

ANNUAL REPORT AND
FINANCIAL STATEMENTS
AITHISG BHLIADHNAIL
AGUS AITHRIS IONMHAIS
2022–23



HISTORIC
ENVIRONMENT
SCOTLAND

ÀRAINNEACHD
EACHDRAIDHEIL
ALBA





CONTENTS

CLÀR-INNSE

INTRODUCTION	04
TRUSTEES' ANNUAL REPORT	08
<i>PERFORMANCE REPORT</i>	<i>08</i>
<i>PERFORMANCE OVERVIEW</i>	<i>08</i>
WHO WE ARE	08
WHAT WE DO	09
OUR VISION	10
OUR PRIORITIES	11
SUPPORTING GOVERNMENT POLICY AND OUTCOMES	12
PRINCIPAL RISKS	13
PERFORMANCE SUMMARY 2022-23	15
PRIORITISING OUR WORK	16
TRENDS IN PERFORMANCE STATISTICS	17
FINANCIAL SUMMARY	18
<i>PERFORMANCE ANALYSIS</i>	<i>20</i>
PERFORMANCE AGAINST PLAN 2022-23	20
FINANCIAL REVIEW	30
OUR PLANS FOR 2023 ONWARDS	36
SUMMARY SUSTAINABILITY REPORT	38
<i>ACCOUNTABILITY REPORT</i>	<i>46</i>
STRUCTURE, GOVERNANCE AND MANAGEMENT	46
STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES	50
GOVERNANCE STATEMENT	51
REMUNERATION AND STAFF REPORT	55
PARLIAMENTARY DISCLOSURES	67
<i>REFERENCE AND ADMINSTRATIVE DETAIL</i>	<i>68</i>
<i>APPROVAL</i>	<i>69</i>
INDEPENDENT AUDITOR'S REPORT	70
FINANCIAL STATEMENTS	74
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITY FOR THE YEAR ENDED 31 MARCH 2023	75
CHARITY STATEMENT OF FINANCIAL ACTIVITY FOR THE YEAR ENDED 31 MARCH 2023	76
CONSOLIDATED AND CHARITY BALANCE SHEETS AS AT 31 MARCH 2023	77
CONSOLIDATED AND CHARITY CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023	78
NOTES TO THE FINANCIAL STATEMENTS	79
ACCOUNTS DIRECTION	109

INTRODUCTION

RO-RÀDH

My first full year as Chair of Historic Environment Scotland (HES) saw us move further from the long shadow cast by the Covid pandemic into a brighter phase in our development as Scotland's lead body for the historic environment.

While we continue to respond to the headline challenges of our time, from climate change to the rising cost of living, we are clear-sighted in our vision for how our sector can contribute to the present and future wellbeing of Scotland. As well as setbacks, crises produce opportunities, and through the continued resilience, expertise and professionalism of our staff and partners we have been able to harness these in the interests of a stronger, fairer, and greener recovery.

An outcomes-focused approach defined our renewed commitment to *Heritage for All*, which we announced as part of our new Corporate Plan at the start of the year. Sustainable economic recovery, social inclusion, and responsible tourism took centre stage in this agile roadmap for our work in a reshaped Scotland. As our goals evolve, so do our methods and we continue to innovate, whether through digital platforms such as our new heritage portal, trove.scot, or by re-imagining our support for local communities through a new £2 million Historic Environment Grants programme. I'm pleased to report that 100% of the indicators in our Annual Operating Plan this year are fully achieved or partially

achieved, which is contributing to the delivery of our longer-term outcomes set out in our Corporate Plan *Heritage for All* - a tribute to the hard work and dedication of our people.

The impact of the pandemic on access to our sites was followed by the pressing need to inspect high-level masonry at a number of properties where, in some cases, climate change is among a number of factors accelerating deterioration. Thankfully, a rolling programme of inspections, repairs and re-openings was soon underway and we were delighted to welcome visitors back to Inchcolm Abbey, Linlithgow Palace, Caerlaverock Castle and Dumbarton Castle, along with a number of other iconic sites this year. Over the 2023 summer months, 88% of our sites had full or partial access.

Though not yet recovered to pre-pandemic levels, our visitor numbers continue to climb and our commercial income is growing. We welcomed the support of Scottish Government in the form of increased grant in aid to assist us in this recovery, recognising as it does the wider contribution we make to Scotland's economy in the form of tourism development, skills training, and quality job opportunities. The challenge of aligning visitor growth with sustainable tourism remains a priority and this year we formalised our approach by publishing a Responsible Tourism Framework. This framework sits alongside our Climate Action

Plan (2020-25) which addresses the impacts of climate change on our estate and details our contribution to Net-Zero and transitioning to a low-carbon economy.

Demonstrating leadership as a national body in our sector means collaborating with partners and working jointly to enhance Scotland's historic environment. This year we worked closely with colleagues in the sector to produce a revised strategy setting out how we will achieve this. *Our Past, Our Future* communicates a national mission to sustain and enhance the benefits of our historic environment for people and communities.

Reinforcing our strategic leadership, we invested £3.5 million in the form of a new Partnership Fund grants programme. Eleven organisations, including National Trust for Scotland, Keep Scotland Beautiful, and the Scottish Civic Trust received project funding to support vital national work.

We continue our mission to act on the principles of *Heritage for All* by tackling inequalities and working to increase access to, and participation in, the historic environment. Improving access to heritage also means focusing on cultural equality and this year we launched a consultation on how best to build on the success of our first Gaelic Language Plan (2018-23) to increase the use, learning and promotion of Gaelic.

HES board member Jane Williamson sadly passed away during the year after a short illness. Jane was an architect by background, and was passionate about the built environment and understood the importance of historical fabric in enhancing the quality of place for all citizens of Scotland and visitors. During her time with HES, as well as serving on the board, she was involved in the Finance Committee and the Conservation Peer Review process. She was a great asset to the board, giving us wise counsel, and will be sadly missed.

As I write this, the new year is already flying by and despite ongoing challenges we are optimistic about continued recovery. Our board, staff, and volunteers have shown commendable resilience, creativity, and professionalism in delivering consistently first-class work over 2022–23. I have been hugely impressed by their ability to re-shape our operations as required and I thank them for honouring our commitments to visitors, communities, members and partners.

Finally, I offer a warm welcome to our intake of six new board members, each bringing unique skills and fresh enthusiasm to the year ahead.

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

Dr Hugh Hall
Chair
Historic Environment Scotland



KEY STATISTICS



WELCOMED 3.3 MILLION
visitors to our staffed sites

(2021-22: 1.2 million, 2019-20: 5.2 million)¹

184,000 MEMBERS

(2021-22: 167,000, 2019-20: 206,000)



ENGAGED 327 VOLUNTEERS

(2021-22: 46, 2019-20: 999)



INVESTED £12.5 MILLION
through our grants programme

(2021-22: £12.3 million, 2019-20: £14.5 million)

96% of regulatory activities dealt with in stated timescales

(2021-22: 96%, 2019-20: 96%)

COMMERCIAL INCOME £49.7 million

(2021-22: £20.7 million, 2019-20: £62.6 million)

1. The impact of pandemic can be seen in HES's key statistics. Statistics are provided for 2022-23, 2021-22 and 2019-20 to show comparison of the current year with both the previous year and largely pre-pandemic levels.

OUR CARBON EMISSIONS ARE

20%

LOWER THAN 2019-20

(2022-23: 3,866 tCO₂e
2021-22: 3,541 tCO₂e;
2019-20: 4,803 tCO₂e)¹

INVESTED

£40.3 MILLION

in Properties in Care

(2021-22: £28.2 million, 2019-20: £37.3 million)

(2021-22: £117 million, 2019-20: £1,100 million)

GENERATED

£640 MILLION

for the Scottish economy from heritage tourism

7.3 MILLION

users visited HES websites

(2021-22: 6.4 million, 2019-20: 4.2 million)

DIGITISED AND MADE AVAILABLE MORE THAN

132,000

IMAGES AND FILES

(2021-22: 93,000, 2019-20: 170,000)

1. Our emission increased 8% from 2021-22 to 2022-23 as activity increased across the estate but still on downward trend over multiple years.

TRUSTEES' ANNUAL REPORT

PERFORMANCE REPORT

AITHISG BHLIADHNAIL NAN URRASAIREAN

AITHISG AIR DÈANADAS

PERFORMANCE OVERVIEW

WHO WE ARE

The historic environment is Scotland's story.

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

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

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



WHAT WE DO

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

- We are at the forefront of investigating and researching the historic environment and addressing the impacts of climate change on its future.
- We help develop the knowledge, skills and materials Scotland needs to look after our heritage, particularly to respond to the changes in our climate and the impact it has on our heritage.
- We can make a strong contribution to a green recovery and a fairer, more sustainable economy through promoting the benefits of traditional forms of construction.
- We award millions of pounds each year to local communities to repair, revitalise and reuse their historic environment to foster social cohesion and a strong sense of place. For every £1 invested in 2022-23, projects funded by HES attracted a further £2.59 in additional investment.
- We enable change to our most significant heritage assets while providing the protection they need through designations and consents, ensuring this resource is available for generations to come.
- We support the conservation and reuse of the historic environment in Scotland by providing advice and technical expertise.
- We seek to grow understanding of our historic assets, the benefits they bring and the diverse stories that make up our shared histories.
- We enhance wellbeing and learning by providing access to Scotland's history and heritage through site visits and digital experiences.
- We look after over 300 sites of national importance, over 42,000 objects in the collections and five million items in the archive on behalf of the people of Scotland.
- We run visitor attractions at the properties in our care to support Scottish tourism and generate income for our activities.
- In every aspect of our work we strive to follow our five organisational values – we are collaborative, professional, innovative, open, and respectful.

OUR VISION

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



OUR PRIORITIES

Our Corporate Plan 2022 Onwards: *Heritage for All*, sets out five outcomes that we want to achieve which will help us work towards this vision:

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

These are long-term, aspirational outcomes and we will demonstrate the difference we are making through annual indicators of progress. Our priorities for 2022–23 are set out within our [Annual Operating Plan 2022–23](#) (AOP).

Our AOP for 2022–23 covers the first year of our revised Corporate Plan (2022 onwards). The AOP follows the structure of the Corporate Plan and identifies priorities in relation to each of our five outcomes and Key Performance Indicators (KPIs). Throughout the year our activities have continued to support delivery of our Corporate Plan and the National Outcomes in the Scottish Government's National Performance Framework. This Annual Report provides information about what we have delivered in 2022–23 to support achievement of these outcomes.

Our Corporate Plan sets out 10 KPIs, which we use to measure our success. Assessment of achievement of KPIs is based on the actions and supporting indicators set out in the tables throughout our successive AOPs as well as an analysis of contextual data and case study highlights. We also publish a range of more detailed performance reports: *Our Place in Time to 2023 (Our Past, Our Future 2023 onwards)*, *Properties in Care of Scottish Ministers Annual Report*, *Planning Performance Report* and an *Annual Procurement Report*.

SUPPORTING GOVERNMENT POLICY AND OUTCOMES

HES's plans form part of a much broader ambition to build a more successful Scotland. We support the Scottish Government's purpose 'to focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth'. Our work contributed to the delivery of A Stronger & More Resilient Scotland: the Programme for Government 2022 to 2023.

www.gov.scot/publications/stronger-more-resilient-scotland-programme-government-2022-23.

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

<https://nationalperformance.gov.scot/national-outcomes>.

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

PRINCIPAL RISKS

We maintain a risk register to support the delivery of our strategic priorities. The risk register is reviewed regularly by the Executive Leadership Team and the Audit, Risk and Assurance Committee. Further detail on our approach to risk management is provided in the Governance Statement on page 51.

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

RISK	Mitigating action
<p>Managing Heritage Assets / Climate Change The impact of climate change, lack of resources and inadequate archive accommodation leads to irreversible loss of historic fabric and associated cultural significance over time.</p>	<p>Already operational</p> <ol style="list-style-type: none"> 1. Management of the assets in our care under the terms of the Scottish Ministers' Scheme of Delegation for Properties in Care and Associated Collections and detailed in our Asset Management Plan and Investment Plan. 2. Robust archive management policies, plans and procedures are in place to ensure standards of care appropriate for an Accredited Archive Service. <p>In progress</p> <ol style="list-style-type: none"> 3. Work to tackle the impacts of climate change on the wider historic environment and support Scotland's carbon reduction targets guided by our sector-leading Climate Action Plan 2020-25 and Climate Change Adaptation Plan <i>Climate Ready HES</i>. 4. Completion of a programme of inspections to assess high-level masonry failure and its impacts. 5. Development of a Sustainable Properties in Care Strategy and redesigned inspection regime. 6. Development of new accommodation for archival storage, with a lease for new accommodation for the long-term storage of the archives already secured.
<p>Risk change: This risk remained 'High' over the course of 2022-23.</p> <p>Assessment: The baseline risk position for the sites in our care is set out in our Monument Condition Index and our Climate Change Risk Assessment. The strategic importance of the archive collection and the project management of the archive accommodation project also informs the assessment of this risk.</p> <p>Looking ahead: Ongoing management of assets in our care and implementation of our sector-leading Climate Action Plan 2020-2025 and Climate Change Adaptation Plan. Work is underway to develop a long-term strategy for the properties in our care that considers how we manage and operate these assets in a sustainable and innovative way to maximise their contribution now and in future. We are also redesigning our inspection regimes to improve condition monitoring at the sites. A project is ongoing to develop a modern, safe storage solution to ensure the long-term preservation of the archive.</p>	

RISK	Mitigating action
<p>Economic Risk and Financial Sustainability As a result of economic uncertainty, there is a risk of cost increases above budget and materials supply problems, resulting in delays to or cancellations of approved and budgeted projects and activity across HES and the wider historic environment.</p>	<p>Already operational</p> <ol style="list-style-type: none"> Ongoing assessment, communication and monitoring of the impacts of high inflation on HES projects, activity and people. Ongoing supplier relationship management. Ongoing delivery of Wellbeing Programme to provide support to colleagues. <p>In progress</p> <ol style="list-style-type: none"> Co-delivery of the new national strategy for the historic environment <i>Our Past, Our Future</i> over the next 5 years that prioritises resilience across the sector and reduces the impacts on HES as the lead public body. Revision of our 5-year Financial Strategy. Ongoing engagement with Scottish Government to improve financial resilience and sustainability through review of the HES business model. A programme of work is underway which, once complete, will support improvements to visitor experience in line with VisitScotland quality standards to support commercial income streams.
<p>Risk change: The Economic Risk was raised in March 2022 and while it reduced in early 2023–24, it remains ‘Very High’. It is linked to our longstanding Financial Sustainability Risk, which has been running high since 2019–20 and worsened during lockdown, but has recently reduced to ‘Medium’.</p> <p>Assessment: The assessment of this risk has been informed by economic forecasts and financial modelling which come with a wide range of uncertainties.</p> <p>Looking ahead: For 2023–24 our focus will be on dealing with the ongoing impacts of inflation and supply chain problems on our operations and people. We will continue to develop our own financial strategy and business model with a focus on improving both resilience and sustainability, promoting resilience across the historic environment sector through the new national strategy and making improvements to visitor experience which will in turn protect commercial income.</p>	
RISK	Mitigating action
<p>Cyber and Information Security HES is under increasing threat from cyber-attacks, including from outdated/unsupported software, which could result in the loss of, or inability to access, corporate information and sensitive data and/or fraud.</p>	<p>Already operational</p> <ol style="list-style-type: none"> Named senior manager formally appointed as Senior Information Risk Owner having ownership of HES information risk policy. Overarching Information Technology (IT) and Information Management (IM) strategies, with a suite of supporting technology strategies, policies and procedures to inform cyber and information security. Cyclical mandatory cyber security training for staff and awareness-raising over strict vigilance in respect of unsolicited emails and access to specialist training and intelligence for IT and IM teams. Incident and vulnerability management in place with risks being escalated in line with corporate procedures. <p>In progress</p> <ol style="list-style-type: none"> Implementation of recommendations from our internal ISO270001 Information Security Management benchmarking exercise and internal audit report, including renewal of Cyber Essentials Plus certification.
<p>Risk change: This risk increased from ‘Medium’ in early 2022–23 to ‘High’.</p> <p>Assessment: The risk assessment is informed by increased risk of cyber-attack in the current geopolitical environment, the findings of our ISO27001 benchmarking exercise and 2023 internal audit report.</p> <p>Looking ahead: Renewal of Cyber Essentials Plus and ongoing user training and vigilance along with policy and technical controls are essential to maintaining future cyber security. In addition implementing the findings of our internal ISO270001 benchmarking exercise and 2023 internal audit report will help to mitigate the risk.</p>	

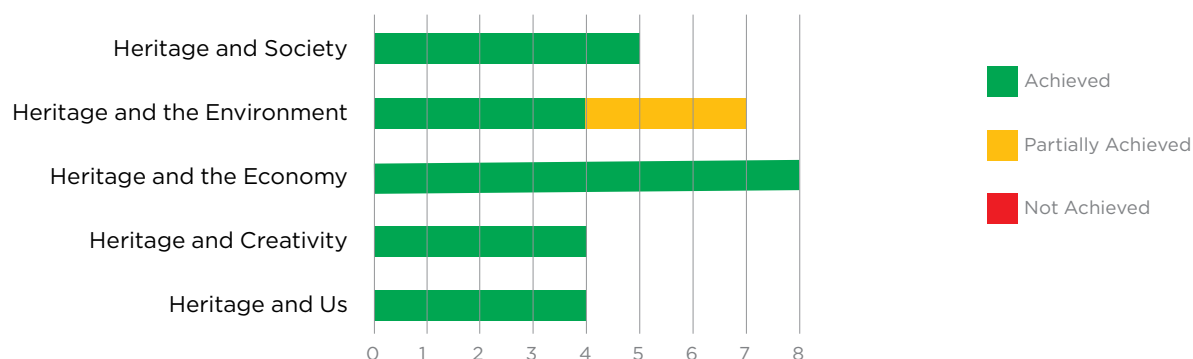
PERFORMANCE SUMMARY 2022–23

2022–23 is the first year of our refreshed Corporate Plan *Heritage for All*. Against a very challenging set of circumstances we accomplished a great deal, with 100% of our AOP achieved or partially achieved (compared to 93% in 2021–22, 95% in 2020–21 and 2019–20). This is the first time we’ve achieved 100% since the start of the *Heritage for All* Corporate Plan period in 2019–20.

We recognise, that while this performance is excellent, conditions remain challenging for everyone. The new national strategy for the historic environment, published in April 2023, *Our Past, Our Future, succeeds Our Place in Time* and sets the direction for addressing the key challenges together. Our successes over the course of the year span the full range of our functions, including how we continued to transform the way the organisation works in response to the continuing effects of Covid and in light of challenging economic conditions.

Of the 28 indicators in 2022–23, 25 were fully achieved, 3 were partially achieved and 0 were not achieved.

Annual Operating Plan 2022–23 – Performance Against Indicators



Annual Operating Plan 2022–23 – Indicators



PRIORITISING OUR WORK

Based on the Scottish Government focus for 2022-23 and the progress we have made over the previous Corporate Plan period, we set out six priorities for 2022-23:

- Wellbeing, inequality and access
- Managing heritage assets
- Net zero
- Stronger, fairer, greener economy
- Sector recovery
- Building HES



TRENDS IN PERFORMANCE STATISTICS

RAG (red, amber, green) status of KPIs over the last four years. While our Corporate Plan *Heritage for All* was refreshed in 2022, the KPIs remain the same.

	Key Performance Indicator (KPI)	2019-20 Indicators	2020-21 Indicators	2021-22 Indicators	2022-23 Indicators
Heritage and Society	1 Increase wellbeing from Scotland's historic environment	A: 3 of 3	A: 3 of 4 PA: 1 of 4	A:1 of 2 PA: 1 of 2	A: 1 of 1
	2 Increase engagement with Scotland's historic environment	A: 7 of 8 PA:1 of 8	A: 6 of 7 PA: 1 of 7	A: 2 of 5 PA: 3 of 5	A: 3 of 3
	3 Enhance communities' use of their heritage in placemaking	A: 2 of 2	A: 3 of 3	A: 1 of 1	A: 1 of 1
Heritage and the Environment	4 Strengthen the resilience of Scotland's Historic Environment	A: 7 of 11 PA: 2 of 11 NA: 2 of 11	A: 7 of 12 PA: 3 of 12 NA: 2 of 12	A: 6 of 10 PA: 2 of 10 NA: 2 of 10	A: 2 of 5 PA: 3 of 5
	5 Increasingly lead the sector in climate change	A: 3 of 3	A: 2 of 4 PA: 2 of 4	A: 4 of 4	A: 2 of 2
Heritage and the Economy	6 Increase economic benefits from Scotland's historic environment	A: 7 of 12 PA: 4 of 12 NA: 1 of 12	A: 7 of 8 PA: 1 of 8	A: 6 of 10 PA: 4 of 10	A: 8 of 8
Heritage and Creativity	7 Increasingly inspire creativity and innovation	A: 5 of 6 PA: 1 of 6	A: 4 of 6 PA: 2 of 6	A: 3 of 4 PA: 1 of 4	A: 3 of 3
	8 Increase international recognition of the quality of Scotland's historic environment	A: 1 of 2 PA: 1 of 2	A: 5 of 5	A: 1 of 2 PA: 1 of 2	PA: 1 of 1
Heritage and Us	9 Grow trust and confidence in HES	A: 5 of 5	A: 2 of 2	PA: 2 of 2	A: 1 of 1
	10 Enhance the sustainability of HES	A: 6 of 7 PA: 1 of 7	A: 5 of 9 PA: 3 of 9 NA: 1 of 9	A: 2 of 6 PA: 3 of 6 NA: 1 of 6	A: 3 of 3
	Overall delivery of AOP Indicators and KPI RAG Status	Achieved/ Partially Achieved 56 of 59 (95%) Not Achieved: 3 of 59	Achieved/ Partially Achieved 57 of 60 (95%) Not Achieved: 3 of 60	Achieved/ Partially Achieved 43 of 46 (93%) Not Achieved: 3 of 46	Achieved/ Partially Achieved 28 of 28 (100%) Not Achieved: 0 of 28

A (Achieved) = 50% or more of actions achieved and remaining actions partially achieved. No actions not achieved.

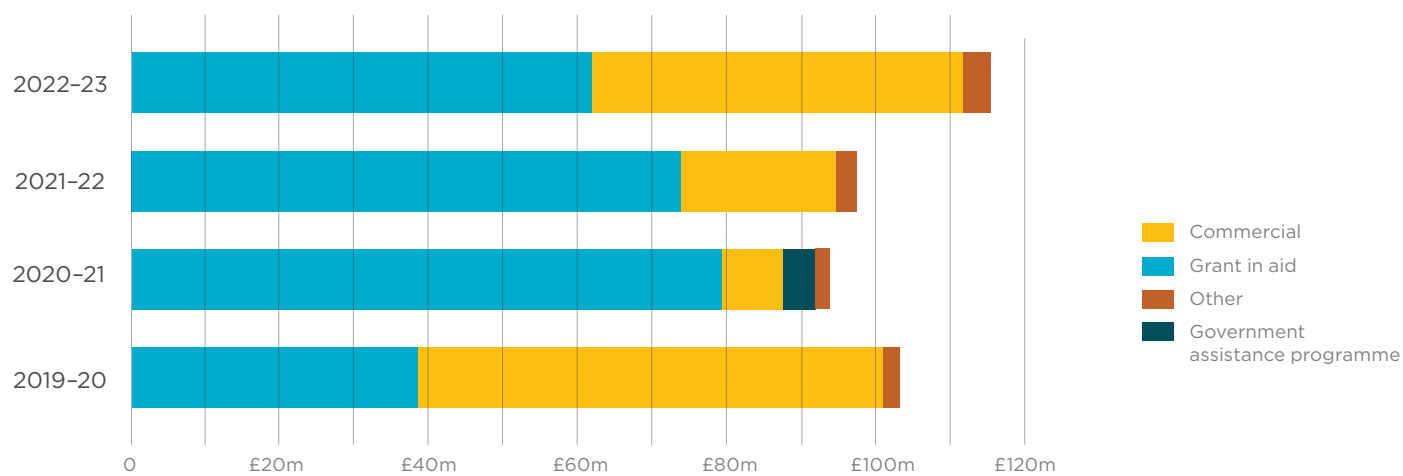
PA (Partially Achieved) = 50% or more of actions achieved or partially achieved. Fewer than 50% of actions not achieved.

NA (Not Achieved) = 50% or more of actions not achieved

The number of indicators reduced from 46 in our 2021-22 AOP to 28 in our 2022-23 AOP. The focus of the AOP indicators in 2022-23 was on the activity which we believed would deliver the greatest impact on *Heritage for All* outcomes. As such it set out our change-oriented work geared towards organisational transformation. It was complemented by a wide range of business-as-usual activity, which is set out in supporting plans and strategies.

FINANCIAL SUMMARY

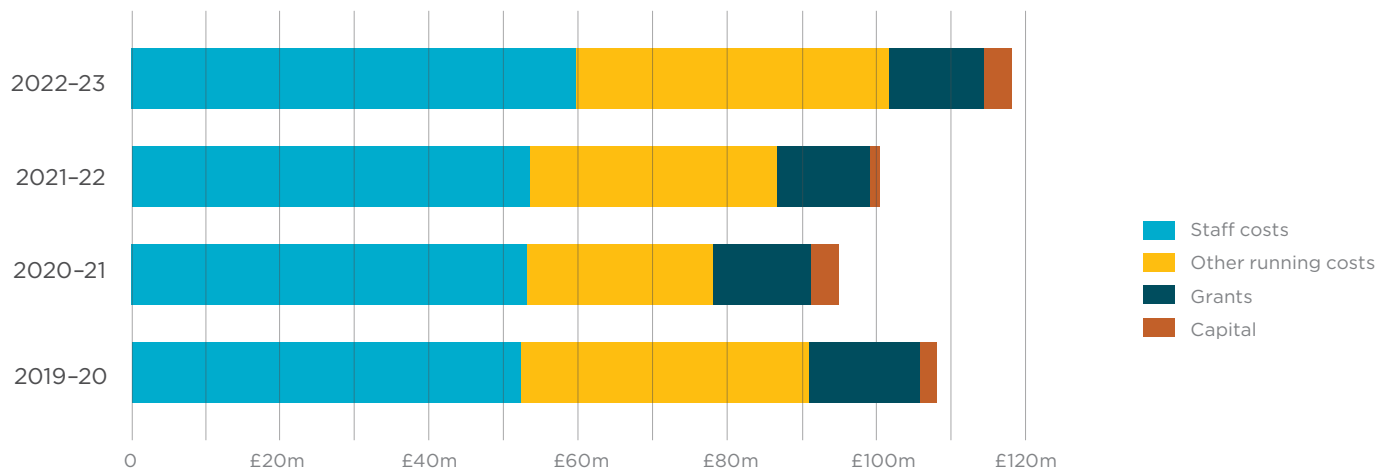
Income



HES's commercial income, which was almost completely wiped out in 2020-21, continued to recover during 2022-23 but remained 21% below the largely pre-pandemic level of 2019-20.

Total income increased 18% year on year, with commercial income more than doubling. Scottish Government grant in aid was reduced by £4.9 million during the year due to better-than-expected commercial income and decreased 16% year on year overall.

Expenditure¹



Expenditure has increased by 17% between 2021-22 and 2022-23 with year-on-year increase in commercial activity and investment, as well as inflationary pressures.

Our expenditure on a cash basis was within Scottish Government limits for 2022-23.

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

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

PERFORMANCE ANALYSIS

SGRÙDADH AIR DÈANADAS

PERFORMANCE AGAINST PLAN 2022–23

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

HERITAGE AND SOCIETY – PERFORMANCE RESULTS (5 INDICATORS)		
KPI 1: INCREASE WELLBEING FROM SCOTLAND'S HISTORIC ENVIRONMENT (1 INDICATOR)		
AOP INDICATOR	WHAT SUCCESS WILL LOOK LIKE	RESULT
Wellbeing Shared established wellbeing benefits of the historic environment, specifically targeting those groups who could benefit most	Baselined the number of first-time visitors at our sites and volunteers joining HES for the first time from Scotland's 20% most deprived areas by 31 March 2023 to inform future plans to extend access and participation	Achieved Baseline established. Total first-time visitors and volunteers from Scotland's 20% most deprived areas reached 19,200 in 2022–23.
KPI 2: INCREASE ENGAGEMENT WITH SCOTLAND'S HISTORIC ENVIRONMENT (3 INDICATORS)		
Equalities Implemented our Equality Outcomes Action Plan 2021–25 , which incorporates ambitions on our society, our services and our people.	Delivered 60% or more of the 2022–23 high-level planned actions in the Equality Outcomes Action Plan by 31 March 2023	Achieved Delivered 70% of actions. Highlights include: <ul style="list-style-type: none"> • International Women's Day event held at Engine Shed • Delivered Eternal Connections Project providing a unique opportunity for a Kurdish women's group to connect with HES sites and collections which included Nauruz Festival Celebration at Stirling Castle • Age-Inclusive webinar and Human Library events were held for HES colleagues
Young People Worked with our partners to involve young people in decision-making and co-creation of services, including digital.	Approved multi-year Action Plan based on recommendations from HistoricScot forum report working with Young Scot and begun Year 1 implementation by 31 March 2023	Achieved Final Report and Action Plan published and implementation has started. This includes Executive Leadership Team discussion identifying priority next steps for delivery, focusing on resourcing, digital and the outreach and learning framework.
Trove.scot Improved digital access to information on the historic environment as part of our long-term strategy for our digital information, archives and collections.	Completed Prototyping stage of trove.scot (previously known as Heritage Hub) and moved to Build by 31 March 2023	Achieved Completed prototyping stage of trove.scot and build stage has started. This follows successful completion of the Alpha Phase, confirmed by the Digital Scotland Service Standard Alpha Audit (Scottish Government).

KPI 3: ENHANCE COMMUNITIES' USE OF THEIR HERITAGE IN PLACEMAKING (1 INDICATOR)		
AOP INDICATOR	WHAT SUCCESS WILL LOOK LIKE	RESULT
<p>Communities Delivered advice and guidance through a place-based approach to help communities understand, promote and develop the benefits of their heritage focusing on those communities impacted by access-restricted sites due to high-level masonry inspections</p>	<p>Delivered 50% or more of high-level planned actions in the multi-partner <i>Community Support Action Plan</i> by 31 March 2023</p>	<p>Achieved Delivered 80% of high-level planned actions in the multi-partner Community Support Action Plan.</p> <p>Highlights include:</p> <ul style="list-style-type: none"> • Launched Community Connections programme, running 9 projects, and a new Community Connections Steering Group • Delivered co-created partnership community engagement events online on the topics of Natural Heritage Volunteering For All, COP26: One year on, Removing Class Barriers to Heritage Volunteering and Cool Yule: Festive Jamboree celebrating community heritage • On track with delivery of our Make Your Mark Inclusion Action Plan

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

HERITAGE AND THE ENVIRONMENT – PERFORMANCE RESULTS (7 INDICATORS)		
KPI 4: STRENGTHEN THE RESILIENCE OF SCOTLAND'S HISTORIC ENVIRONMENT (5 INDICATORS)		
AOP INDICATOR	WHAT SUCCESS WILL LOOK LIKE	RESULT
High-Level Masonry Developed and delivered a plan of action to assess and address the potential high-level fabric risk at the properties in our care and the implications for HES and our stakeholders	Delivered all Batch 1 site inspections and inspections at 15 Batch 2a sites by 31 March 2023	Achieved Delivered Batch 1 inspections. Batch 1 sites all inspected bar exception sites noted in programme agreed by the Project Board. Batch 2A sites – all 15 sites inspected.
PIC Strategy Finalised a long-term strategy and redesigned the inspection regime for the properties in our care (PIC) that considers how we manage and operate these assets in a sustainable and innovative way to maximise their contribution now and for generations to come	Approved PIC Strategy by 31 March 2023	Partially Achieved PIC Strategy – Ministerial endorsement to develop the PIC Strategy granted and HES Board approved approach to implementation (draft strategy prepared). While the pre-set Partially Achieved success criteria have been met, significant work remains before we have a fully functioning PIC Strategy.
Collections Enhanced care and management of collections associated with PICs in line with the <i>Scheme of Delegation</i>	<ul style="list-style-type: none"> Completed scoping for Options Appraisal for Collections and Applied Conservation facilities and storage by 31 March 2023 Delivered Year 1 of Collections Inventory Project and Government Indemnity Scheme Action Plan by 31 March 2023 	Partially Achieved <ul style="list-style-type: none"> Options Appraisal for Collections and Applied Conservation facilities and storage was paused to enable us to play our part in the coronation of King Charles III. Successfully delivered Year 1 of Collections Inventory Project and Government Indemnity Scheme Action Plan by 31 March 2023.
Archive House Improved the storage conditions of the archives in our care	<ul style="list-style-type: none"> Completed RIBA Stage 3 Spatial Coordination and started RIBA Stage 4 Technical Design by 31 December 2022 Near-finalised technical design as part of RIBA Stage 4 by 31 March 2023 allowing us to procure the service provider for construction and fit-out from April 2023 onwards 	Partially Achieved RIBA Stage 3 Spatial Coordination started in January 2023 and good progress has been made with a range of specialist workshops and space requirements documented (procurement route was agreed and a number of companies have expressed interest in the contract).

<p>Research Published revised <i>Research Strategy for 2023–28</i> with a focus on multi-partner research to support the historic environment sector to build resilience, recover from the pandemic, and contribute to a greener, fairer society</p>	<p>Published revised <i>Research Strategy for 2023–28</i> by 31 March 2023</p>	<p>Achieved Revised Research Strategy 2023–28 was published on 31 March 2023 and sets out the following priorities:</p> <ul style="list-style-type: none"> • Addressing climate change • Strengthening communities • Informing policy and practice • Tackling inequality • Driving innovation
<p>KPI 5: INCREASINGLY LEAD THE SECTOR IN CLIMATE CHANGE ACTION (2 INDICATORS)</p>		
<p>AOP INDICATOR</p>	<p>WHAT SUCCESS WILL LOOK LIKE</p>	<p>RESULT</p>
<p>Emissions Delivered Year 3 of our <i>Carbon Management Plan</i></p>	<p>Produced no more than 4,725 tonnes of CO₂ greenhouse gas emissions from within our organisational boundary in 2022–23 towards a target of 4,295 tonnes of CO₂e by 31 March 2025</p>	<p>Achieved Produced 3,866 tonnes of CO₂e.</p>
<p>Climate Action Continued to implement our ambitious <i>Climate Action Plan</i> (CAP) to support the green recovery and to promote the value and knowledge of the heritage sector in supporting a transition to a low carbon economy</p>	<p>Progressed delivery of CAP from 36% of sub-actions at 31 March 2022 (Year 2 of 5) to 60% or more by 31 March 2023 (Year 3 of 5)</p>	<p>Achieved Progressed delivery of 71% of sub-actions . Delivery has progressed with 21% of the sub-actions achieved and 50% ongoing taking the total to 71%. While the pre-set Achieved success criteria have been met, significant work on climate change adaptation remains. Note: work is underway to improve progress measurement of the CAP following recommendations from Internal Audit.</p>

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

HERITAGE AND THE ECONOMY – PERFORMANCE RESULTS (8 INDICATORS)		
KPI 6: INCREASE ECONOMIC BENEFITS FROM SCOTLAND'S HISTORIC ENVIRONMENT (8 INDICATORS)		
AOP INDICATOR	WHAT SUCCESS WILL LOOK LIKE	RESULTS
Regulatory Framework Developed a regulatory framework which sets out the aims and principles behind HES's role in planning and other regulatory systems	Approved regulatory framework by 31 March 2023	Achieved The Regulatory Framework was approved by the HES Board in October 2022, ahead of the target date and published May 2023.
Casework Dealt with regulatory activities, consultations and decisions within stated timescales, ensuring our decisions are open, transparent and easy to understand	<ul style="list-style-type: none"> Maintained delivery at 90% or more dealt with within stated timescales in 2022-23 Approved Annual Planning Performance Report by 31 August 2022 	Achieved <ul style="list-style-type: none"> 96% dealt with within stated timescales. Planning Performance Report published August 2022.
Growth Deals Promoted the contribution of the historic environment and the sector in national and regional economic planning and investment strategies	Increased participation in Growth Deal Programme Boards and Economic Plan Frameworks from 5 in 2021-22 to 10 by 31 March 2023	Achieved Responded to 10 Scottish Government Growth Deal consultations in 2022-23. Highlights include: <ul style="list-style-type: none"> Attended Growth Deal Programme Boards across Scotland Met with South of Scotland Regional Economic Partnership and Highlands and Islands Enterprise Worked with Scottish Government on the Blue Economy Strategy Developed corporate approach to Community Wealth Building.
Tourism Impact Increased number of visits to our sites, benefitting local tourism economies and managing the impact of high-level masonry access restrictions	<ul style="list-style-type: none"> Increased number of visits to our sites from 1.2 million in 2021-22 to 2 million in 2022-23 Increased the direct and indirect contribution to local tourism economies from £117 million (provisional) in 2021-22 to £270 million in 2022-23 	Achieved <ul style="list-style-type: none"> Increased number of visits to our sites to 3.3 million visitors. Increased the economic contribution to local tourism economies to £640 million.

<p>Visitor Experience Provided high quality visitor experiences at our sites as the largest operator of paid visitor attractions in Scotland, including providing innovative experiences at our sites affected by high-level masonry access restrictions</p>	<ul style="list-style-type: none"> Implemented an Interpretation and Experience Programme at sites impacted by high-level masonry access restrictions by 31 March 2023 Maintained or improved visitor overall enjoyment scores from our fully open sites at or better than 8.8 in 2021-22 	<p>Achieved</p> <ul style="list-style-type: none"> Completed 92% high-level masonry Interpretation and Experience Programme actions (5% in progress, 3% cancelled/postponed). Achieved Visitor Survey Overall Enjoyment Score average for fully open sites of 8.9.
<p>Grants Used our grant schemes as a catalyst to attract investment into local economies across Scotland</p>	<p>Invested at least £11 million in local economies through our grant schemes in 2022-23, taking the total invested since 2019 to £50.8 million¹</p>	<p>Achieved Invested £12.5 million across all grant programmes, taking the total invested in the period 2019- 2023 to £52.3 million.</p>
<p>Procurement Delivered Year 1 of our Sustainable Procurement Strategy 2022-26 to achieve value for money, benefits to HES, society and the economy of Scotland, whilst minimising damage to the environment</p>	<p>Spent £20 million with Scottish suppliers in 2022-2023, taking the total spent since 2019 to £95 million²</p>	<p>Achieved Spent £30 million with Scottish suppliers, taking the total spent in the period 2019-2023 to £105 million.</p>
<p>Skills Delivered Year 4 of the sector's multi-partner <i>Historic Environment Skills Investment Plan</i></p>	<p>Delivered (or for multi-year actions, made good progress in delivering) the majority (60% or more) of actions in the Skills Investment Delivery Plan by 31 March 2023</p>	<p>Achieved 80% of multi-year actions are either completed (30%) or on target for completion (50%) by 2024.</p> <p>Highlights include:</p> <ul style="list-style-type: none"> Independent review of the <i>Historic Environment Skills Investment Plan</i>. Report on the sustainability of stonemasonry training provision. £1.1 million application to Stirling's Shared Prosperity Fund to develop pathways in responsible tourism and traditional construction. Highest ever intake of apprentice stonemasons welcomed by HES and Forth Valley College.

- Cumulative total grant investment re-stated from £37.9 million to £50.8 million to include investment since the beginning of the *Heritage for All* Corporate Plan period in April 2019¹
- Cumulative total spent with Scottish suppliers re-stated from £79 million to £95 million to include spend since the beginning of the *Heritage for All* Corporate Plan period in April 2019

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

HERITAGE AND CREATIVITY - PERFORMANCE RESULTS (4 INDICATORS)		
KPI 7: WE INCREASINGLY INSPIRE CREATIVITY AND INNOVATION (3 INDICATORS)		
AOP INDICATOR	WHAT SUCCESS WILL LOOK LIKE	RESULTS
<p>Learning Used our learning framework to implement a blended programme of inclusive partnership projects, visits and online resources that support education, skills and wellbeing outcomes to inspire learners of all ages and abilities</p>	<p>Increased the number of learners actively engaged through a blended offer of site visits, digital and participative activities from 12,000 in 2021-22 to 15,000 (target 40% from youthwork, ASN and SIMD/ rural schools through project work), by 31 March 2023</p>	<p>Achieved Engaged 55,000 learners in 2022-23 including 40,000 through site visits and 15,000 through targeted projects/activities of which 56% were from target groups.</p> <p>Highlights include:</p> <ul style="list-style-type: none"> • For the first time since 2019-20 over 90% of learners participated through in-person activity on HES sites/community/ partnership venues. • Digital remained a key engagement medium for audiences with specific needs or in remote locations and we expanded our online resource offer with 26 pieces of new digital content added to 'Learn'. • The Travel Subsidy was fully allocated, benefitting 13,440 pupils from 340 schools representing 31 of Scotland's 32 Local Authority areas. • Visitors returned to newly re-opened sites and those with partially restricted access due to high-level masonry inspections such as Dumbarton and Border Abbeys.
<p>Gaelic Delivered the core commitments of the final year of our <i>Gaelic Language Plan 2018-23</i></p>	<p>Progressed delivery of our <i>Gaelic Language Plan</i> from 76% of actions at 31 March 2022 to 90% or more by 31 March 2023</p>	<p>Achieved Delivered 90% (23 of 26) of published actions.</p> <p>Highlights include:</p> <ul style="list-style-type: none"> • Consultation on our <i>Gaelic Language Plan 2023-2026</i>. • Awarded £8,000 with NatureScot by Bòrd na Gàidhlig for Teanga na Tìre research to understand the role of Gaelic placenames in the natural and cultural heritage of local areas. • Responded to the Scottish Government's consultation on their commitments to Gaelic, Scots and a Scottish Languages Bill, recognising Scotland as a multi-lingual society. • Led development of the new Gaelic Tourism, Culture and Heritage Strategy with Visit Scotland and Creative Scotland as part of Gaelic Faster Rate of Progress workstream.

<p>Intangible Cultural Heritage Implemented Year 1 of our multi-partner Intangible Cultural Heritage Action Plan, mainstreaming intangible cultural heritage across our organisation</p>	<p>Delivered 60% of actions planned with a focus on Year of Stories 2022 by 31 March 2023</p>	<p>Achieved Delivered 80% of planned action delivered.</p> <p>Highlights include:</p> <ul style="list-style-type: none"> • Delivered community-focused upskilling events with Museum Galleries Scotland • RSE-funded Contemporary Archaeology project • Trialed a series of storytelling tours and outreach events at Trinity House, Edinburgh.
<p>KPI 8: INCREASE INTERNATIONAL RECOGNITION OF THE QUALITY OF SCOTLAND'S HISTORIC ENVIRONMENT (1 INDICATOR)</p>		
<p>AOP INDICATOR</p>	<p>WHAT SUCCESS WILL LOOK LIKE</p>	<p>RESULTS</p>
<p>International Implemented our multi-partner International Strategy 2019–29 Partnering Globally, ensuring our international activities utilise our skills and expertise to support the global recovery</p>	<p>Delivered 50% or more of actions in the multi-partner International Strategy Action Plan by 31 March 2023</p>	<p>Achieved Delivered over 50% of actions.</p> <p>Highlights include:</p> <ul style="list-style-type: none"> • Supported Scottish Government international aims including through input to the Cultural Diplomacy Strategy and pre-consultation. • Developed Ukraine Response Plan. • Through Scotland Europa, prepared an Action Plan on promoting Scotland • Scoping underway to test existing country approaches/engagement (e.g. China) in light of international changes and the economy.

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

HERITAGE AND US – PERFORMANCE RESULTS (4 INDICATORS)		
KPI 9: GROW TRUST AND CONFIDENCE IN HES (1 INDICATOR)		
AOP INDICATOR	WHAT SUCCESS WILL LOOK LIKE	RESULTS
<p>Our Place in Time (OPIT) Worked with our partners to determine priorities to support sector recovery, laying the groundwork for a refreshed strategy for the historic environment and HES Corporate Plan</p>	<p>Agreed priorities for the revised strategy for the historic environment in collaboration with the sector and published the new strategy by 30 April 2023</p>	<p>Achieved Agreed priorities for the revised sector strategy in collaboration with the sector and published the new strategy <i>Our Past, Our Future</i> in April 2023.</p> <p>The new strategy was formally launched in June 2023.</p>
KPI 10: ENHANCE THE SUSTAINABILITY OF HES (3 INDICATORS)		
AOP INDICATOR	WHAT SUCCESS WILL LOOK LIKE	RESULTS
<p>Financial Sustainability Improved our organisational resilience and financial sustainability</p>	<p>Progressed a new business model with Scottish Government as part of the 4-year Spending Review by 31 March 2023</p>	<p>Achieved Business case considered by the HES Board in March 2023 and submitted to the Scottish Government in April 2023.</p>
<p>Our People Implemented Year 3 of our <i>People Strategy 2020-25</i>, focusing on engaging our colleagues, improving our overall employee experience, developing new ways of working and growing skills for now and tomorrow</p>	<p>Delivered 75% or more of Year 3 actions in our <i>People Strategy</i> by 31 March 2023</p> <p>Started to implement our agreed approach to strategic workforce planning in 2022-23</p>	<p>Achieved Delivered 80% of Year 3 actions in our <i>People Strategy</i>.</p> <p>Highlights include:</p> <ul style="list-style-type: none"> • Launched a new benefits portal for all colleagues, including a Dental Plan, supplementing existing Headspace and Balance apps to support colleague wellbeing • Concluded Phase 1 of the 35-Hour Week Pilot with positive feedback and launched Phase 2 • Learning programmes continued to attract a good uptake, including Diversity and Inclusion as part of a drive to complete Equalities training across HES, and Able Futures drop-in sessions for staff were also arranged • Work is well underway on Strategic Workforce Planning • Awarded Carer Positive (Established level) in recognition of our work to support carers in the workplace • HES gender and disability median pay gap - 0%

<p>Transformation Continued to transform the way we work to ensure our operations deliver best value, including delivery of <i>HES-Digital</i></p>	<p>By 31 March 2023: Implemented <i>HES-Digital Delivery Framework</i></p> <p>Implemented an approach to benefits realisation through our Project Management Office</p>	<p>Achieved</p> <ul style="list-style-type: none"> • Completed <i>HES-Digital Delivery Framework</i> by March 2023 and implementation across HES is underway. • Implemented an approach to benefits realisation through our Project Management Office (PMO) by 31 March 2023.
---	---	--

FINANCIAL REVIEW

OUTTURN AGAINST SCOTTISH GOVERNMENT BUDGET LIMITS

The Scottish Government allocates a budget to HES each year and this is based on expenditure net of commercial income generated by HES. This budget is to cover revenue expenditure (known as Resource Departmental Expenditure Limit or 'Resource DEL'), capital expenditure (known as Capital Departmental Expenditure Limit or 'Capital DEL'), non-cash costs such as depreciation, as well as annually managed expenditure (AME) for specific unpredictable costs such as increases in provisions.

HES's budget and outturn are as follows:

HES grant in aid	Original £m	Revisions £m	Final £m	Outturn £m	Variance £m
Resource DEL	60.6	(4.9)	55.7	53.7	2.0
Capital DEL	6.5	-	6.5	6.5	-
Sub-total: cash	67.1	(4.9)	62.2	60.2	2.0
Non-cash	3.0	-	3.0	3.6	(0.6)
AME	-	-	-	1.8	(1.8)
Sub-total: non-cash	3.0	-	3.0	5.4	(2.4)
Total	70.1	(4.9)	65.2	65.6	(0.4)

HES's Resource DEL budget was revised downwards by £4.9 million during 2022-23 in recognition of better-than-expected commercial income, with funds reallocated to other Scottish Government priorities. Further improvements in commercial income in the final month of the financial year resulted in an underspend of £2.0 million against the final Resource DEL budget.

An increase in our provision for leasehold dilapidation has resulted in an overspend against our non-cash allocation and cover for this has been agreed with the Scottish Government.

RECONCILIATION BETWEEN REPORTING AS A NDPB AND AS A CHARITY

Our financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) and the Charities Statement of Recommended Practice (Charities SORP) in line with direction from Scottish Ministers (reproduced on page 109).

There are certain differences in how our performance is reported to the Scottish Government as a non-departmental public body (NDPB) compared to how we report performance in our financial statements in line with the Charities SORP. The main differences are with accounting for capital expenditure, funding for non-cash depreciation expenditure, and recognition of grant liabilities.

Our reported financial performance can vary significantly due to timing of offers we make with multi-year grant programmes. In line with the Charities SORP, we recognise grant expenditure in full as soon as we make an offer. Our grant expenditure was higher than average in 2022-23 due to new multi-year commitments.

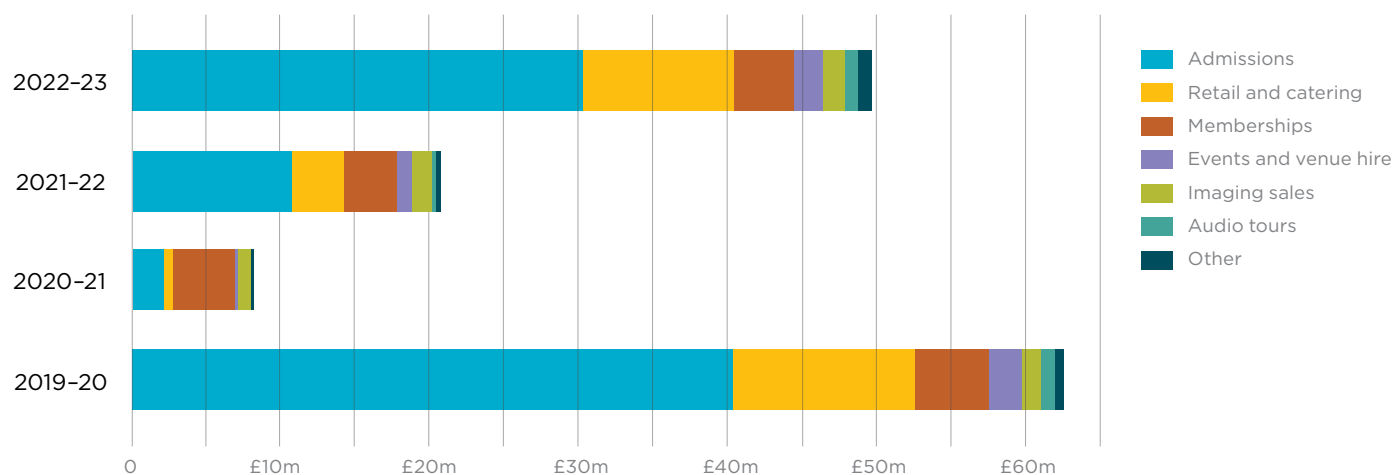
	2022-23	2021-22
	£m	£m
Outturn against Scottish Government budget limits	(0.4)	0.9
<i>Adjustments:</i>		
Difference between grants offered in year and grants invested	(4.5)	(3.1)
Capitalisation of tangible fixed assets	3.9	1.2
Scottish Government non-cash allocation	(3.0)	(4.0)
Other adjustments	(0.5)	0.2
Net expenditure per the financial statements	(4.5)	(4.8)

OUR INCOME

Total income has increased 18% from £97.4 million in 2021-22 to £115.3 million in 2022-23. Scottish Government grant in aid decreased 16% from £73.9 million in 2021-22 to £62.1 million in 2022-23. Our total commercial income has significantly increased year on year as recovery from the pandemic continues.

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

Commercial Income



Income from charitable activities (note 3) includes admissions, memberships and other activities directly linked to our charitable purpose. Our income from charitable activities has increased £21.2 million (125%) from £16.9 million in 2021-22 to £38.1 million in 2022-23. Visitor numbers increased from 1.2 million in 2021-22 to 3.3 million in 2022-23 and linked admissions income has increased from £10.7 million in 2021-22 to £30.3 million in 2022-23.

Historic Scotland membership income increased 9% from £3.7 million in 2021-22 to £4 million in 2022-23. Membership numbers have increased from 167,000 to 184,000.

Our trading activities are those that are undertaken to generate funds to support our charitable work but are not direct charitable activities themselves. Income from trading activities (note 4) is primarily retail sales at our sites and online, income from events, sales of digital images and other miscellaneous activities. Income from trading activities has increased from £6.1 million in 2021-22 to £14.5 million in 2022-23.

THANK YOU TO DONORS

Each year HES receives support from donors across the world. We want to thank all those who have made a donation towards our work through a gift at one of our sites, an online donation, funding from a philanthropic trust, or through a personal donation.

This year we have received more legacies and gifts made in memory of others. We want to acknowledge these particularly meaningful gifts and to thank those that have let us know their intention to leave a gift in their will.

We are grateful to the donors and Trustees of the Historic Scotland Foundation who have provided support for a number of projects this year, particularly for the *trove.scot* (previously known as Heritage Hub) initiative that will secure and make available more of the digital archival collections that tell Scotland's story.

Donations enable us to do more to conserve and reveal our valuable places, collections and archives.

Our donors and supporters are valued stakeholders and our fundraising activity continues in line with our Ethical Donations Policy, which promises to treat our donors fairly and with respect.

Thank you to all who have donated, and in doing so, have shared with us their love for Scotland's history.

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

OUR EXPENDITURE

Total expenditure has increased £17.5 million from £102.2 million in 2021-22 to £119.7 million in 2022-23, with increased operational and income generating activity year on year.

Staff costs are our largest category of expenditure and increased 13% from £53.4 million in 2021-22 to £60.1 million in 2022-23. The increase includes the cost of the 2022-23 HES pay

award, which was in line with pay policy set by Scottish Ministers. HES continues to tightly control staffing levels.

Expenditure on charitable activities (note 7) covers a broad range of activities, including conservation, operating visitor attractions and regulatory work. Expenditure has increased £11.3 million (15%) from £77.6 million in 2021-22 to £88.9 million in 2022-23.

We have invested £29.8 million through our Investment Plan over the past four years to enhance the condition of our sites and improve the experience of our visitors, alongside other corporate priorities.

Investment plan

	2019-20	2020-21	2021-22	2022-23	Total
	£m	£m	£m	£m	£m
Site condition	5.6	1.9	4.5	5.3	17.3
Visitor experience	1.0	0.2	0.3	0.6	2.1
Corporate systems and other corporate priorities	2.9	3.8	1.1	2.6	10.4
	9.5	5.9	5.9	8.5	29.8

Expenditure on raising funds (note 6) includes the cost of our retail and other income generation not directly from undertaking charitable activities. Expenditure on raising funds has increased £4.6 million (55%) from £8.3 million in 2021-22 to £13 million in 2022-23.

As noted above, new grants committed vary from year to year depending on the timing and cyclical nature of some multi-year grant programmes. The high level of multi-year grant commitments during 2022-23 resulted in grant expenditure (note 8) increasing from £16.2 million in 2021-22 to £17.9 million.

We manage grant spending on an annualised basis and grants invested from current year funding increased £0.4 million, from £12.3 million in 2021-22 to £12.7 million in 2022-23. We offer grants in advance, often over multiple years and our grant funding for 2023-24 has already been largely committed.

Support costs (note 9) are allocated across expenditure on raising funds, expenditure

on charitable activities and expenditure on grants in the statement of financial activities. Support costs have increased £3.5 million, from £16.4 million in 2021-22 to £19.8 million in 2022-23, including net £1.8 million increase in provision for dilapidations. The underlying increase is largely in support staff costs, as well as increased investment with a new Project Management Office.

OUR FINANCIAL POSITION

As a public body, HES is restricted in its ability to build up reserves. Whilst the group balance sheet as at 31 March 2023 shows net assets of £15.4 million (2021-22: £17.4 million), this is due to substantial fixed asset balances and the group balance sheet shows a deficit once these are excluded.

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

Our reserves are negative £34.6 million (2021-22: negative £29.5 million). HES has negative general reserves and negative current liabilities as there is a disparity between grant income received and grants payable. Government grant in aid is drawn down on the basis of need and is accounted for as received. HES must commit to grants on a longer-term basis to allow appropriate planning by recipients and this is accounted for in full when the commitment is made. Whilst grant expenditure is accounted for on commitment, the total grant payments in each year are closely managed based on grant in aid funding available for that year.

Essentially, we are reliant on future Scottish Government funding to meet our grant liabilities. Excluding future grant commitments (e.g. for work not yet undertaken by grant recipients), our reserves are negative £10 million (2021-22: negative £7.6 million). Excluding total grant liabilities, our reserves are positive £2.3 million (2021-22: positive £4 million).

General reserves

	2022-23	2021-22
	£m	£m
Unrestricted funds	12.6	14.8
Less unrestricted fixed assets	(45.2)	(42.3)
Less designated funds	(2.0)	(2.0)
General reserves	(34.6)	(29.5)
Exclude future grant commitments	24.6	21.9
General reserves excluding future grant commitments	(10.0)	(7.6)
Exclude grants accruals and retentions	12.3	11.6
General reserves excluding total grant liabilities	2.3	4.0

Going concern

Our Key Risks section includes 'Economic Risk and Financial Sustainability' reflecting high inflation. Mitigating actions are in place and the long-term financial sustainability risk does not impact on the going concern basis.

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

The Scottish Government's Resource Spending Review 2023-24 to 2026-27 provides some assurance over future funding levels. The Board and Accountable Officer have reviewed the latest financial projections (considering government funding and commercial income) and are satisfied that it remains appropriate to prepare HES's financial statements on a going concern basis.

Fixed assets

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

Except for elements used for income generation or other non-heritage purposes, it is the opinion of the Board and Accountable Officer that, owing to the incomparable nature of the heritage Properties in Care, the valuation of these sites lacks reliability and involves costs that

are likely to be onerous on HES. HES therefore does not include a value for these assets on its balance sheet.

The land, buildings and dwellings which we do recognise on our balance sheet are revalued every year either by formal valuation or by an indexation increase. The revaluation reserve has increased 9% from £21.3 million as at 31 March 2022 to £23.2 million as at 31 March 2023.

Pensions

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

Restricted funds

Our restricted reserves were £2.8 million as at 31 March 2023 (2021-22: £2.6 million). Of this, £2.5 million (2021-22: £2.6 million) relates to Heritage Lottery Fund grants received to fund the Engine Shed and will be released to unrestricted reserves in line with the depreciation of the building. Other restricted reserves relate to unspent restricted grant income and were £304,000 as at 31 March 2023 (2021-22: £69,000).

Designated funds

HES established a £2 million designated fund as at 31 March 2021 to support conservation of our Properties in Care. This fund was not utilised during 2022-23 due to better-than-expected commercial income. The fund will be utilised as required over the next few years.

GRANTS POLICY

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

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

Further information about the grants programmes HES operates can be found at www.historicenvironment.scot/grants-and-funding/our-grants/, and an outline of how decisions are made is available at www.historicenvironment.scot/grants-and-funding/how-our-funding-works/. Details of the grants awarded during the year ended 31 March 2023 can be found at www.historicenvironment.scot/grants-and-funding/grants-awarded-by-us/.

SUPPLIER PAYMENT PERFORMANCE

Standard supplier payments terms are generally 30 days, but HES follows the Scottish Government target for the payment of invoices within 10 working days of their receipt. In 2022-23, 90% of invoices were paid within 10 working days (2021-22: 88%) and 96% were paid within 30 days (2021-22: 95%).

POST BALANCE SHEET EVENTS

There are no events after the reporting date that requires adjustment or disclosure in financial statements.

OUR PLANS FOR 2023 ONWARDS

We undertook a light-touch refresh of our Corporate Plan *Heritage for All*, which was published in April 2022, to ensure it remains fit for purpose and reflects priorities in the Scottish Government's Spending Review and current operating environment. Our refreshed Corporate Plan *Heritage for All* retains the same outcomes and Key Performance Indicators, and our activities will continue to support the National Outcomes in the Scottish Government's National Performance Framework. The current Corporate Plan runs over the three years from 2022-23 to 2024-25. It will be reviewed before the end of this period. This will reflect the revised national strategy for the historic environment *Our Past, Our Future*, published April 2023 and the revised National Performance Framework, which is being reviewed in 2023.

Our *Annual Operating Plan 2023-24* outlines the activities we will undertake to support achievement of the outcomes set out in our Corporate Plan *Heritage for All*. Our plans for 2023-24 have a continued focus on six priorities, making a strong contribution to the Scottish Government's priorities on equality, opportunity and community. These six priorities are:

- Wellbeing, inequality and access
- Managing heritage assets
- Net zero
- Stronger, fairer, greener economy
- Sector recovery
- Building HES

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

Priority: Wellbeing, inequality and access

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

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

Priority: Managing the heritage assets and net zero

Achieving Scotland's goal of net zero carbon emissions by 2045 requires us to transform the way that we work. What we buy and sell, how visitors travel to our sites and how we perform our everyday functions, all need to evolve to make us more sustainable. As Scotland continues to build back from the pandemic, we have a key role to play in a green recovery that works for all. We will focus on managing heritage assets, with a key priority to address the challenges of the deterioration of high-level masonry at the Properties in Care as a result of

climate change and other factors. Adaptation and mitigation are at the forefront of our plans to ensure that traditionally constructed buildings, comprising a significant percentage of Scotland's building stock, contribute to Scotland's net zero goal.

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

Priority: Stronger, fairer, greener economy and Sector Recovery

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

The operation of our visitor attractions, directed by our work on responsible tourism, will continue to help to build back the 80% drop in heritage-driven visitor expenditure as a result of the pandemic. Our grants programmes will act as a catalyst for investment in local areas and our *Sustainable Procurement Strategy 2022-26* will also contribute to jobs and growth. In

addition, our skills development work aims to address a range of skills gaps from traditional to professional skills such as leadership and management, ICT and digital that are crucial to the recovery of the sector and the economy of the future.

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

Priority: Wellbeing, inequality and access and Managing Heritage Assets

We will use innovative, flexible and inclusive approaches to increase participation and support positive destinations for our learners, reducing inequalities, increasing access and improving wellbeing. We will build on the lessons learned from Scotland's Year of Stories 2022 to continue the rediscovery of Scotland's stories and by celebrating those of marginalised communities and people who shaped Scotland's history. From our learning services to Gaelic language provision, intangible cultural heritage to internationally recognised world heritage, our regional structure sets us up for more meaningful cultural engagement at a local level where impact matters most.

Our knowledge, expertise and experience in conservation, heritage tourism, research, technical science, data, and reuse and retrofit of historic buildings has huge potential to inform management of the

historic environment, and how heritage can be used to support a green recovery and a wellbeing economy, around the world.

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

Priority: Sector recovery and Building HES

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

In April 2023, working closely with colleagues from across the sector and beyond, we completed the new national strategy for the historic environment *Our Past, Our Future* and successor to *Our Place in Time*. The strategy sets our medium-term priorities to harness the power of the historic environment for the benefit of society. After three years of public health challenges, disruption, change and isolation for many, we will continue to balance our ambitions with an understanding

of our operating context and the impacts of the pandemic which we continue to face. We will continue to support our colleagues through our People Strategy and our Behaviours Framework, prioritising wellbeing in these challenging times. Our experiences over the last three years have also shaped our thinking on building the resilience of our organisation and contributing to Public Bodies Reform in Scotland. In 2023–24 we will be working hard to diversify our funding sources through fundraising, commercial activity and transforming the way we work, moving towards a digital-by-design approach.

SUMMARY SUSTAINABILITY REPORT

This Summary Sustainability Report provides an overview of HES performance for 2022–23 in fulfilling our role as a leader and exemplar in climate mitigation, adaptation and sustainability. We made steady progress in delivering our Climate Action Plan (CAP) 2020–2025 and achieved reductions in our carbon emissions in excess of our published targets. The following report gives a brief summary of our achievements this year under the seven CAP themes: Climate Impacts and Adaptation; Energy and Carbon Management; Circular Economy; Sustainable Tourism; Sustainable Procurement; Biodiversity and Landscapes; and Sustainable Travel.



GREEN CHAMPIONS NETWORK

Revitalising and continuing the work of our Green Champions Network was an aim this year as we were able to resume in-person activities for the first time since early 2020. We had our first small in-person event in December 2022 with a focus on networking and a presentation on communicating climate change; in addition to our annual Green Champions Conference which took place virtually in September. Stirling Castle and Edinburgh Castle also restarted regular meetings of Green Champions over the winter months.



ENERGY AND CARBON MANAGEMENT

Our target was to reduce Greenhouse Gas (GHG) emissions by 16.8 % by 2022-23 from the baseline year of 2014-15. This would give us an annual budget in 2022-23 of 5,812 tCO₂e. The reduction achieved to 2022-23 is 44.7%, significantly in excess of target. However, much of this excess reduction is due to significant changes in operations throughout the pandemic. This year and last year saw an increase in emissions compared to the previous year, although some high-level masonry project access restrictions remained in place. We anticipate there may be further increases next year as we see continued site re-openings and increasing visitor numbers.

Energy consumption from our buildings is the largest contributor to our organisational carbon footprint, accounting for 85% of emissions that we report on. Business travel accounts for 14%, waste 0.5%, and water 0.5%.

Energy consumption (kWh) from electricity and gas have both increased against the previous year as we continued to reopen and expand operations after the closures in 2021-22. However, the increase in emissions is not as great because their associated Carbon Conversion Factors have reduced due to the ongoing decarbonisation of the National Grid.

We have continued to see an increase in business travel emissions (50%) in 2022-23

compared to 2021-22 as more staff were able to resume activities requiring travel as restrictions from the pandemic eased.

Decarbonisation Studies

HES continued our programme of establishing the technical feasibility of removing fossil fuel boilers from across our estate. This programme of work is supported by the Scottish Government Green Public Sector Decarbonisation Scheme and delivered by the Non-domestic Energy Efficiency Framework Project Support Unit provided by Mott MacDonald. Over the last year we conducted in depth technical appraisals of the following sites:

- Stirling Castle
- Glasgow Cathedral
- Croft an Righ House
- St Ann's Maltings
- Kinnaird Head
- Stanley Mills
- St Andrews Castle Visitor Centre
- Longmore House
- Doune Castle
- Argyll's Lodgings

This work will allow us to develop the programme of work required to meet our decarbonisation obligations and support applications for funding to support this programme.

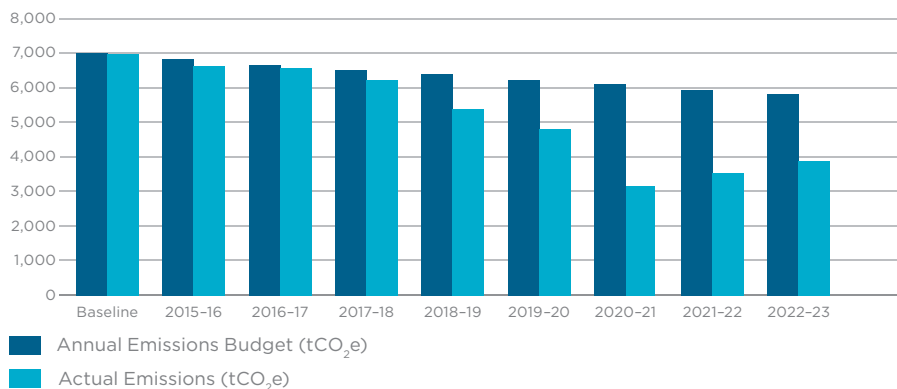
Energy Focus Group Resumption

After a Covid lockdown hiatus, we have resumed Energy Focus Group meetings at Edinburgh Castle and plan to expand these again to focus on key properties. These meetings bring together stakeholders at properties to discuss energy issues and how to reduce our energy consumption and carbon emissions.

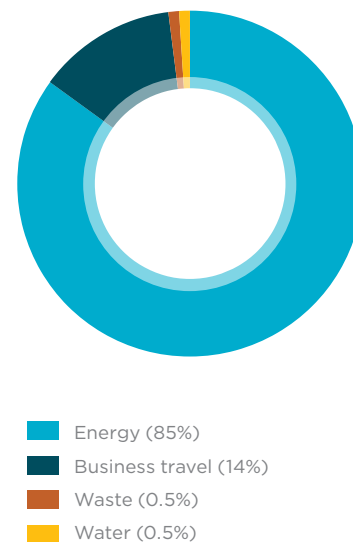
Archive House Building Design

The development of the Archive House building design has been guided by ambitious standards, including the PassivHaus standard for retrofit (EnerPHit) and the Net Zero Public Building Standard (NZPBS). This has required a high degree of innovation due to the unique nature of the building function. Archive House is the first building to be designed under the NZPBS which considers not only the carbon emissions while in use, but also the emissions associated with the building materials and maintenance. To ensure this is achieved, an enhanced level of energy and carbon modelling has been carried out at early design stages to influence the development of the design. We are also developing measures to maximise sustainable travel opportunities with dedicated cycle storage and charging points for electric cars and bikes. Biodiversity will be maximised on this small site by creating habitat for native species of bats, birds and insects.

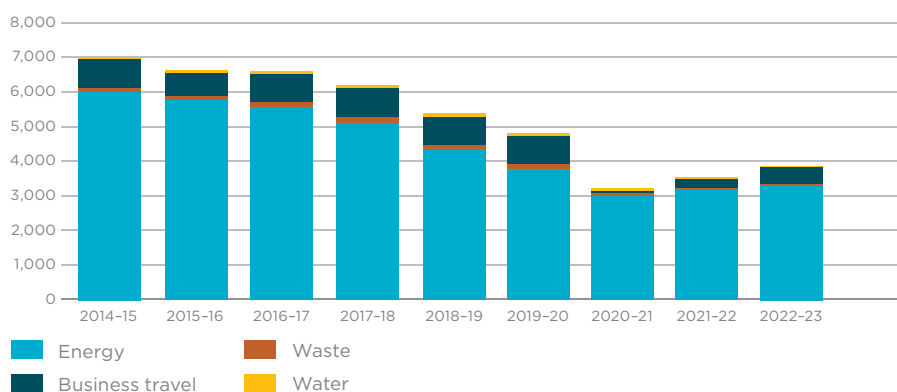
Actual vs target emissions (tCO₂e)



2022-23 Carbon Footprint



Annual Carbon Performance



Year	GHG EMISSIONS					
	ANNUAL EMISSIONS BUDGET		ACTUAL		DIFFERENCE	
	Emissions tCO ₂ e	Change %	Emissions tCO ₂ e	Change %	Emissions tCO ₂ e	Change %
BASELINE	6,986	N/A	6,986	N/A	N/A	N/A
2015-16	6,832	-2.2%	6,616	-5.3%	-216	-3.2%
2016-17	6,679	-2.2%	6,588	-0.4%	-91	-1.4%
2017-18	6,525	-2.3%	6,196	-6.0%	-329	-5.0%
2018-19	6,371	-2.4%	5,384	-13.1%	-988	-15.5%
2019-20	6,218	-2.4%	4,803	-10.8%	-1,414	-22.7%
2020-21	6,083	-2.2%	3,171	-34.0%	-2,912	-47.9%
2021-22	5,947	-2.2%	3,541	11.7%	-2,406	-40.5%
2022-23	5,812	-2.3%	3,866	9.2%	-1,946	-33.5%
TOTAL	50,467	-16.8%	40,165	-44.7%	-10,302	-20.4%

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

SUSTAINABLE TRAVEL

Promoting Sustainable Travel

In summer 2022 we offered a discount to visitors to selected sites as part of our Bike Week activities. Building on this work, we ran a social media campaign to highlight how and where sites could be visited by foot, bike and public transport.

We have teamed up with Good Journey to encourage car-free travel to our properties around the country. Launched in March this year, car-free travel ideas are promoted at 12 sites and visitors arriving by public transport, cycle or on foot receive a 25% discount on tickets.

Fleet Strategy Development

Assisted by our fleet management supplier (EVP Solutions) we are developing a fleet strategy that defines how we transition to low emission vehicles while maintaining an efficient and effective service. This strategy is currently in final draft and articulates the opportunities available to us based on the age of the fleet and current usage.

Sustainable Travel Strategy

We began our Strategic Partnership with Sustrans and are currently developing the Sustainable Travel Strategy towards fulfilling our commitment in the Climate Action Plan to help prioritise sustainable travel modes for visitor and staff journeys. We have analysed existing travel data to our sites and have carried out proximity analyses to other PiCs, the National Cycle Network, core paths and public transport nodes. The analysis has helped to identify patterns and define distinct approaches

to sustainable travel across the estate, which will feed into the development of the Sustainable Travel Strategy.

EV Charging Infrastructure

We have installed Electric Vehicle charging infrastructure at Elgin and Fort George Depots to support the transition of our fleet to electric vehicles. A supply upgrade has been completed at Kerse Road Depot in Stirling to allow Electric Vehicle chargers to be installed and a planning application submitted to improve electric vehicle charging facilities at Longmore House.

Energy Saving Trust Fleet Analysis

The Energy Saving Trust are reviewing our fleet vehicle usage to support our transition to a decarbonised fleet. This includes analysing vehicle types and usage to provide support and guidance in this transition.

Craigmillar Castle Travel Plan

Working together with the consultancy ERZ we are developing a Travel Plan for Craigmillar Castle to identify how we can encourage more visitors to travel by sustainable means and to address road safety concerns. The project involved engagement with key stakeholders at HES, City of Edinburgh Council and the local community throughout and we have received valuable input and great feedback for undertaking the work. Continued close partnership working is expected to implement the plan, which will also inform the development of the Sustainable Travel Strategy.

Review of Cycle Infrastructure

We have undertaken a review of the data on existing cycle

infrastructure for visitors and staff across the estate and have identified priority sites near the National Cycle Network for the installation of improved cycle parking.

Business Travel Policy

We have updated The Business Travel Policy, which includes information to help staff prioritise sustainable travel modes for business, e.g. through the provision of cycle training for staff; reimbursement for the use of cycle hire schemes and clarifying when air travel is or is not acceptable.

CLIMATE IMPACTS AND ADAPTATION

Climate Vulnerability Index

In September, we hosted Climate Vulnerability Index (CVI) Foundational Training, led by our partners at James Cook University, Australia, who developed the methodology. This attracted world heritage professionals from across the UK and beyond.

HES led the CVI assessment for the archipelago of St Kilda, a UNESCO World Heritage Site. This was a continuation of our commitment to roll out CVI across Scotland's World Heritage properties, following on from successful workshops for the Old and New Towns of Edinburgh (ONTE) and the Antonine Wall (AW) in 2021-22, and was the first for a mixed natural and cultural property. This workshop was funded through a Research Network grant from the Royal Society of Edinburgh for the partnership between Historic

Environment Scotland and James Cook University, Australia. The three-day St Kilda workshop brought a range of environmental, social and cultural experts together with members of the Hebridean communities. We held a successful public event, helping to raise local awareness of the issues, including the need to evaluate the climate vulnerability of the Outer Hebrides.

During the year, we also progressed the ONTE and AW reports for publication, along with a summary booklet, discussing the results of the CVI rollout to date. These have now been published on the HES website.

High-Level Masonry Project

A range of environmental and climate change data forms a key part of the high-level masonry project, providing information on what climate change effects the properties in our care (PICs) have experienced to date and how it may affect

the building materials in the future. We will apply the data to help understand the prioritised list of PICs for surveying, stone and mortar analysis.

CIRCULAR ECONOMY

In 2022-23 the amount of waste we generated increased slightly from 745 to 795 tonnes, however we are still on target for a 15% reduction of all waste by 2025 compared to our 2019-20 baseline.

Our recycling rate decreased from 65% last year to 53%,¹ and we have not achieved our recycling target of 60%. This is due to a change in the types of waste we dispose of, with waste coming from municipal sources increasing by a significant 63% compared with last year and much less from construction, with tonnages halved since last year. As we recycle 92% of our construction waste, but only 33% of our municipal waste,² our overall recycling rate is reduced

when we dispose of more municipal waste. This reduction comes despite us seeing an increase in municipal waste recycled this year compared to our baseline of 21% and achieving our 30% target.

Landfill waste has decreased from 5% to 2%, however waste incinerated with energy recovery has increased from 30% to 44%.

Our reuse rate remains low, however use of Warp It and donations via other means has increased from only one claim last year to 12 claims. This constituted 59 individual items donated both internally and externally and amounted to a saving of 429 kg CO₂e.

2022-23 Waste data and Targets from the HES Waste and Resources Plan

	Actual	Target	Achieved/not achieved
Total waste	795 tonnes	940.5 tonnes	Achieved
Reuse rate	12 claims	100 claims	Not achieved
Recycling rate (all waste)	53%	60%	Not achieved
Recycling rate (municipal waste)	33%	30%	Achieved
Waste to landfill	2%	16.3%	Achieved

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

2. Our recycling rate for municipal waste is determined by waste segregated for recycling on our sites, it does not include any recycling picked out of our general waste by our waste contractors.

Waste and Resources Plan

This year we have launched our new *Waste and Resources Plan* www.historicenvironment.scot/archives-and-research/publications/publication/?publicationid=0efce0b6-7621-4828-85db-af6900f6f168

which outlines a 5-year action plan focusing on reducing the environmental impact of our waste and resources and setting the direction for our transition towards becoming a more circular organisation. Progress on the goals set out in the plan in 2022-23 includes the projects included below.

Implementing Circular Business Models

We have been working with a Scottish start-up company to develop a new gift shop magnet made from locally sourced post-consumer plastic waste. Part of this support was to help them invest in new machinery.

Investing in Reused Materials

We developed a temporary travelling exhibition where all display materials sourced were either reused, or reusable, opting for reusable picture frames rather than plastic boards for interpretation, sourcing reused wooden easels and borrowing lighting from another HES department.

Supporting Circular Economy in the Built Historic Environment

We have been continuing to run an accredited training qualification Level 3 Award in Energy Efficiency Measures for Older and Traditional Buildings.

Tackling Litter

In partnership with Keep Scotland Beautiful and The 2 Minute Foundation, we have launched litter picking boards at sites near public land that is at risk of litter.

SUSTAINABLE PROCUREMENT

Our Procurement Strategy, published in the previous financial year, continues to be implemented. A key component of the strategy is to centre a more sustainable approach to procurement across the organisation and focus on how procurement can help us to achieve the aims of the Climate Action Plan.

Spend with Scottish suppliers in 2022-23 was £30 million, this equates to 67% of our procurement spend staying within Scotland. Over 65% of our spend is with Small and Medium Sized Organisations (SMEs). We continue to encourage smaller and local companies to bid for local contracts in conjunction with the Supplier Development Programme.

BIODIVERSITY AND LANDSCAPES

We published The Official Souvenir Guide for Holyrood Park and Arthur's Seat, which includes information on wildlife of the park – including toad activity, rare butterflies, and particularly interesting plants.

We completed the planting of the Jubilee Wood. This comprises seventy trees planted in celebration of the Platinum Jubilee, with the final tree planted by HRH the Princess Royal.

Our Holyrood Park Ranger Service collaborated with Holyrood Palace Grounds staff and volunteers to plant an additional 1,500 wildflower plants in the wildflower strip at the edge of the Parade Ground area next to St Margaret's Loch. Species planted included poppies, red and white campion and harebells.

Our Ranger Service conducted conservation surveys in Holyrood Park of several species of plants and animals, including Adder's-tongue Fern, Bordered-brown Lacewing, Maiden Pink, Northern Brown Argus, Wood-sage Plume Moth and Sticky Catchfly. Our Rangers also completed transects to survey butterfly and bee populations in Holyrood Park and Linlithgow Peel.

SUSTAINABLE TOURISM

Responsible Tourism Framework

In March 2023, we launched our Responsible Tourism Framework. <https://www.historicenvironment.scot/archives-and-research/publications/publication/?publicationid=30eaf2e3-9e8a-47c3-b9c9-afcb00eca788>. The Framework sets out three key priority areas: Responsibility for the historic environment; Responsibility for people; and Responsibility for capacity building. The Framework identifies opportunities for HES to build its resilience and decrease dependency on a carbon and resource intensive operational model, changing visitor behaviour and numbers, while responding to growing visitor expectation for ethical, low-carbon tourism experiences and driving innovation in new ways to welcome visitors. We

aim to do this in partnership with communities to maximise local economic and wellbeing benefits, unlock community knowledge and increase cultural awareness, identity and inclusion.

Edinburgh Napier University Collaboration

This year we collaborated with Edinburgh Napier University on a live student project. From January to March 2023, a group of four undergraduate students from the University's Hospitality, Tourism and Festival and Events Management degree programme participated in the Live Project module, which used Doune Castle as a case study to identify opportunities for a more responsible tourism model.

Doune Sustainable Tourism Project

Activity under the Doune Sustainable Tourism Project continues. We hosted an in-person engagement event 'Doune Together' with partners in April 2022 to review achievements and consider future plans, which include trialling a discount flier for local businesses handed out to castle visitors and supporting the community with the revitalisation of a business network.

Blackness Sustainable Tourism Infrastructure Development (STID) Plan

We have developed a 'Strategic Tourism Infrastructure Development Plan' for Blackness, a village that has experienced

challenges due to a steep increase in visitor numbers to Blackness Castle following its appearance in the TV drama Outlander. Funded by Visit Scotland's Rural Tourism Infrastructure Fund and working with Falkirk Council, we aim to transform tourism at Blackness Castle, applying responsible tourism principles to address challenges, similar to those in Doune, including congestion during the peak season.



Alex Paterson
Chief Executive and
Accountable Officer
23 November 2023

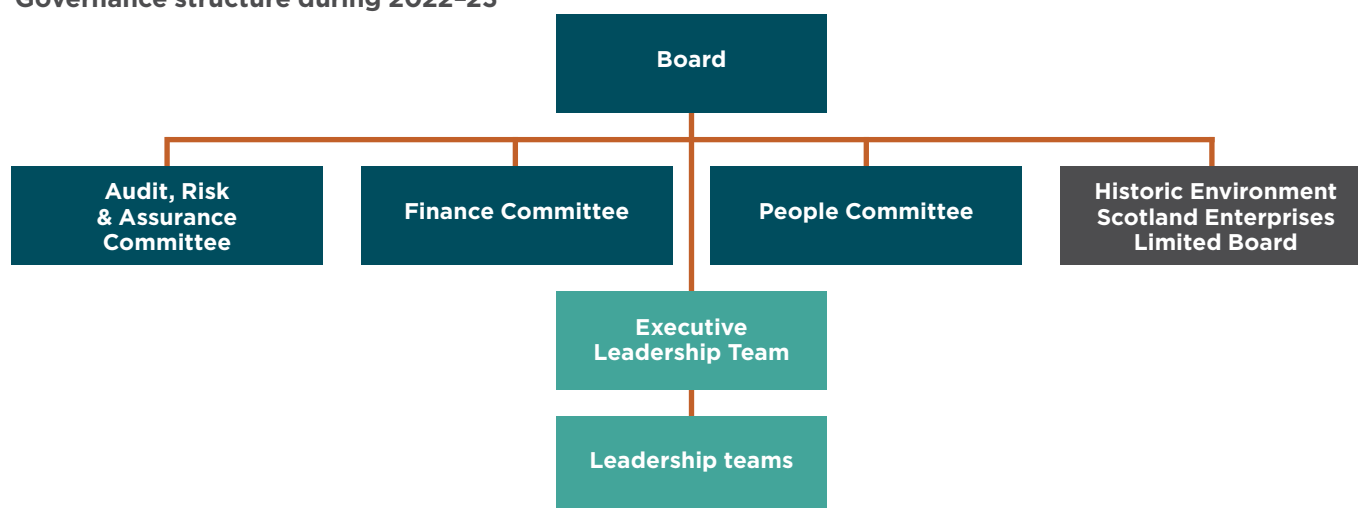
ACCOUNTABILITY REPORT

STRUCTURE, GOVERNANCE AND MANAGEMENT

AITHISG AIR CUNNTACHALACHD

STRUCTAR, RIAGHLACHAS AGUS STIÙIREADH

Governance structure during 2022-23



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

Our [Framework Document](#), drawn up by the Scottish Government in consultation with the HES Board, sets out a broad framework for how we operate. HES's Framework Document is available on our website at: <https://www.historicenvironment.scot/media/7177/hes-framework-document.pdf>.

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

BOARD

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

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

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

- Taking forward the strategic aims and objectives for the body agreed by the Scottish Ministers.
- Determining the steps needed to deal with changes which are likely to impact on the strategic aims and objectives of HES or on the attainability of its operational targets.

- Promoting the efficient, economic, and effective use of staff and other resources by HES consistent with the principles of Best Value, including, where appropriate, participation in shared services arrangements and ensuring that effective arrangements are in place so that HES acts corporately in accordance with the priorities set out in the Scottish Government's statement of corporate expectations.
- Ensuring that effective arrangements are in place to provide assurance on risk management, governance, and internal control.
- Taking into account relevant guidance issued by the Scottish Ministers in reaching decisions.
- Ensuring that the Board receives and reviews regular financial information concerning the management and performance of HES and is informed in a timely manner

about any concerns regarding the activities of HES.

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

To discharge their responsibilities, the Board met seven times during 2022-23 (2021-22: nine meetings) including three strategy days. At every regular meeting, the Board received a report on key operational matters from the Chief Executive, a financial report, minutes or updates from the Board committees and reports on specific topics as required. Risk-related items were highlighted as necessary.

Board members work to the high standards of conduct outlined in The Ethical Standards in Public Life etc. (Scotland) Act 2004. The Board is subject to a Code of Conduct and is required to ensure that all relevant interests are declared. Copies of the Code of Conduct, the Register of Declared Interests and approved Board Minutes are available online at www.historicenvironment.scot/about-us/who-we-are/our-board/board-papers/.

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

When new board members join the Board, they undergo an induction process to familiarise them with the operation of HES. This includes introduction to and engagement with staff, the role and responsibilities of the Board, information regarding the Code of Conduct, completion of the Register of Interests, and exercises to ensure personal development of board members. Board members are also required to familiarise themselves with the Scottish Government publication *On Board – a guide for board members of public bodies in Scotland* www.gov.scot/publications/board-guide-members-statutory-boards/.

For ongoing training and development, board members collectively and individually take part in familiarisation visits, which include meetings with staff and stakeholders, ensuring an understanding of a range of different perspectives. Individual board members have

attended events and courses and draw on their experience elsewhere, to feedback and share examples of good practice with other board members and staff. This is brought together in an annual self-assessment and recommendations, with a commitment to continuous improvement.

BOARD COMMITTEES

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

The Finance Committee's primary objective is to provide oversight, scrutiny, and assurance to the Board, and to any other committees or working groups as appropriate, in relation to significant financial and

budgetary matters. This includes but is not limited to strategic financial planning and budget setting in the short, medium, and long term, investment decisions based on review of business cases, performance against the agreed budget, and delivery of expected investment benefits.

The People Committee's role is to provide the Board with assurance that the Executive Leadership Team of HES is properly addressing the human requirements of the organisation with reference to the employee experience of our staff and volunteers. This includes

organisation design, remuneration, performance management, other systems and processes relating to people, health and safety, welfare and wellbeing, inclusion and diversity, and attraction, retention, development and talent management of staff and volunteers.

BOARD AND COMMITTEE MEMBERSHIP AND ATTENDANCE

Board and committee membership and attendance during 2022-23 were:

	Board Meeting	Audit, Risk and Assurance Committee	Finance Committee	People Committee
Chair				
Dr Hugh Hall	7/7			
Board				
Gemma Butterfield (from 20 March 2023)	0/0			
Ian Brennan	7/7	5/5		
Dr Janet Brennan (to 18 June 2023)	6/7			3/3
Andrew Davis	7/7	5/5	5/5	
Joe Doogan (from 20 March 2023)	0/0			
Emma Herd	7/7		5/5	
Simon Hodge (from 20 March 2023)	0/0			
Gary Jebb (from 20 March 2023)	0/0			
Ann Leslie (from 20 March 2023)	0/0			
Terry Levinthal	7/7	5/5		
Anne-Marie O'Hara (from 20 March 2023)	0/0			
Dr Fiona McLean (to 18 June 2023)	7/7			3/3
Ian Robertson	6/7			
Dr Paul Stollard (to 18 June 2023)	7/7			
Jane Williamson (to 16 November 2022) ¹	0/4			
Independent Audit and Risk Assurance Committee				
Wendy Ferguson		5/5		

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

Other than Dr Janet Brennan, Dr Fiona McLean and Dr Paul Stollard stepping down, there were no changes to the Board membership from the 31 March 2023 to the date this Annual Report was approved.

1. Jane Williamson stepped down from the Board effective from 16 November 2022 and subsequently sadly passed away.

CHIEF EXECUTIVE AND THE EXECUTIVE LEADERSHIP TEAM



The Chief Executive is appointed by and is accountable to the Board. The Chief Executive chairs an Executive Leadership Team comprising senior staff from HES.

Executive Leadership Team members during 2022–23 and to the date of this Annual Report were:

- Alex Paterson, Chief Executive and Accountable Officer
- Stephen Duncan, Director of Marketing and Engagement (from 4 April 2022, previously Director of Commercial and Tourism)
- Gary Love, Projects Director (to 30 September 2022)
- Craig Mearns, Director of Operations
- Elizabeth McCrone, Director of Heritage
- Dr David Mitchell, Director of Cultural Assets (from 4 April 2022, previously Director of Conservation)
- Lindsey Ross, Director of People
- Donella Steel, Director of Finance and Corporate Services (to 19 November 2023)
- Craig Marshall, Interim Director of Finance and Corporate Services (from 23 October 2023)
- Alison Turnbull, Director of External Relations and Partnerships

Other than Donella Steel leaving and Craig Marshall being appointed, there were no changes to the Executive Leadership Team from the 31 March 2023 to the date this Annual Report was approved.

Biographies for our [current Executive Leadership Team](#) can be found on our website.

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

The responsibilities delegated to the Chief Executive by the Board and to the members of the Executive Leadership Team are laid out in the Scheme of Internal Delegation. The Chief Executive is charged with responsibility for overall corporate performance, management within HES and exercise of HES’s statutory powers as a regulatory body. The Chief Executive is additionally responsible for functions including, but not limited to, approval of directorate plans and budget allocations, operational policies spanning multiple directorates, structure and staffing below Executive Leadership Team

level and approval of expenditure, investment, and procurement up to thresholds agreed with the Board. Day-to-day implementation of the Corporate Plan is delegated to members of the Executive Leadership Team.

GROUP STRUCTURE

HES wholly owns HESe and this entity is included in the Group’s financial statements. HESe carries out non-core trading activity, including retail sales of Historic Environment Scotland merchandise and catering facilities and the commercial sale of images. HESe is governed by a separate Board of Directors, which reports to the HES Board.

HES also owned Scran Limited until it was wound up on 20 June 2023 and this entity is included in the Group’s financial statements. Scran Limited ceased trading on 31 March 2016. Activities previously undertaken by Scran Limited are now undertaken directly by HES. Scran Limited was dormant for the year to 31 March 2023.

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

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

AITHRIS AIR DLEASTANASAN AN OIFIGEIR CHUNNTACHAIL

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

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

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

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

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

GOVERNANCE STATEMENT

AITHRIS RIAGHLACHAIS

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

SCOPE OF RESPONSIBILITY

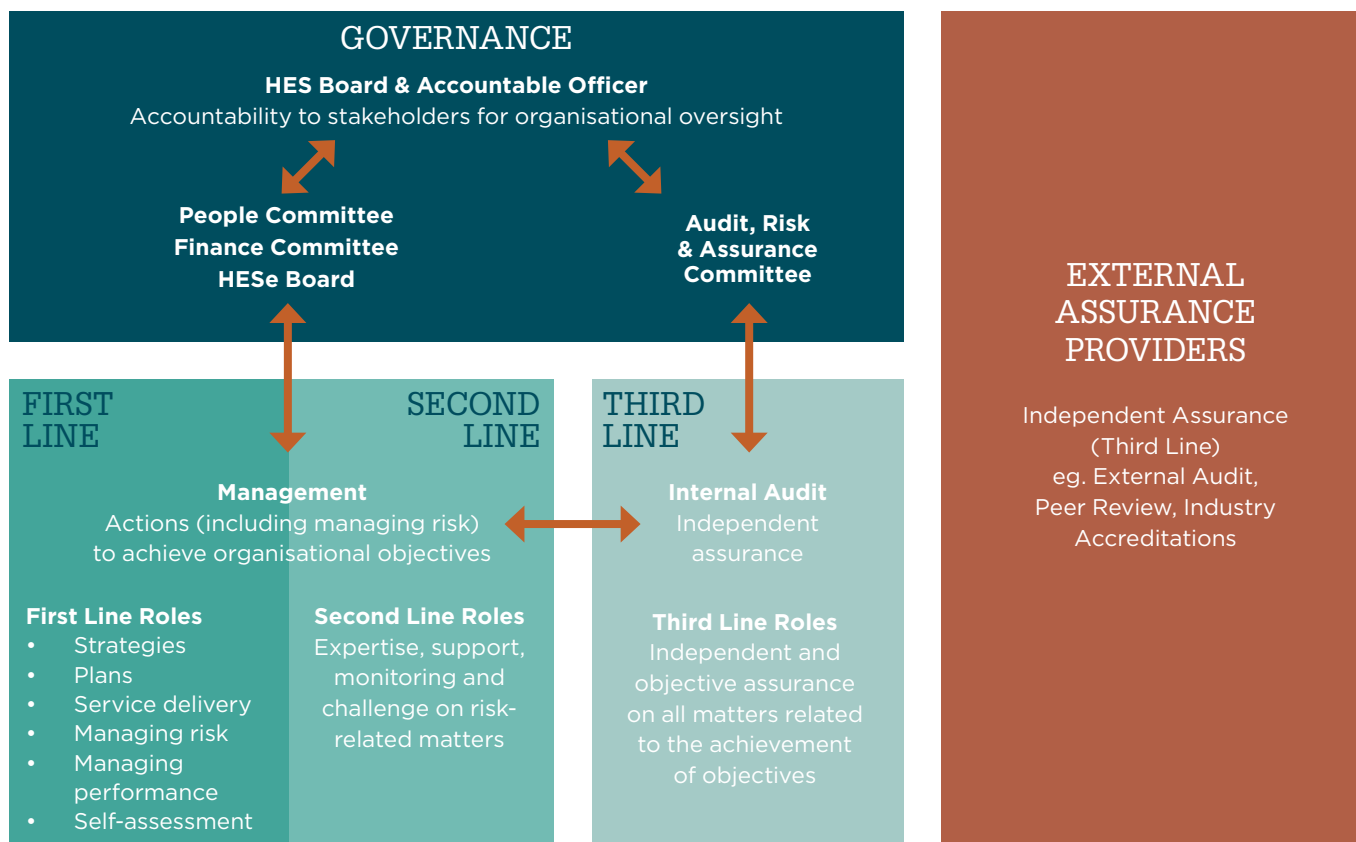
As set out in the Statement of Accountable Officer's Responsibilities, I have personal responsibility for maintaining effective systems of internal control.

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

Governance Statement contained within the Scottish Government consolidated financial statements.

HES's governance framework is set out in the Structure, Governance and Management section. The diagram below sets out the HES Assurance Framework which provides me with the necessary assurances to achieve my responsibilities:

HES Assurance Framework - Three Lines Model



The SPFM is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling of public funds. It is mainly designed to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety, and secure effective accountability and good systems of internal control. I confirm that HES complied with the SPFM and guidance from Scottish Ministers in all material aspects for the year to 31 March 2023.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

We have a Risk Management Policy and a Risk Management Strategy which are reviewed annually. They set out, respectively, our approach to risk management and the

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

We maintain a risk register that details the most significant risks to the delivery of our strategic priorities. The risk management framework is based on a hierarchical structure of risk registers from directorates and projects up to corporate level. This framework enables the escalation of risks that cannot be managed at local level. Risk registers are regularly reviewed and updated. The keys risks to the delivery of our strategic priorities are set out on page 13.

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

The Information Assurance Board, chaired by the Director of Finance and Corporate Services as the Senior Information Risk Owner, was put on hold during the pandemic. A revised information management group is anticipated to follow from the approval of an updated Information and Data Management Strategy.

Information Asset Owners have, however, continued to update the Information Asset Register during that time and the updated register will shortly include an updated Record of Processing Activities (ROPA). HES reported a breach of personal data once to the Information Commissioners Office during 2022-23 following the publishing of personal information relating to two staff members in the national press.

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

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

The systems of internal control have been in place for the year ended 31 March 2023 and up to the date of the approval of the Annual Report and Financial Statements.

REVIEW OF EFFECTIVENESS

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

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

FOLLOW-UP ON ISSUES REPORTED IN OUR 2021–22 GOVERNANCE STATEMENT

We reported on the following issues in our 2021–22 Governance Statement on which we required further assurance:

Compliance assurance and reporting – physical assets

The Asset Management and Compliance Team was established permanently in February 2023 to improve our compliance and asset management in relation to the management of the properties in our care (PICs). The focus of the team is to ensure HES has the necessary policy, process, recording, systems and training in place to meet or exceed our statutory obligations. Progress has been made on areas of significant risk on a prioritised basis. This remains an area of focus and we are working on the development of a revised inspection and compliance framework. An update on this issue will be reported in the 2023–24 Annual Report and Financial Statements.

Compliance assurance and reporting – health and safety

We undertook a review, partnering with external consultants, of our health, fire and safety approach across the organisation. Good practice was identified as well as a series of actions for us to take forward and continue to improve our overall approach. An action plan has also been developed which looks at improving two-way health and safety (H&S)

communication, developing a clear H&S strategy, and highlighting H&S accountabilities and responsibilities across the organisation. I am satisfied that sufficient action has been taken to address this issue.

Project management

The HES Project Management Office (PMO) was established to ensure projects are set up for success by driving value throughout the project lifecycle, from initiation to benefits realisation, and to deliver an excellent project management service to HES. The PMO Strategy and Benefits Realisation Framework was approved during the year and rolled out across the organisation. The PMO has established a Centre of Expertise, which provides staff with project management advice, templates and best practice examples. The PMO has also developed a clear project mandate, business case and project reporting process to ensure the PMO Board and Executive Leadership Team are sighted on the status and progress of the significant projects in HES via the Portfolio Plan and the Portfolio Dashboard. Building on the work of the PMO to date, embedding good practice will continue to be a priority. I am satisfied that sufficient action has been taken to address this issue.

High-level masonry

After identifying a potential issue relating to high-level masonry fabric at our PICs in May 2021, further inspections revealed there was a potentially wider issue and mitigation measures were put in place. We implemented a national

inspection programme which is ongoing and we have been able to improve access to many sites. An update on this issue will be reported in the 2023-24 Annual Report and Financial Statements.

2022-23 ISSUES

In addition to the compliance assurance and reporting – physical assets and high-level masonry points highlighted above and over which we need further assurances, two new issues that have been identified for 2022-23 are:

Cyber security

An internal audit report in August 2023 identified a number of areas of good practice, as well as making recommendations for the areas requiring improvement. All the audit recommendations were accepted, and a management action plan has been developed to address the issues raised.

Archive House

An internal audit report in April 2023 identified a number of key areas requiring improvement for the Archive House project. Recommendations were principally around the project governance and risk management. Management provided a robust response and an action plan has been developed to address the issues raised.

CONCLUSION

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

Alex Paterson

Alex Paterson
Chief Executive and
Accountable Officer
23 November 2023



REMUNERATION AND STAFF REPORT

AITHISG CO-DHÌOLLAIDH IS LUCHD-OBACH

The information in the Remuneration and Staff Report relating to the remuneration and pension benefits of board members and the Executive Leadership Team, fair pay disclosures, staff costs, staff numbers, and exit packages has been audited by external auditors. The other sections in the Remuneration Report are reviewed by the external auditors for consistency with the financial statements.

REMUNERATION POLICY

HES operates a pay and grading arrangement which is available to view on our website at: www.historicenvironment.scot/about-us/work-with-us/what-we-offer/.

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

The Board in approving the pay award has regard to:

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

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

The remuneration, allowances and expenses paid to board members comply with specific guidance issued by Scottish Ministers.

SERVICE CONTRACTS

HES employs new permanent employees on the basis of fair and open competition. HES employees are public servants rather than civil servants; however, following good practice HES uses the Recruitment Principles published by the Civil Service Commission.

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

BOARD MEMBERS' REMUNERATION – AUDITED

The total fees payable to the Board for 2022-23 were £36,000 (2021-22: £nil). HES board members were not remunerated prior to 2022-23. The Scottish Government approved the payment of fees from 2022-23 to bring HES in line with other NDPBs and recognise the value that board members bring to HES, as well as the personal and professional responsibilities that come from serving on a significant, public-sector board. The fees payable for individual board members for the year to 31 March 2023 were as follows:

	2022-23	2021-22
	FEES	FEES
	£	£
Chair		
Dr Hugh Hall	14,208	-
Board		
Gemma Butterfield ¹²	-	-
Ian Brennan	4,104	-
Dr Janet Brennan ²	-	-
Andrew Davis	5,016	-
Joe Doogan ¹²	177	-
Emma Herd	4,104	-
Simon Hodge ¹²	177	-
Gary Jebb ¹	177	-
Ann Leslie ¹²	-	-
Terry Levinthal	4,104	-
Anne-Marie O'Hara ¹	177	-
Dr Fiona McLean	4,104	-
Ian Robertson ²	-	-
Dr Paul Stollard ²	-	-
Jane Williamson ³	-	-

Board members' remuneration is non-pensionable. Board members do not receive any bonus payments. Board members are also entitled to reimbursement of expenses, and this is disclosed in the expenditure disclosures notes (note 12).

1. Gemma Butterfield, Joe Doogan, Simon Hodge, Gary Jebb, Ann Leslie and Anne-Marie O'Hara were appointed as HES board members on 20 March 2023. The full year equivalent remuneration would have been £5,472.
2. Gemma Butterfield, Dr Janet Brennan, Ann Leslie, Ian Robertson and Dr Paul Stollard elected not to receive board members' remuneration.
3. Jane Williamson stepped down from the Board effective from 16 November 2022 and subsequently sadly passed away.

EXECUTIVE LEADERSHIP TEAM SALARIES AND PENSION BENEFITS – AUDITED

The total salaries and pension entitlement earned by the Executive Leadership Team for 2022-23 was £877,000 (2021-22: £975,000). The salary and pension entitlement earned for individual Executive Leadership Team members for the year to 31 March 2023 were as follows:

	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
	SALARY	SALARY	PENSION BENEFITS	PENSION BENEFITS	TOTAL	TOTAL
	£000	£000	£000	£000	£000	£000
Chief Executive						
Alex Paterson	125-130	125-130	49	49	175-180	175-180
Directors						
Stephen Duncan	75-80	75-80	3	30	80-85	105-110
Gary Love ¹	35-40	75-80	(6)	12	30-40	85-90
Elizabeth McCrone	70-75	65-70	2	46	70-75	110-115
Craig Mearns ²	75-80	0-5	20	-	100-105	0-5
Dr David Mitchell	75-80	75-80	5	20	80-85	95-100
Donella Steel ³	85-90	80-85	16	44	100-105	120-125
Lindsey Ross	75-80	75-80	31	30	110-115	105-110
Alison Turnbull	75-80	70-75	31	29	110-115	100-105
Lisa McGraith ⁴	-	45-50	-	15	-	60-65

'Salary' includes gross salary, supplements and allowances. No benefits in kind were paid to the Executive Leadership Team in 2022-23 or 2021-22.

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

Bonuses

There were no bonuses paid to the Executive Leadership Team for 2022-23 (2021-22: nil).

Compensation for loss of office

Gary Love left under Voluntary Exit Scheme on 30 September 2022 and received a compensation payment of £95,000. Lisa McGraith left under Voluntary Exit Scheme on 30 September 2021 and received a compensation payment of £86,000 in 2021-22 and a further compensation payment of £19,000 in 2022-23.

1. Gary Love was Project Director to 30 September 2022. The full year equivalent salary for 2022-23 would have been in the range of £75,000 to £80,000.
2. Craig Mearns commenced as Director of Operations on 21 March 2022. The full year equivalent salary for 2021-22 would have been in the range of £75,000 to £80,000.
3. Donella Steel received a temporary allowance from being appointed to Director of Finance and Corporate Services from 18 October 2021 (previously Director of Finance and Performance). The full year equivalent salary for 2021-22 would have been in the range £80,000 to £85,000.
4. Lisa McGraith was Director of Communications to 30 September 2021. The full year equivalent salary for 2021-22 would have been in the range of £75,000 to £80,000.

Pension benefits

The pension entitlements earned by the Executive Leadership Team for 2022-23 were:

	Real increase in pension and related lump sum at pension age	Accrued pension at pension age at 31 March 2023 and related lump sum	CETV at 31 March 2023	CETV at 31 March 2022	Real increase in CETV	Partnership Pension Account
	£000	£000	£000	£000	£000	£000
Chief Executive						
Alex Paterson	2.5-5	15-20	288	234	34	-
Directors						
Stephen Duncan	0-2.5	35-40	629	593	1	-
Gary Love ¹	0 plus a lump sum of 0	40-45 plus a lump sum of 110-115	966	932	(12)	-
Elizabeth McCrone	0-2.5 plus a lump sum of 0	20-25 plus a lump sum of 30-35	348	318	(7)	-
Craig Mearns ²	-	-	-	-	-	20-25
Dr David Mitchell	0-2.5	30-35	532	483	(6)	-
Donella Steel	0-2.5	30-35	527	469	5	-
Lindsey Ross	0-2.5	5-10	64	43	12	-
Alison Turnbull	0-2.5	5-10	109	83	16	-

Cash Equivalent Transfer Values (CETV)

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

scheme and chooses to transfer the pension benefits, they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the scheme, not just their service in a senior capacity to which disclosure applies. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting

from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

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

1. Gary Love was Project Director to 30 September 2022. CETV and accrued pension at pension age are as at 30 September 2022.
2. Craig Mearns chose not to be covered by the Civil Service Pension Scheme.

FAIR PAY DISCLOSURES – AUDITED

Public sector bodies are required to disclose the relationship between the remuneration of the highest paid director and that of the remuneration of the organisations' workforce as set out in the below table:

	2022-23	2021-22	Change
	£000	£000	%
Remuneration range			
Range of staff remuneration			
- Minimum annualised salary	21	20	8.3
- Band of highest paid director	125-130	125-130	0.4
Ratios	2022-23	2021-22	Change
Median total remuneration	£26,842	£25,087	7.0
Ratio of median total remuneration to highest paid director	4.75	5.08	(6.5)
Lower quartile median total remuneration	£22,272	£20,751	7.3
Ratio of lower quartile total remuneration to highest paid director	5.72	6.14	(6.8)
Upper quartile median total remuneration	£36,418	£37,283	(2.3)
Ratio of upper quartile total remuneration to highest paid director	3.50	3.42	2.4

Total remuneration includes salary and allowances. It does not include employer pension contributions and the cash equivalent transfer value of pensions. There were no performance pay or bonuses paid to any staff, including the highest paid director, in 2022-23 or 2021-22. No employees received remuneration in excess of the highest paid director in 2022-23 or 2021-22.

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

The changes to remuneration and ratios can be explained by Scottish Public Sector Pay Policy for 2022-23 which saw a reduction to the uplifts for Senior Appointment Pay as well as a change to the thresholds in basic pay for all other colleagues. In addition, most of our employees sit within our first three pay grades (Band A, B and C). As they have now been in their roles for several years, they reached the maximum of their pay grades. This is demonstrated by the median remuneration.

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

CIVIL SERVICE PENSIONS

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

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

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

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

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

Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in

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

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

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

premium, and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the

combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.

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

STAFF REPORT

STAFF COSTS – AUDITED

Group and Charity	2022-23	2021-22
Staff costs comprise:	£000	£000
Wages and salaries		
– Permanent	41,042	37,294
– Other staff	3,072	1,792
Total wages and salaries	44,114	39,086
Social security costs	4,415	3,721
Employer’s contributions to pension schemes	11,278	10,289
Agency temporary staff costs	161	272
Total employment costs	59,968	53,368
Less: Recoveries in respect of outward secondments	-	-
Add: Inward Secondment costs	141	7
Total net costs	60,109	53,375

Employees who received benefits, excluding pension costs, of more than £60,000:	2022-23	2021-22
Banding		
£60,000 – £69,999	27	8
£70,000 – £79,999	6	5
£80,000 – £89,999	1	1
£120,000 – £129,999	1	1
Total number of staff	35	15

The increase in employees who received benefits of more than £60,000 is because the maximum of the Band F salary increased above £60,000 as part of the pay settlement for 2022-23.

STAFF NUMBERS – AUDITED

The average number of full-time equivalent (FTE) staff employed for 2022-23, by occupational group, were:

Group and Charity

	2022-23 Permanent FTE	2022-23 Other FTE	2022-23 Total FTE	2021-22 Permanent FTE	2021-22 Other FTE	2021-22 Total FTE
Cultural Assets	142	25	167	128	15	143
External Relations and Partnerships	40	2	42	36	2	38
Finance and Corporate Services	121	6	127	120	4	124
Heritage	114	8	122	110	9	119
Marketing and Engagement	138	14	152	131	11	142
Operations	640	45	685	632	31	663
People	31	2	33	30	1	31
Senior Management	9	-	9	9	-	9
Agency / temporary staff	-	16	16	-	6	6
	1,235	118	1,353	1,196	79	1,275

The average number of staff employed for 2022-23 were:

Group and Charity

	2022-23 Headcount	2021-22 Headcount
Full time	1,165	1,111
Part time	355	344
	1,520	1,455

The average number of staff by band and gender for 2022-23 were:

	Male Headcount	Female Headcount	2022-23 Total Headcount	Male Headcount	Female Headcount	2021-22 Total Headcount
Chief Executive	1	-	1	1	-	1
Director	4	4	8	3	4	7
Band F	33	18	51	29	15	44
Bands A-E	758	702	1,460	755	648	1,403
	796	724	1,520	788	667	1,455

Turnover

The employee turnover rate for 2022–23 is 16.3% (2021–22: 12.7%). This figure can be broken down into voluntary (11.3%) and non-voluntary (5.1%).

Sickness absence

For 2022–23, the average sickness absence was 13.6 days (2021–22: 10.1 days) and 18,459 total days (2021–22: 12,509 days). This is split into 4.9 average number of working days lost to ill-health short-term absences (2021–22: 4.0 days) and 8.7 average number of working days lost to ill-health long-term absences (2021–22: 6.1 days). Since 1 June 2022, in line with Scottish Government advice Covid-19 related absences are being recorded in line with standard sickness rules and thus included in these figures.

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.

Colleague engagement survey

HES undertake full colleague engagement surveys every 2 years. The last survey in September 2022 was completed by 58% of staff across the organisation with an overall Engagement score of 6.5 out of 10. Although we have some high scores in some key areas of understanding purpose, wellbeing and inclusion and management support, there are areas where we need to improve. We have created both an organisation-wide action plan, as well as individual directorate specific people plans to help move us into a stronger position. We are dedicated to regular communication and open conversation to continue to ensure HES is a good place to work.

Employees with disabilities

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

Equal opportunities and diversity

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

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

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

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

We know this is an area of challenge for us and as part of our annual Equality Action Plan for 2022–23 we have further developed our approach on the use of positive action in our recruitment and training offer, ensuring that equality underpins our employee development and recruitment initiatives.

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

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

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

Health, safety and security at work

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

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

specifically to protect visitors from site hazards at ancient monuments. Our health and safety advisers are also trained in crime prevention and conduct regular site security audits to provide assurance over our security arrangements.

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

Learning and development

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

HES aims to understand and recognise its own talent, as well as acknowledging and valuing staff input. This means building a culture where staff feel supported and respected, one which creates new opportunities and a culture of mentoring and support for everyone. HES offers support to employees who wish to develop their careers through further training and education, including training courses, apprenticeships, work-

based learning, and professional qualifications that benefit them and the organisation.

Resourcing

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

Employee consultation

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

Trade union relationships

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

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

Number of employees who were relevant union officials during 2022-23	18
Full-time equivalent employee number	16.04

Percentage of time spent on facility time	Number of employees
0%	11
1-50%	7
51-99%	-
100%	-
Total cost of time	£9,482
Total pay bill	£60,109,000
Percentage of total pay bill spent on facility time	0.02%
Time spent on paid activities as a percentage of total paid facility time	70%

Volunteers

HES provided and supported opportunities to 327 volunteers in 2022-23 (2021-22: 46). These included our visitor connector volunteers, event volunteers, Ranger Service volunteers, the HistoricScot Youth Forum, Scran and they helped us shape the new [trove.scot](https://www.trove.scot) (previously known as Heritage Hub) as Digital Connectors. Volunteer engagement continues to be impacted by projects such as high-level masonry inspections, the Archive House project, and changes to the audience of the Engine Shed. In addition, we have started recording digital micro-volunteering and there were 7,434 contributions during 2022-23 including towards the National Record of the Historic Environment through Canmore and Scran, as well as taking photos of PICs as part of the Monument Monitor project.

Expenditure on consultancy

Expenditure on consultancy for 2022-23 was £211,000 (2021-22: £81,000).

Exit packages – AUDITED

Exit package cost band	Voluntary departures agreed 2022-23 Number	Cost of exit package 2022-23 £000	Voluntary departures agreed 2021-22 Number	Cost of exit package 2021-22 £000
<£10,000	-	-	-	-
£10,000-£25,000	1	19	-	-
£25,000-£50,000	-	-	1	44
>£50,000	1	95	1	86
Total	2	114	2	130

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

Alex Paterson

Alex Paterson
Chief Executive and
Accountable Officer
23 November 2023

PARLIAMENTARY DISCLOSURES

Losses and special payments

There were no losses or special payments during 2022–23 requiring to be disclosed (2021–22: none).

Fees and charges

HES does not levy any statutory fees or charges for its regulatory services and there were none during 2022–23 requiring to be disclosed (2021–22: none).

Gifts

There were no gifts made during 2022–23 (2021–22: none).

Remote contingent liabilities

There were no remote contingent liabilities as at 31 March 2023 or as at 31 March 2022.

REFERENCE AND ADMINISTRATIVE DETAIL

TUAIRISGEUL AGUS FIOSRACHADH RIANACHAIL

Registered name

Historic Environment Scotland

Principal office and registered address

Longmore House
Salisbury Place
Edinburgh EH9 1SH

Scottish charity number

SC045925

Trustees

Board members are also trustees for the purposes of charity law and are responsible for complying with their duties as charity trustees. Board members are set out on page 48.

Executive Leadership Team

Day-to-day management of HES is delegated to the Executive Leadership Team and members are set out on page 49.

Subsidiaries

Historic Environment Scotland Enterprises Limited

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

Solicitors

Morton Fraser
Quatermile Two
2 Lister Square
Edinburgh EH3 9GL

External auditors

Audit Scotland
4th Floor
102 West Port
Edinburgh EH3 9DN

APPROVAL

AONTA

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

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

This Annual Report of Historic Environment Scotland, registered charity number SC045925, was approved by the Board and Accountable Officer and authorised for issue on 23 November 2023.

Dr Hugh Hall

Dr Hugh Hall
Chair

Alex Paterson

Alex Paterson
Chief Executive and
Accountable Officer

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

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

REPORTING ON THE AUDIT OF THE FINANCIAL STATEMENTS OPINION ON FINANCIAL STATEMENTS

I have audited the financial statements in the annual report and financial statements of Historic Environment Scotland for the year ended 31 March 2023 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 Activity, the Charity Statement of Financial Activity, the Consolidated and Charity Balance Sheets, the Consolidated and Charity Cash Flow Statements and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2023 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;

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

BASIS FOR OPINION

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 5 June 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence

I have obtained is sufficient and appropriate to provide a basis for my opinion.

CONCLUSIONS RELATING TO GOING CONCERN BASIS OF ACCOUNTING

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

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

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

RISKS OF MATERIAL MISSTATEMENT

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

RESPONSIBILITIES OF THE ACCOUNTABLE OFFICER AND TRUSTEES FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

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

- using my understanding of the central government sector to identify that the Historic Environment Scotland Act 2014 and directions made thereunder by the Scottish Ministers, the Charities and Trustee Investment (Scotland) Act 2005, and The Charities Accounts (Scotland) Regulations 2006 are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

REPORTING ON REGULARITY OF EXPENDITURE AND INCOME

OPINION ON REGULARITY

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

RESPONSIBILITIES FOR REGULARITY

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

REPORTING ON OTHER REQUIREMENTS

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

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

OTHER INFORMATION

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

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

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

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

In my 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 I AM REQUIRED TO REPORT BY EXCEPTION

I am required by The Charities Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

CONCLUSIONS ON WIDER SCOPE RESPONSIBILITIES

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

USE OF MY 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 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Claire Gardiner

Claire Gardiner CPFA
Audit Director

Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

23 November 2023

Claire Gardiner is eligible to act as an auditor in terms of section 21 of the Public Finance and Accountability (Scotland) Act 2000.

FINANCIAL STATEMENTS

Year ended: 31 March 2023

CUNNTASAN BLIADHNAIL

Bliadhna chrìochnaichte: 31 Màrt 2023

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITY FOR THE YEAR ENDED 31 MARCH 2023

		2022-23			2021-22		
	Note	Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
Income from:							
Government grant in aid		62,100	-	62,100	73,939	-	73,939
Charitable activities	3	35,053	3,060	38,113	15,318	1,629	16,947
Other trading activities	4	14,490	-	14,490	6,091	-	6,091
Donations and legacies		169	-	169	66	-	66
Other income	5	358	-	358	357	-	357
Total income		112,170	3,060	115,230	95,771	1,629	97,400
Expenditure on:							
Raising funds	6	(12,971)	-	(12,971)	(8,349)	-	(8,349)
Charitable activities	7	(85,919)	(2,944)	(88,863)	(75,272)	(2,336)	(77,608)
Grants	8	(17,872)	-	(17,872)	(16,216)	-	(16,216)
Total expenditure		(116,762)	(2,944)	(119,706)	(99,837)	(2,336)	(102,173)
Net income / (expenditure)		(4,592)	116	(4,476)	(4,066)	(707)	(4,773)
Transfers between funds	25	(55)	55	-	(598)	598	-
Gain on revaluation of fixed assets	28	2,485	-	2,485	1,575	-	1,575
Net movement in funds		(2,162)	171	(1,991)	(3,089)	(109)	(3,198)
Reconciliation of funds							
Total funds brought forward		14,794	2,629	17,423	17,883	2,738	20,621
Total funds carried forward	25	12,632	2,800	15,432	14,794	2,629	17,423

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

The notes on pages 79 to 108 form part of these financial statements

CHARITY STATEMENT OF FINANCIAL ACTIVITY FOR THE YEAR ENDED 31 MARCH 2023

	Note	2022-23			2021-22		
		Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
Income from:							
Government grant in aid		62,100	-	62,100	73,939	-	73,939
Charitable activities	3	35,053	3,060	38,113	15,318	1,629	16,947
Gift aid			-	-	-	-	-
Donations and legacies		169	-	169	66	-	66
Other income	5	5,875	-	5,875	5,451	-	5,451
Total income		103,197	3,060	106,257	94,774	1,629	96,403
Expenditure on:							
Charitable activities	7	(85,919)	(2,944)	(88,863)	(75,272)	(2,336)	(77,608)
Grants	8	(17,872)	-	(17,872)	(16,216)	-	(16,216)
Other	10	(6,688)	-	(6,688)	(5,290)	-	(5,290)
Total expenditure		(110,479)	(2,944)	(113,423)	(96,778)	(2,336)	(99,114)
Net income / (expenditure)		(7,282)	116	(7,166)	(2,004)	(707)	(2,711)
Transfers between funds	25	(55)	55	-	(598)	598	-
Gain on revaluation of fixed assets	28	2,485	-	2,485	1,575	-	1,575
Net movement in funds		(4,852)	171	(4,681)	(1,027)	(109)	(1,136)
Reconciliation of funds							
Total funds brought forward		19,892	2,629	22,521	20,919	2,738	23,657
Total funds carried forward	25	15,040	2,800	17,840	19,892	2,629	22,521

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

The notes on pages 79 to 108 form part of these financial statements

CONSOLIDATED AND CHARITY BALANCE SHEETS AS AT 31 MARCH 2023

	Note	2022-23 Group £000	2022-23 Charity £000	2021-22 Group £000	2021-22 Charity £000
Fixed assets:					
Intangible assets	15	1,939	1,939	2,013	2,013
Tangible assets	16	45,450	45,450	42,514	42,514
Heritage assets	17	361	361	361	361
Investments	18	-	-	-	1,157
Total fixed assets		47,750	47,750	44,888	46,045
Current assets:					
Stock	19	2,761	393	2,507	370
Debtors	20	3,270	8,850	4,271	11,428
Cash at bank and in hand		16,161	15,430	12,990	12,610
Total current assets		22,192	24,673	19,768	24,408
Current liabilities:					
Creditors: amounts falling due within one year	21	(36,145)	(36,239)	(32,893)	(33,605)
Net current liabilities		(13,953)	(11,566)	(13,125)	(9,197)
Total assets less current liabilities		33,797	36,184	31,763	36,848
Creditors: amounts falling due outside one year	22	(14,034)	(14,013)	(11,685)	(11,672)
Provisions for liabilities	24	(4,331)	(4,331)	(2,655)	(2,655)
Net assets		15,432	17,840	17,423	22,521
Funds:					
Restricted funds	25	2,800	2,800	2,629	2,629
General reserve	25	(12,489)	(10,081)	(8,493)	(3,395)
Designated funds	25	1,963	1,963	1,963	1,963
Revaluation reserve	28	23,158	23,158	21,324	21,324
Unrestricted funds		12,632	15,040	14,794	19,892
Total funds		15,432	17,840	17,423	22,521

These financial statements of Historic Environment Scotland, registered charity number SC045925, were approved by the Board and the Accountable Officer and authorised for issue on 23 November 2023.

Dr Hugh Hall

Dr Hugh Hall
Chair

Alex Paterson

Alex Paterson
Chief Executive and Accountable Officer

The notes on pages 79 to 108 form part of these financial statements

CONSOLIDATED AND CHARITY CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

	Note	2022-23 Group £000	2022-23 Charity £000	2021-22 Group £000	2021-22 Charity £000
Reconciliation of net expenditure to net cash flow from operating activities					
Net expenditure		(4,476)	(7,166)	(4,773)	(2,711)
Adjustments for					
Depreciation	16	2,470	2,470	2,550	2,550
Amortisation	15	1,095	1,095	1,135	1,135
Impairment of fixed assets		-	-	8	8
Increase / (decrease) in provisions	24	1,676	1,676	(277)	(277)
(Increase) / decrease in stock	19	(254)	(23)	701	10
Decrease / (increase) in debtors	20	1,001	2,578	(625)	(1,693)
Increase in creditors	21, 22	5,600	6,131	2,647	2,500
Net cash generated from operating activities		7,112	6,761	1,366	1,522
Cash flows from investing activities					
Purchase of fixed assets	15, 16	(3,941)	(3,941)	(1,175)	(1,175)
Net cash used in investing activities		(3,941)	(3,941)	(1,175)	(1,175)
Net increase in cash					
Cash at the beginning of period		12,990	12,610	12,799	12,263
Cash at the end of period		16,161	15,430	12,990	12,610

The notes on pages 79 to 108 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

a. Basis of preparation

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

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

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

- The Accounts Direction issued by Scottish Ministers (reproduced as an appendix);
- Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), second edition, effective 1 January 2019 (Charities SORP); and related information sheets;
- The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102);
- The 2022-23 Government Financial Reporting Manual (FReM) issued by HM Treasury;
- The Charities and Trustee Investment (Scotland) Act 2005; and

- The Charities Accounts (Scotland) Regulations 2006.

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

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

b. Going concern basis

The Board and Accountable Officer have considered whether it is appropriate to prepare the financial statements on a going concern basis, with particular consideration to the economic and financial sustainability risk as set out in the Principal Risks section on page 13, and the negative general reserves and negative current liabilities.

The Scottish Government's Resource Spending Review 2023-24 to 2026-27 provides some assurance over future funding levels. The Board and Accountable Officer have reviewed latest financial projections, considering government funding and commercial income, and are satisfied that it remains appropriate to prepare HES's financial statements on a going concern basis. Further information is disclosed on page 30 within the Financial Review.

c. Basis of consolidation

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

The reporting date of the financial statements for both HES and its subsidiaries is 31 March 2023 and there is no difference in reporting dates that needs to be disclosed with regards preparation of the consolidated financial statements.

d. Income

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

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

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

Government grant in aid

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

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

Other grant income

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

Admissions, retail and other earned income

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

1. ACCOUNTING POLICIES (continued)

Membership income

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

Historic Scotland life membership income is recognised in 20 equal annual instalments and allocated to income from charitable activities within the statement of financial activities.

Donations

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

e. Expenditure

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

Expenditure is classified in the statement of financial activity according to activity to which it relates: raising funds, charitable activities, grants, or other. Further information on these costs is provided in the Financial Review on page 30.

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

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

f. Grants payable

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

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

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

g. Leases

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

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

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

h. Fund accounting

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

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

i. Tangible fixed assets

Initial recognition

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

Properties in care

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

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

Land, buildings and dwellings

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

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

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

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

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

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

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

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

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

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

Leasehold building improvements
Leasehold building improvements (LBIs) represent the fit-out costs

where HES is tenant. Depreciated historic cost has been used as a proxy for the current value as LBIs comprise lots of individual items of relatively low value in comparison to the overall total. The depreciation charge is thought to provide a realistic reflection of consumption.

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

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

Works of art

Works of art included in tangible fixed assets relate to works commissioned by HES (or its predecessor bodies) and are stated at depreciated historic cost.

Assets under construction

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

Subsequent costs

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

during the financial year in which they are incurred.

Capitalisation thresholds

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

Donated fixed assets

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

Depreciation

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

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

Land: Not depreciated

Buildings and dwellings:

On an individual basis not exceeding 60 years

Leasehold building improvements (included within buildings and dwellings):

Over the term of the lease

Motor vehicles: 5 years

ICT systems: 3 years

Plant and equipment: 5 years

Works of arts (non-heritage):

Up to 60 years

1. ACCOUNTING POLICIES (continued)

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

j. Intangible fixed assets

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

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

Assets under construction

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

Amortisation

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

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

Archive rights: 10 years

Software, licences & websites:
3 years

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

k. Heritage fixed assets

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

Properties in care

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

Archives and Collections

HES owns or holds in its care archives and collections relating to Scotland's wider historic environment. It is the opinion of the Board and Accountable Officer that due to the number of items, lack of comparative market values and the diverse nature of the collection, reliable cost or valuation information cannot be obtained. HES does not therefore recognise these assets on its balance sheet. The exception is acquisitions since 2004 where reliable cost information is available.

Conservation costs

Expenditure which is required to conserve and maintain heritage assets, in line with HES responsibility to protect and enhance the historic environment, is charged to the

statement of financial activity when it is incurred.

l. Investments

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

m. Stock

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

n. Cash at bank and in hand

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

o. Financial instruments

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

Financial assets

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

Financial assets are assessed for indicators of impairment at each balance sheet date. If there is

objective evidence of impairment, an impairment loss is charged to the statement of financial activity.

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

Financial liabilities

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

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

p. Provisions

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

q. Pensions

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

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

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

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

r. Realised element on depreciation of revaluation reserve

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

s. Foreign currency

Transactions denominated in foreign currencies are translated to sterling at the rate ruling at the

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

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

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES

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

a. Judgements

Going concern

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

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

b. Estimates

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. However, there is not considered to be a significant risk of material adjustment in the next reporting period. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

Value of property

At 31 March 2023 approximately 20% of the land, buildings and dwellings assets were valued by District Valuers of the Valuation Office Agency acting in the capacity of external valuers. HES undertakes this valuation exercise annually as part of a five-year rolling programme of professional valuations in accordance with the Charities SORP. The valuations were conducted in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

The valuation report has been used to inform the measurement of assets in these financial statements. The carrying amounts of land, buildings and dwellings as at 31 March 2023 is reported in the tangible fixed assets note (note 16) and the impact of the valuation as at 31 March 2023 is reported in the revaluation reserve note (note 28).

As noted, HES has not obtained a complete valuation of all land, buildings and dwellings assets as at 31 March 2023. The carrying amounts of land, buildings, and dwellings not subject to valuation as at 31 March 2023 have been updated using appropriate indices. HES recognises that there may now be greater uncertainty in markets on which the valuations

for the remaining assets were based (dating from 2018-19 to 2021-22), and on which asset measurements reflected in these statements have also been calculated.

Provisions for future liabilities

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

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

3. INCOME FROM CHARITABLE ACTIVITIES – GROUP AND CHARITY

	2022-23			2021-22		
	Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
Admissions	30,286	-	30,286	10,723	-	10,723
Membership	4,033	-	4,033	3,701	-	3,701
Audio Tours	794	-	794	199	-	199
Imaging sales – charitable	54	-	54	70	-	70
Third party services	84	-	84	167	-	167
Visitor events	68	-	68	13	-	13
Historic Scotland Foundation grants	-	679	679	-	338	338
Partnership funding	(343)	2,381	2,038	337	1,291	1,628
Other	77	-	77	108	-	108
	35,053	3,060	38,113	15,318	1,629	16,947

4. INCOME FROM TRADING ACTIVITIES – GROUP

	2022-23	2021-22
	Unrestricted £000	Unrestricted £000
Retail and catering	10,115	3,460
Imaging sales – trading	1,637	1,383
Events and venue hire	1,868	939
Other	870	309
Total	14,490	6,091

5. OTHER INCOME

Group

	2022-23	2021-22
	Unrestricted	Unrestricted
	£000	£000
Other	358	357
Total	358	357

Charity

	2022-23	2021-22
	Unrestricted	Unrestricted
	£000	£000
Recharges for personnel and services	5,189	4,911
Intercompany loan interest	328	183
Other	358	357
Total	5,875	5,451

6. EXPENDITURE ON RAISING FUNDS – GROUP

	2022-23	2021-22
	Unrestricted	Unrestricted
	£000	£000
Direct salaries	3,661	3,395
Direct costs	6,452	3,083
Support costs	2,404	1,513
Depreciation	454	358
Total	12,971	8,349

7. EXPENDITURE ON CHARITABLE ACTIVITIES – GROUP AND CHARITY

	Operations	Cultural Assets	Marketing and Engagement	Heritage	External relations and partnership	2022-23 Total
	£000	£000	£000	£000	£000	£000
Direct salaries	25,316	8,605	4,419	6,323	1,521	46,184
Direct costs	12,456	3,354	4,986	1,099	438	22,333
Support costs	9,624	2,970	2,274	1,879	516	17,263
Depreciation	1,699	538	424	334	88	3,083
Impairment	-	-	-	-	-	-
	49,095	15,467	12,103	9,635	2,563	88,863
Unrestricted	49,046	14,290	11,138	8,919	2,526	85,919
Restricted	49	1,177	965	716	37	2,944
	49,095	15,467	12,103	9,635	2,563	88,863

	Operations	Cultural Assets	Marketing and Engagement	Heritage	External relations and partnership	2021-22 Total
	£000	£000	£000	£000	£000	£000
Direct salaries	22,246	7,039	3,926	6,090	1,314	40,615
Direct costs	9,411	4,748	3,566	755	521	19,001
Support costs	7,998	2,795	1,751	1,686	463	14,693
Depreciation	1,743	652	415	379	102	3,291
Impairment	8	-	-	-	-	8
	41,406	15,234	9,658	8,910	2,400	77,608
Unrestricted	41,134	14,528	8,840	8,598	2,172	75,272
Restricted	272	706	818	312	228	2,336
	41,406	15,234	9,658	8,910	2,400	77,608

8. EXPENDITURE ON GRANTS – GROUP AND CHARITY

	2022-23	2021-22
	Unrestricted	Unrestricted
	£000	£000
Grants payable	17,062	15,348
Direct salaries	553	554
Direct costs	70	110
Support costs	159	167
Depreciation	28	37
	17,872	16,216

	2022-23	2021-22
	Unrestricted	Unrestricted
	£000	£000
Grants invested from current year funding	12,693	12,274
Grant returned to HES	(171)	(31)
Movement in grant commitments from future funding	4,540	3,105
Grants payable	17,062	15,348

9. SUPPORT COSTS – GROUP AND CHARITY

	Raising Funds	Charitable Activities	Grants	2022-23 Total
	£000	£000	£000	£000
Information systems	793	5,373	49	6,215
Office running costs	679	4,601	42	5,322
Finance	344	2,332	21	2,697
HR	132	1,641	17	1,790
Chief executive's office	146	991	9	1,146
Information governance	93	630	6	729
Health, safety, and security	40	501	5	546
Governance	50	335	3	388
Corporate analysis and performance	38	260	2	300
Communications	38	255	2	295
Project management office	31	212	2	245
Other	20	132	1	153
	2,404	17,263	159	19,826

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

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

Charity

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

10. EXPENDITURE ON OTHER – CHARITY

	2022-23	2021-22
	£000	£000
Direct salaries	3,830	3,419
Support costs	2,404	1,513
Depreciation	454	358
	6,688	5,290

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

11. GRANTS – GROUP AND CHARITY

	2022-23	2021-22
	£000	£000
Grants commitment at beginning of period	33,514	31,165
Grants awarded	17,934	16,280
Grants reduced	(812)	(854)
Grants paid in year	(13,709)	(13,077)
Grants commitment at end of period	36,927	33,514

	2022-23	2021-22
	£000	£000
Accrual for grants payable falling due within one year	22,529	21,995
Accrual for grants payable falling due outside one year	12,232	9,235
Grants retentions falling due within one year	1,009	495
Grants retentions falling due outside one year	1,157	1,789
	36,927	33,514

Grants awarded

	2022-23			2021-22		
	Institutions £000	Individuals £000	Total £000	Institutions £000	Individuals £000	Total £000
Archaeology Programme funding	108	-	108	14	37	51
City Heritage Trust	9,414	-	9,414	4,408	-	4,408
Conservation Area Regeneration Scheme	1,180	-	1,180	3,566	-	3,566
Historic Environment Repair Grants	2,331	24	2,355	3,580	-	3,580
Historic Environment Support Fund	312	49	361	234	27	261
Organisational Support Fund	949	-	949	4,125	-	4,125
Partnership Fund	3,567	-	3,567	-	-	-
Historic Environment Recovery Fund	-	-	-	27	-	27
	17,861	73	17,934	15,954	64	16,018

Information of our grants policy can be found on page 35. Details of the grants awarded during the year ended 31 March 2023 can be found at: www.historicenvironment.scot/grants-and-funding/grants-awarded-by-us.

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

12. EXPENDITURE DISCLOSURES

	2022-23	2021-22
External auditor's remuneration for audit of the financial statements	£000	£000
Historic Environment Scotland	107	82
Historic Environment Scotland Enterprises Limited	11	11
	118	93

There was no external auditor's remuneration for other services in 2022-23 or 2021-22.

	2022-23	2021-22
Board members' expenses	£000	£000
Accommodation, travel, and subsistence incurred by or on behalf of board members	3	1

	2022-23	2021-22
Number of board members	£000	£000
Number of board members	16	10
Number of board members claiming expenses	5	3
Number of board members for whom payments were made to third parties on their behalf	-	-

13. STAFF COSTS – GROUP AND CHARITY

Staff costs for the year to 31 March 2023 were £60,109,000 (2021-22: £53,375,000). Further analysis of these costs is shown within the Remuneration and Staff Report on page 61.

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (known as alpha) are unfunded multi-employer defined benefit schemes but HES is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2020. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice.gov.uk/pensions.

For the year to 31 March 2023, employers' contributions of £11,152,450 (2021-22: £10,152,000) were payable to the PCSPS and alpha at one of four rates in the

range 26.6% to 30.3% (2021-22: 26.6% to 30.3%) of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation.

The anticipated employers' contributions for the year to 31 March 2024 are £12,947,000.

The contribution rates are set to meet the cost of the benefits accruing during the year ended 31 March 2023 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 £125,000 (2021-22: £132,000) were paid to the appointed stakeholder pension

provider. Employer contributions are age related and range from 8% to 14.75% of pensionable earnings. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £4,000 (2021-22: £5,000), 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £15,000 (2021-22: £16,000). No contributions were prepaid at that date (2021-22: £nil).

Key management personnel remuneration is disclosed in the Remuneration and Staff Report on pages 55 to 66.

14. RELATED PARTIES – GROUP AND CHARITY

Scottish Government

HES is a Non-Departmental Public Body (NDPB) sponsored by the Scottish Government. The Scottish Government is considered a related party as it has significant influence over HES through funding and legislation. HES's relationship with the Scottish Government is set out in our Framework Agreement. Grant in Aid funding received from the Scottish Government is reported in the consolidated statement of financial activity on page 75.

Group Undertakings:

HES wholly owned two subsidiaries during 2022–23: Historic Environment Scotland Enterprises Limited (HESe) and Scran Limited (Scran). All transactions between HES, HESe and Scran are eliminated on consolidation.

Transactions undertaken with group undertakings during the year were:

	2022-23 £000	2021-22 £000
Supply of personnel and support services from HES to HESe	5,189	4,911
Intercompany loan interest from HESe to HES	328	183
Supply of facilities from HESe to HES	144	-
Gift aid donation from HESe to HES	-	-
	5,661	5,094

Amount receivable from/due to group undertakings:

	Debtors receivable 2022-23 £000	Creditors outstanding 2022-23 £000	Debtors receivable 2021-22 £000	Creditors outstanding 2021-22 £000
HESe - Loan	6,302	-	7,475	-
HESe - Intercompany account	-	833	-	87
Scran	-	-	-	1,157
	6,302	833	7,475	1,244

Transactions related to the dissolution of Scran Limited

Scran ceased trading on 31 March 2016 and the company has been dormant since. As part of the process of winding up the company, issued share capital was reduced from £1,908,158 to £1 by cancelling and extinguishing 1,908,157 ordinary shares of £1 each in the capital of the company. The Company then distributed an existing intercompany debt to HES by way of a dividend-in-specie of £1,157,088. These steps were carried out in March 2023 and the company was dissolved on 20 June 2023.

14. RELATED PARTIES – GROUP AND CHARITY (continued)

Board members, directors and other senior staff of HES

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

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

Crichton Trust

HES Board Member Dr Janet Brennan is a Trustee of Crichton Trust. HES incurred costs in 2022-23 of £15,000 (2021-22: £14,000). Amounts due from HES were £Nil (2021-22: £Nil).

Whithorn Trust

HES Board Member Dr Janet Brennan is a Director/Board Member of the Whithorn Trust. HES incurred costs in 2022-23 of £33,000 (2021-22: £Nil). Amounts due from HES were £Nil (2021-22: £Nil).

Society of Antiquaries of Scotland

Dr Rebecca Jones was the HES Head of Archaeology and World Heritage until leaving HES in January 2023. Her spouse is the CEO of The Society of Antiquaries of Scotland. HES made payments of previously awarded grants of £237,000 (2021-22: £123,000). Amounts due from HES were £Nil (2021-22: £Nil).

Iona Community

HES Board Member Paul Stollard is an Associate Member for The Iona Community. HES received payments in 2022-23 of £24,000 (2021-22: £18,000). HES incurred costs in 2022-23 of £21,000 (2021-22: £22,000). Amounts due from HES were £7,000 (2021-22: £2,000). The Scottish Government agreed to a rent waiver of £73,000 for the years 2020 to 2024 to mitigate planned rental increases.

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

Further details can be found within the [Register of Declared Interests](#) which is publicly available on HES website.

15. INTANGIBLE ASSETS – GROUP AND CHARITY

	Archive rights £000	Software, licences & website £000	Assets under construction £000	Total £000
Cost				
As at 1 April 2021	54	3,461	134	3,649
Additions	-	-	383	383
Transfers	-	1,259	(309)	950
Disposals	-	-	-	-
As at 31 March 2022	54	4,720	208	4,982
Additions	-	-	1,020	1,020
Transfers	-	124	(124)	-
Disposals	-	-	-	-
As at 31 March 2023	54	4,844	1,104	6,002
Accumulated amortisation				
As at 1 April 2021	(40)	(1,794)	-	(1,834)
Charge for the year	(7)	(1,128)	-	(1,135)
Disposals	-	-	-	-
As at 31 March 2022	(47)	(2,922)	-	(2,969)
Charge for the year	(7)	(1,087)	-	(1,094)
Disposals	-	-	-	-
As at 31 March 2023	(54)	(4,009)	-	(4,063)
Net Book Value				
As at 31 March 2021	14	1,667	134	1,815
As at 31 March 2022	7	1,798	208	2,013
As at 31 March 2023	-	835	1,104	1,939

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

16. TANGIBLE FIXED ASSETS – GROUP AND CHARITY

	Land £000	Buildings £000	Dwellings £000	Motor vehicles £000
Cost or Valuation				
As at 1 April 2021	3,221	33,319	4,359	3,182
Additions	-	9	-	-
Transfers	-	-	-	-
Disposals	-	-	-	-
Revaluation and Indexation	117	770	249	-
Impairment	-	-	-	-
As at 31 March 2022	3,338	34,098	4,608	3,182
Additions	-	31	-	155
Transfers	-	175	-	-
Disposals	-	-	-	(23)
Revaluation and Indexation	289	1,656	128	-
Impairment	-	-	-	-
As at 31 March 2023	3,627	35,960	4,736	3,314
Accumulated Depreciation and Impairment				
As at 1 April 2021	(7)	(1,962)	(352)	(2,573)
Charge for the year	-	(1,245)	(169)	(266)
Transfers	-	-	-	-
Disposals	-	-	-	-
Impairment	-	-	-	-
Revaluation and Indexation	-	292	147	-
As at 31 March 2022	(7)	(2,915)	(374)	(2,839)
Charge for the year	-	(1,296)	(185)	(186)
Transfers	-	-	-	-
Disposals	-	-	-	23
Impairment	-	-	-	-
Revaluation and Indexation	-	240	172	-
As at 31 March 2023	(7)	(3,971)	(387)	(3,002)
Net Book Value				
As at 31 March 2021	3,214	31,357	4,007	609
As at 31 March 2022	3,331	31,183	4,234	343
As at 31 March 2023	3,620	31,989	4,349	312
Historic Cost				
As at 31 March 2021	1,450	13,381	-	609
As at 31 March 2022	1,450	12,836	-	343
As at 31 March 2023	1,450	11,570	-	312

ICT systems	Plant & equipment	Works of art	Assets under construction	Total
£000	£000	£000	£000	£000
6,910	7,365	2,331	1,308	61,995
246	302	-	235	792
-	317	-	(1,267)	(950)
(8)	(413)	-	-	(421)
-	-	-	-	1,136
-	-	-	(8)	(8)
7,148	7,571	2,331	268	62,544
1,351	385	-	999	2,921
-	-	-	(175)	-
-	(126)	-	-	(149)
-	-	-	-	2,073
-	-	-	-	-
8,499	7,830	2,331	1,092	67,389
(6,153)	(6,378)	(915)	-	(18,340)
(438)	(365)	(67)	-	(2,550)
-	-	-	-	-
8	413	-	-	421
-	-	-	-	-
-	-	-	-	439
(6,583)	(6,330)	(982)	-	(20,030)
(367)	(400)	(36)	-	(2,470)
-	-	-	-	-
-	126	-	-	149
-	-	-	-	-
-	-	-	-	412
(6,950)	(6,604)	(1,018)	-	(21,939)
757	987	1,416	1,308	43,655
565	1,241	1,349	268	42,514
1,549	1,226	1,313	1,092	45,450
757	1,023	1,416	1,308	19,944
565	1,277	1,349	267	18,087
1,549	1,262	1,313	1,092	18,548

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

Valuation of land, buildings and dwelling

At 31 March 2023, approximately 20% of the land, buildings and dwelling assets were valued by District Valuers of the Valuation Office Agency.

Valuation assumptions

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

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

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

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

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

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

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

All DRC valuations are inclusive of professional fees and irrecoverable VAT but exclude finance charges, in accordance with HM Treasury guidance.

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

Historic cost value of dwelling

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

17. HERITAGE ASSETS – GROUP AND CHARITY

Properties in Care

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

The [Scheme of Delegation by Scottish Ministers to Historic Environment Scotland – Properties in Care](#) set out the PICs and HES's responsibilities for managing these. HES publishes [Properties in Case of Scottish Ministers Annual Reports](#) detailing activity undertaken on the PICs.

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

Archives and collections

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

- [Archives](#) – over five million archival items relating to all aspects of the historic environment of Scotland
- [Properties in Care Associated Collections](#) (PICACs) – over 42,000 objects of cultural significance relating to the history and archaeology of properties in our care (PICs)
- [National Collection of Aerial Photography](#) (NCAP) – over 30 million aerial images featuring historic events and places worldwide, including 1.6 million images of Scotland
- HES also holds responsibility for some 100,000 recently excavated archaeological artefacts being studied prior to allocation to museums via the Treasure Trove system.

As set out in accounting policy 1k Heritage fixed assets, HES does not recognise these assets on its balance sheet, with the exception of acquisitions since 2004 where reliable cost information is available. The value of heritage assets included in the balance sheet are set out in the table below:

Collections

	2022-23	2021-22
	£000	£000
Cost and net book value as at beginning and end of period	361	361

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

18. INVESTMENTS – CHARITY

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

	2022-23 £000	2021-22 £000
HESe	-	-
Scran	-	1,157
As at end of period	-	1,157

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

HESe

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

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

	2022-23 £000	2021-22 £000
Income	14,490	6,091
Expenditure	(11,801)	(8,152)
Profit / (loss)	2,689	(2,061)
Gift aid to HES	-	-

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

	2022-23 £000	2021-22 £000
Current assets	4,655	2,922
Creditors: amounts falling due within one year	(7,043)	(8,006)
Creditors: amounts falling due after more than one year	(20)	(13)
Net liabilities	(2,408)	(5,097)

Scran

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

Scran was dormant for 2022-23 and did not have any income or expenditure for the current or prior year.

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

	2022-23	2021-22
	£000	£000
Current assets	-	1,157
Net Assets	-	1,157

Scran's current assets at 31 March 2022 related solely to amounts owed by HES as a result of the transfer of its net assets on 1 April 2016. Scran issued a dividend-in-specie of £1,157,088 in March 2023 in settlement of the debt to HES.

19. STOCK

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

	2022-23	2022-23	2021-22	2021-22
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Retail stocks net of obsolescence provision	2,368	-	2,135	-
Work stocks - raw materials and consumables	393	393	372	370
	2,761	393	2,507	370

The value of retail stocks is shown net of a provision for obsolete and discontinued stock. The value of the provision as at 31 March 2023 was £95,000 (2021-22: £97,000).

Retail stocks included as cost of sales for 2022-23 were £4,215,000 (2021-22: £1,326,000).

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

20. DEBTORS

	2022-23	2022-23	2021-22	2021-22
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Trade debtors	1,197	682	1,133	894
Taxes	-	-	448	448
Amounts owed by group undertakings	-	6,302	-	7,475
Prepayments	1,407	1,282	1,185	1,116
Accrued income	367	285	600	590
Reimbursement of provisions	227	227	528	528
Other debtors	72	72	377	377
	3,270	8,850	4,271	11,428

21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022-23	2022-23	2021-22	2021-22
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Accrual for grants payable	22,529	22,529	21,995	21,995
Grants retentions	1,009	1,009	495	495
Trade payables	986	955	530	442
Amounts owing to group undertakings	-	833	-	1,244
Other payables	2,313	2,240	2,336	2,314
Accruals	6,478	6,035	5,574	5,250
Deferred income	2,830	2,638	1,963	1,865
	36,145	36,239	32,893	33,605

22. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2022-23	2022-23	2021-22	2021-22
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Accruals for grants payable	12,232	12,232	9,235	9,235
Grants retentions	1,157	1,157	1,789	1,789
Deferred income	645	624	661	648
	14,034	14,013	11,685	11,672

23. DEFERRED INCOME

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

	Group	Charity
	£000	£000
Total deferred income as at 1 April 2022	2,624	2,513
Amounts released during the period	(1,594)	(1,510)
Amounts deferred during the period	2,445	2,260
Total deferred income as at 31 March 2023	3,475	3,263

24. PROVISIONS FOR LIABILITIES – GROUP AND CHARITY

	Compensation	Dilapidations	Other	Total
	payments	£000	£000	£000
	£000	£000	£000	£000
Balance as at 1 April 2022	528	2,127	-	2,655
Provisions made in the year	-	2,028	96	2,124
Provisions used during the year	(50)	-	-	(50)
Provisions released during the year	(251)	(147)	-	(398)
Balance as at 31 March 2023	227	4,008	96	4,331

Compensation payments relate to claims for accidents to HES staff and visitors to the monuments. The estimate is based on information received about the progress of claims and likelihood of any potential liability. The outcome and date of any settlement for these claims is unknown at this stage. There is an expected reimbursement from our insurance provider for the compensation payments. Please see reimbursement debtor within Note 20.

The provision for leasehold dilapidations relates to properties where HES has a legal responsibility as tenants for such costs. The outcome and date of any settlement for these dilapidation payments is unknown at this stage.

25. FUNDS

	As at 1 April 2022	Income	Expenditure	Transfer between reserves	Gains & losses	As at 31 March 2023
	£000	£000	£000	£000	£000	£000
Restricted funds – Group and Charity						
Heritage Lottery Fund Engine Shed	2,560	-	(64)	-	-	2,496
Stockholm University Directorate of Overseas Surveys (DOS) Digitisation	-	523	(523)	-	-	-
Historic Scotland Foundation (HSF) Heritage Hub	-	500	(500)	-	-	-
HSF Geophysics	-	124	(119)	-	-	5
Art & Humanities Research Council (AHRC) CResCA	-	973	(969)	-	-	4
AHRC Capability for Collections Fund	32	-	-	-	-	32
AHRC Towards a National Collection	18	341	(366)	-	-	(7)
AHRC Rockart	41	-	(16)	-	-	25
Funds less than £100,000	(22)	599	(387)	55	-	245
Total restricted funds – Group and Charity	2,629	3,060	(2,944)	55	-	2,800
Unrestricted funds – Group						
General reserve	(8,493)	112,170	(116,762)	596	-	(12,489)
Designated fund	1,963	-	-	-	-	1,963
Revaluation reserve	21,324	-	-	(651)	2,485	23,158
Total unrestricted funds – Group	14,794	112,170	(116,762)	(55)	2,485	12,632
Unrestricted funds – Charity						
General reserve	(3,395)	103,197	(110,479)	596	-	(10,081)
Designated fund	1,963	-	-	-	-	1,963
Revaluation reserve	21,324	-	-	(651)	2,485	23,158
Total unrestricted funds – Charity	19,892	103,197	(110,479)	(55)	2,485	15,040
All funds – Group	17,423	115,230	(119,706)	-	2,485	15,432
All funds – Charity	22,521	106,257	(113,423)	-	2,485	17,840

Designated funds

Purpose

Properties in care conservation fund

HES established a new designated fund as at 31 March 2021 to support conservation of our Properties in Care. The fund is expected to be fully utilised as required over the next few years.

Restricted funds

Restriction and use

Heritage Lottery Fund Engine Shed

For the construction of the Engine Shed, a dedicated building conservation centre.

Stockholm University – DOS Digitisation

For the digitisation of the Directorate of Overseas Surveys (DOS) Collection.

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

Restricted funds (continued)

Restriction and use

Historic Scotland Foundation - (HSF) Heritage Hub	To create a Digital Experience Platform that will allow HES to bring many of our services together, enabling access, integrating learning materials with site and archive materials.
HSF Geophysics	Geology Research
Architectural Heritage Research Council (AHRC) – CResCA (Creative Research Capability)	Creating Immersive Experiences
AHRC- Capability for Collections Fund	For the purpose of purchasing capital equipment for research.
AHRC – Rock Art	To fund the Rock Art research programme, dedicated to recording, researching and raising awareness of over 3,000 prehistoric carvings.

26. NET ASSETS BY FUND

Net Assets	Fixed assets £000	Cash £000	Other net current liabilities £000	Creditors falling due outside one year £000	Provisions £000	2022-23 Total £000
Group						
Restricted funds	2,496	304	-	-	-	2,800
General reserve	22,096	13,893	(30,113)	(14,034)	(4,331)	(12,489)
Designated fund	-	1,963	-	-	-	1,963
Revaluation reserve	23,158	-	-	-	-	23,158
Total Funds	47,750	16,160	(30,113)	(14,034)	(4,331)	15,432
Charity						
Restricted funds	2,496	304	-	-	-	2,800
General reserves	22,096	13,163	(26,996)	(14,013)	(4,331)	(10,081)
Designated fund	-	1,963	-	-	-	1,963
Revaluation reserve	23,158	-	-	-	-	23,158
Total Funds	47,750	15,430	(26,996)	(14,013)	(4,331)	17,840

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

27. LEASING – GROUP AND CHARITY

Total payments for operating leases for 2022-23 were £2,113,000 (2021-22: £2,050,000).

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

	Land & Buildings	Equipment	2022-23 Total	Land & Buildings	Equipment	2021-22 Total
	£000	£000	£000	£000	£000	£000
Not later than one year	2,110	6	2,116	2,040	6	2,046
Later than one year and not later than five years	7,655	-	7,655	7,898	-	7,898
Later than five years	12,237	-	12,237	10,266	-	10,266
	22,002	6	22,008	20,204	6	20,210

28. REVALUATION RESERVE – GROUP AND CHARITY

	2022-23	2021-22
	£000	£000
As at beginning of period	21,324	20,762
Revaluation and indexation of cost / valuation	2,073	1,136
Revaluation and indexation of accumulated depreciation	412	439
Gain on revaluation of fixed assets	2,485	1,575
Transfer of realised element of revaluation reserve to unrestricted reserve	(651)	(1,013)
As at end of period	23,158	21,324

29. FINANCIAL COMMITMENTS – GROUP AND CHARITY

HES has given indicative authorisation to grant applicants. While these do not represent a firm offer of grant, they reflect future potential offers and are an indication of the pressure on grants which HES faces. As at 31 March 2023, indicative authorisations totalled:

	2022-23 £000	2021-22 £000
Commitments due in:		
Less than one year	12,342	3,401
More than one year and less than five years	12,232	5,119
More than five years		-
Total	24,574	8,520

In addition, HES has capital commitments in respect of implementing a new archive facility and developing a new heritage portal.

	2022-23 £000	2021-22 £000
Commitments due in:		
Less than one year	541	-
More than one year and less than five years	-	-
More than five years	-	-
Total	541	-

30. FINANCIAL INSTRUMENTS

As at 31 March 2023 the carrying value of financial instruments totalled:

	2022-23 Group £000	2022-23 Charity £000	2021-22 Group £000	2021-22 Charity £000
Assets measured at amortised costs	17,798	22,772	15,100	21,946
Liabilities measured at amortised costs	46,705	46,989	41,955	42,764

31. CONTINGENT LIABILITIES – GROUP AND CHARITY

There are no contingent liabilities that required to be disclosed as at 31 March 2023 or as at 31 March 2022.

32. POST BALANCE SHEET EVENTS – GROUP AND CHARITY

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

ACCOUNTS DIRECTION



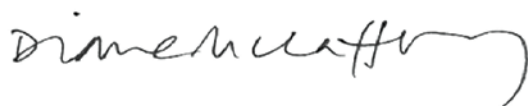
HISTORIC ENVIRONMENT SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

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

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

Signed by the authority of the Scottish Ministers



Deputy Director, Culture and Historic Environment Division

Dated: 29 September 2015

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

We are committed to ensuring this publication is accessible to everyone. If you need it supplied in a different format or language, please get in touch.



HISTORIC
ENVIRONMENT
SCOTLAND

ÀRAINNEACHD
EACHDRAIDHEIL
ALBA

Historic Environment Scotland
Longmore House, Salisbury Place
Edinburgh EH9 1SH

0131 668 8600
historicenvironment.scot

Historic Environment Scotland – Scottish Charity No. SC045925
Registered Address: Longmore House, Salisbury Place, Edinburgh EH9 1SH