solutions are already out there. FFtF allows us to tap into the collective knowledge of hundreds of environmental practitioners from more than eighty organisations.

Historic Environment Adaptation Working Group

We continue to participate in the quarterly meetings of the Historic Environment Adaptation Working Group (HEAWG). This is a UK wide group chaired by Historic England with numerous member organisations including the National Trust, Cadw, The Church of England and many more. These meetings allow all member organisations to share expertise and ideas in order to achieve our common climate change adaptation goals.

European Climate Change Adaptation Conference

In June 2017, around 1000 international Climate Change adaptation experts gathered in Glasgow for the 3rd European Climate Change Adaptation (ECCA) Conference. HES supported Scotland's bid to host from the outset and 11 HES staff members were involved directly in coordinating HES's representation at the conference.

One of the highlights of the conference was The Climate Ready Scotland Exhibition of case studies coming out of Scotland's pioneering partnership approach to climate change adaptation. The exhibition showcased examples on how this approach to partnership working is delivering across Scotland's economy, society and environment. HES were featured in several of the case studies, including Edinburgh Adapts, Dynamic Coast: National Coastal Change Assessment and the Climate Change Risk Assessment (CCRA) for the HES Estate. HES's work with SEPA and BGS on this project was mentioned as a great example of partnership working by Cabinet Secretary Roseanna Cunningham in her opening speech. Our Climate Change Scientist, David Harkin, delivered a well-received presentation on our CCRA as part of a series of drop in presentations in the main exhibition hall.



Our Sustainability Officer, Katie Carter, at ECCA 2017.

Engine Shed, Stirling



Mairi Davies (Climate Change Manager), Ewan Hyslop (Head of Technical Research and Science) and Carsten Hermann (Senior Technical Officer) ran a conference session on “Understanding, Analysing and Adapting to Climate Change Impacts on the Historic Environment”, which included presenters from Scotland, England and Norway. A speaker from our session (Pat Graczyk from Edinburgh World Heritage (EWH)) was one of four shortlisted for the ECCA 2017 Best Young Presenter Award.

Mairi Davies also co-authored “Can Scotland deliver coastal adaptation into the 21st century?”, delivered by Prof Jim Hansom (University of Glasgow) in a session on “Living with coastal change: risk, resilience, adaptation and working with nature”. HES was also mentioned as a key partner in other presentations during the conference.

To round off an exciting week, HES led two of the conference excursions, one in partnership with EWH to highlight climate change impacts, adaptation and mitigation in Edinburgh’s Old Town and one to the Engine Shed and Stirling Castle.

Technical Research and Guidance

In order to promote relevant climate change adaptation guidance already published on our website, including the Climate Change Adaptation Short Guide and the Climate Change Risk Assessment, we commissioned and produced a series of short films. These films have been designed to act as gateways to our published guidance and were produced in such a way as to publicise these resources to audiences that have been hard to reach in the past. Three films were produced each dealing with a slightly different focus, those being (1) The impacts of climate change on our heritage, (2) The importance of partnership working with respect to tackling climate change and (3) What actions people that look after traditional buildings can do to play their role in adapting the historic environment. These films are currently in post-production and will be officially launched later in 2018.

Our Technical Research Team continued to explore how traditional buildings can be better adapted to deal with a changing climate through sponsored case studies throughout 2017/18. The results of this work to date has been made available to the public through training and events. Refurbishment Case Studies on climate change adaptations for Falkland House Stables, Crawfordjohn Church and Balmerino Abbey will be formally published in FY18/19. These case studies will have a focus on how traditional buildings can better handle increased rain fall as a result of our changing climate.

Dynamic Coast: National Coastal Change Assessment / NCCA2

Historic Environment Scotland continued its involvement in the Scottish Government's Dynamic Coast: National Coastal Change Assessment (NCCA) project, where we held a position on the projects Steering Committee. The first iteration of Dynamic Coast aimed to create a shared evidence base to support more sustainable coastal and terrestrial planning decisions in the light of a changing climate. Dynamic Coast aimed to inform existing strategic planning (Shoreline Management Plans, Flood Risk Management Planning, Strategic and Local Plans, National and Regional Marine Planning etc.) and to also identify those areas which may remain susceptible in the coming decades and require supplementary support. The research commenced in January 2015 and concluded in March 2017. It was officially launched by Roseanna Cunningham MSP, Cabinet Secretary for Environment, Climate Change and Land Use in August 2017. The launch generated a host of media interest, including a feature on the BBC's Reporting Scotland. Find out more about the project [here](#).

In January 2018 the second phase of the project (NCCA2) was officially launched. We have retained a position on the steering committee for this next package of work. The next phase will map and categorise the resilience of Scotland's natural coastal defences (i.e. identifying where low dunes may breach), it will estimate how future climate change may exacerbate erosion on our soft (erodible) coast. It will incorporate the latest monitoring techniques to inform natural resilience and vulnerability of our shoreline. At five 'super sites' it will forecast future change, anticipated damage and develop mitigation and adaptation plans

with stakeholders. This will help demonstrate the applicability and need for adaptation actions across the public sector. Importantly it will also consider the social justice implications of existing and climate change exacerbated coastal erosion in Scotland. Skara Brae in Orkney, one of our 336 Properties in Care, is one of the five selected 'super sites'.

We invited Professor Jim Hansom (University of Glasgow), one of the NCCA project leads to feature in a series of short films we have had commissioned to discuss HES's involvement in the NCCA project and how that relationship is of mutual benefit.

Skara Brae, Orkney, one of the five 'super sites' selected for detailed investigation in NCCA2.



View of Skara Brae

Edinburgh Adapts

Throughout 2017/18 we have continued to make progress towards fulfilling the actions set out to us in the Edinburgh Adapts Action Plan. This is a project to develop the city's first climate change action plan to help the city prepare for, and adapt to, the impacts of climate change. As one of the main partner organisations for this project, we helped develop the action plan that will help achieve the vision for an 'adapted' Edinburgh by 2050. One of the objectives set out to us was to pilot our own climate change risk assessment methodology with the aim of making the results of this publically available. This was achieved with the launch of our CCRA report in January

2018. Progress on our shared actions with Edinburgh World Heritage has been delayed due to staff resource issues they have been experiencing. These joint actions will be progressed further in 2018/19. A full progress report on the action plan can be accessed on the City of Edinburgh Council website.

A one-day seminar will be held early in the new financial year 'Edinburgh Adapts: From Ambition to Action', that will bring together various stakeholders from across the city to identify more opportunities that could come out of the action plan. HES is assisting in the delivery of this event, with Dr Mairi Davies presenting at the event.

SCAPE

HES continues to grant-aid the work of SCAPE (Scottish Coastal Archaeology and the Problem of Coastal Erosion), including SCHARP (Scotland's Coastal Heritage at Risk Project), enabling a deep understanding of the impact of coastal erosion on archaeology. In late 2017 SCAPE had a funding proposal from the Scottish University Insights Institution accepted in which HES has a place on the project board. This short programme of works, due to take place in June 2018 will see a range of stakeholder groups come together on an intensive fieldtrip and series of workshops. Researchers, practitioners and community stakeholders will address the issues of climate change and the impact it is having on our cultural heritage, including the possible loss of certain aspects of it. The outcomes of this project will assist in Historic Environment Scotland's decision making processes, feed into sector-wide change via Scotland's Archaeology Strategy and will be of wider societal relevance, giving insights into how we manage change and foster greater understanding of climate change impacts in Scotland by 2030. This project has a truly international dimension to it with colleagues from Florida Public Archaeology Network and the National Parks Service in the USA due to take part in the field excursions and discussions.

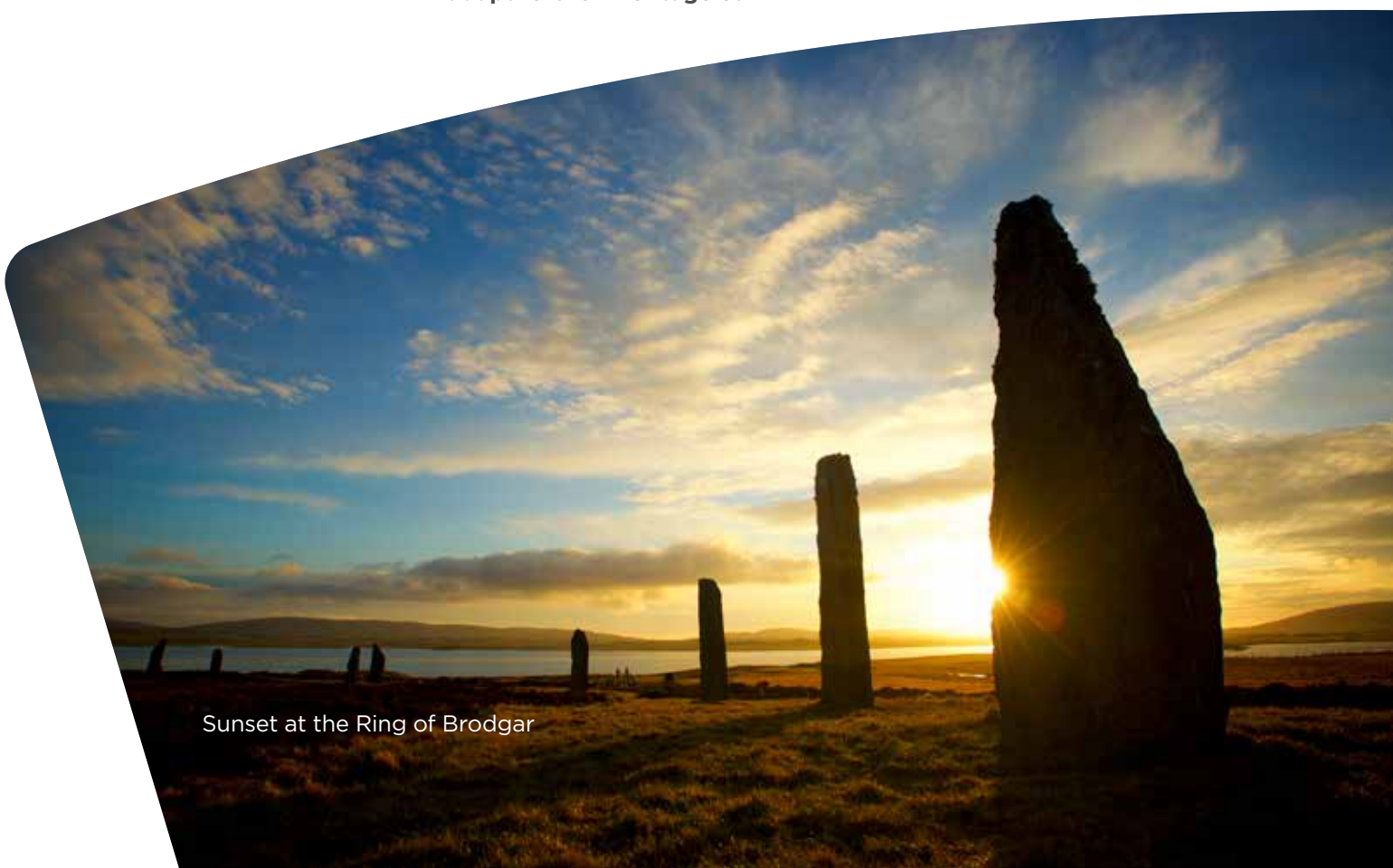


Adapt Northern Heritage

Adapt Northern Heritage (ANH) is a project supporting communities and local authorities to adapt northern cultural heritage to the environmental impacts of climate change and associated natural hazards through community engagement and informed conservation planning. Running from June 2017 to May 2020, the project involves four Project Partners and eleven Associated Partners from Iceland, Ireland, Norway, Russia, Scotland and Sweden and is supported by Iceland, Norway and the European Union through the Interreg programme for the Northern Periphery and Arctic.

The Project Partners, Historic Environment Scotland, Minjastofnun Íslands (the Cultural Heritage Agency of Iceland), the Norsk institutt for kulturminneforskning (Norwegian Institute for Cultural Heritage Research) and Riksantikvaren (Norway's Directorate for Cultural Heritage), will develop a risk and vulnerability assessment method for historic places and associated guidance for their adaptation, trial and demonstrate this method in eleven case studies and initiate a community network for interdisciplinary learning, knowledge exchange and stakeholder networking.

HES hosted an ANH project meeting in Inverary in March 2018. You can find out more about the project, and sign up to the quarterly newsletter at [**adaptnorthernheritage.eu**](http://adaptnorthernheritage.eu).



Sunset at the Ring of Brodgar

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

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