

ANNUAL REPORT AND
FINANCIAL STATEMENTS
AITHISG BHLIADHNAIL
AGUS AITHRIS IONMHAIS
2019–20



HISTORIC
ENVIRONMENT
SCOTLAND

ÀRAINNEACHD
EACHDRAIDHEIL
ALBA





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INTRODUCTION

RO-RÀDH

As this Annual Report for 2019–20 is published, the world in which we operate looks very different to that of a year ago. The COVID-19 pandemic began to impact towards the end of the reporting period and I am immensely proud of the way our organisation has responded to the unprecedented challenges which this presented. Ensuring the health, safety and wellbeing of staff and visitors has been our first priority and we are working towards recovery through an Action Plan which has been adopted in response to the difficult situation, and which looks to future opportunities and new ways of working. The full effects of site closures, lost income and how we have actively responded will of course be clearer in our next Annual Report but in this uncertain climate it is heartening to look back at a year in which much was achieved.

We began in April 2019 by launching a new Corporate Plan, *Heritage for All*, setting out our inclusive vision for a historic environment in Scotland that everyone can share and which makes a real difference to people's lives. Marking the start of this new planning cycle, we announced over £4 million of investment in the historic town centres of Inverkeithing, Hawick, Lochgilphead and Mauchline through our Conservation Area Regeneration Scheme. The scheme exemplifies our approach to working with communities in Scotland to improve lives through heritage. Since its inception, £43 million has been invested, leading to the creation of more than 140 new businesses and over 460 jobs in areas of comparatively high unemployment.

More people are engaging with their historic environment than ever before; in 2019–20 we were thrilled to welcome over 5.2 million visitors to our sites, along with over 206,000 individuals who joined us as members and a further 6 million visitors to our website. We are committed to developing and innovating our approach to heritage and the visitor experience, sharing Scotland's story in new and creative ways, such as the star-studded audio guide launched at Edinburgh Castle, our first after-hours event *Castle of Light* and the development of a new exhibition at Arbroath Abbey to mark the 700th anniversary of the Declaration of Arbroath (opening now delayed until 2021).

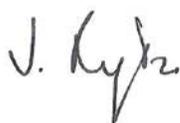
Our efforts to widen access to heritage and increase the diversity of our visitors continue. In March 2020 we launched our *British Sign Language Plan*, setting out our ambitions for communication and engagement with Deaf British Sign Language (BSL) users and the Deaf community. Through our Learning and Inclusion and Ranger programmes we engaged with over 115,000 learners (exceeding our target by 15%), the vast majority of whom were aged under 24 years. More than 170,000 archive images were made available online in 2019–20 and we are now engaging the public by asking for their support in identifying images of unknown locations. Reflecting the importance of our archive material, in November 2019 we signed a lease on a property which will provide a permanent new home for our archive.

Along with the social benefits created by access to heritage, our sites continued to deliver economic growth, with £1.1 billion of tourism spend generated and almost £65 million of commercial income which will be re-invested in the sector. This year alone we invested over £14.5 million through our grants programme, helping communities to restore their built heritage and improve their understanding of the past.

Climate change remains one of the fastest-growing threats to the survival of cultural heritage and historic sites worldwide and is an area of increasing importance for policy and operational response. In February 2020 we unveiled our *Climate Action Plan* for the next five years, which will transform how we operate and place environmental responsibility at the heart of everything we do. As well as reducing our own carbon emissions to reach a target of 'net-zero' by 2045, we are leading our sector with research into the understanding and mitigation of the effects of a changing climate on the historic environment. Alongside our international partners in the World Heritage Committee and the newly-launched Climate Heritage Network, we are contributing to a global response to issues which have very real local consequences.

As I noted at the outset, the rapidly unfolding health crisis in early 2020 necessitated the closure of all our sites and impacted on plans and projects across the whole organisation. The long-term effects of the crisis may be profound but HES and the heritage sector in general is well placed to contribute to recovery, delivering economic, social and health benefits at a time when these are paramount. I have no doubt that the dedicated work and commitment of our

staff, volunteers, members and partners, which has been so evident throughout the year, will enable us to respond positively and imaginatively to the long-term challenges. On behalf of the Board, I sincerely thank them for all their contributions.



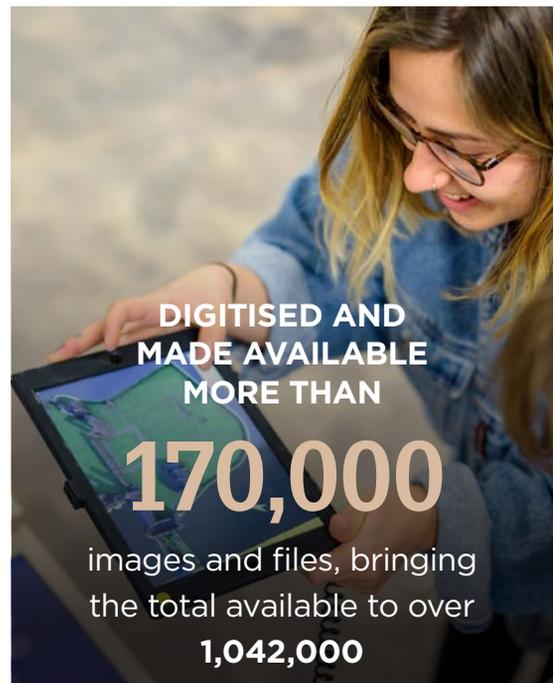
Jane Ryder OBE
Chair
Historic Environment Scotland





INVESTED
£14.5 MILLION
THROUGH OUR GRANTS PROGRAMME*

(2018-19: £14.5 million, stable position)



REDUCED OUR CARBON EMISSIONS BY
10.3%

(2018-19: down by 13.1%)

*Visitor numbers, economic impact, learners numbers were impacted by site closures during most of March and cancellations due to COVID-19 restrictions.

GENERATED
£1.1 BILLION

for the Scottish economy
from heritage tourism*

(2018-19: £1.1 billion)



INVESTED IN
**74 workforce
development roles**

(2018-19: 40, up 85%)



INSPIRED
MORE THAN
114,000
LEARNERS*

(2018-19: 129,000, down 12%)



PROVIDED
31,300

heritage travel grants
to schools

(2018-19: 30,100, up 4%)



999
VOLUNTEERS

(2018-19: 715, up 40%)

ANNUAL REPORT

Performance Report

AITHISG AIR DÈANADAS

OVERVIEW

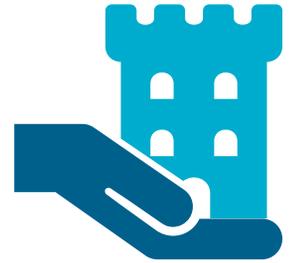
WHO WE ARE

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

WHAT WE DO

- We care for more than 300 sites of national importance all across the country and are the largest operator of paid visitor attractions in Scotland.
- We look after internationally significant archives and artefacts.
- We are at the forefront of investigating and researching the historic environment and addressing the impacts of climate change on its future.
- We protect our historic places through designations and consents, promote their sustainable development and provide millions of pounds each year to local communities to repair and revitalise their historic environment.
- We provide advice and guidance about the historic environment and offer a wide range of training and learning opportunities.
- In every aspect of our work we strive to follow our five organisational values – we are collaborative, professional, innovative, open and respectful.





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PROPERTIES IN
OUR CARE



OUR VISION

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



OUR PRIORITIES

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

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

These are long-term, aspirational outcomes and will take a number of years to complete. Our priorities for 2019–20 are set out within our Annual Operating Plan. Both our Corporate Plan and our Annual Operating Plan can be found online at historicenvironment.scot/corporate-publications. This Annual Report outlines what we have delivered in 2019–20 to support achievement of these outcomes.

Our Corporate Plan sets out 10 Key Performance Indicators (KPIs), which we use to measure our success in achieving these outcomes. Achievement of these KPIs is measured against the actions and supporting indicators set out in the tables throughout our successive Annual Operating Plans, and includes an analysis of contextual data and case studies.

We also publish a range of more detailed performance reports: *Our Place in Time*, Properties in Care of Scottish Ministers Annual Report, Planning Performance Report and Annual Procurement Report.

CONTRIBUTION TO NATIONAL PERFORMANCE FRAMEWORK

Historic Environment Scotland's (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 the Scottish Government's Programme for Scotland 2019-20: *Protecting Scotland's Future* which is available at gov.scot/publications/protecting-scotlands-future-governments-programme-scotland-2019-20

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

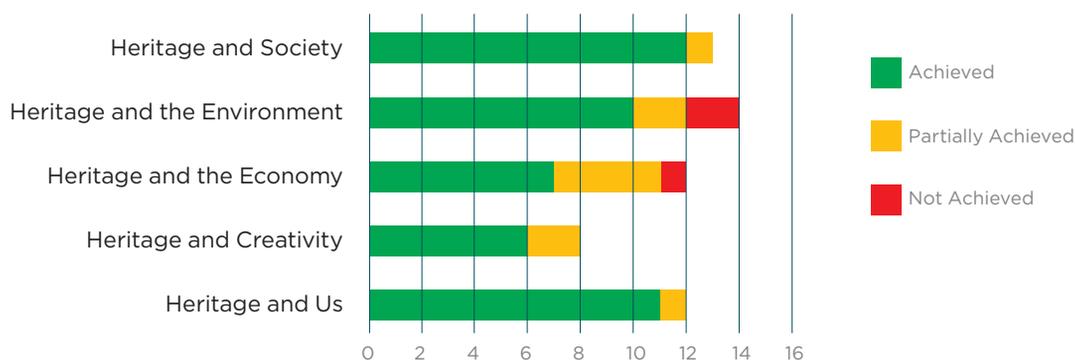
NATIONAL OUTCOMES	THE HISTORIC ENVIRONMENT MAKES A REAL DIFFERENCE TO PEOPLE'S LIVES	THE HISTORIC ENVIRONMENT IS LOOKED AFTER, PROTECTED AND MANAGED FOR THE GENERATIONS TO COME	THE HISTORIC ENVIRONMENT MAKES A BROADER CONTRIBUTION TO THE ECONOMY OF SCOTLAND AND ITS PEOPLE	THE HISTORIC ENVIRONMENT INSPIRES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

PERFORMANCE SUMMARY 2019–20

2019–20 is the first year of our Corporate Plan 2019 Onwards: *Heritage for All*. We accomplished a great deal, with 95% of our Year 1 Annual Operating Plan achieved or partially achieved. Our successes over the course of the year span the full range of our functions, including how we quickly transformed the way the organisation works in response to the impact of COVID-19.

Of the 59 deliverables in the 2019–20 Annual Operating Plan, 46 were achieved, 10 were partially achieved, and three were not achieved (2018–19: 75 deliverables, 72 achieved, two were partially achieved, and one was not achieved).

ANNUAL OPERATING PLAN 2019–20 DELIVERABLES



PERFORMANCE ANALYSIS 2019–20

SGRÙDADH AIR DÈANADAS

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



WE ACHIEVED

12^{of} 13

of the 'Heritage and
Society' deliverables
in our Annual
Operating Plan.

HIGHLIGHTS



Wellbeing

We developed a framework, including a baseline survey, to measure how heritage contributes to wellbeing. Our survey shows 59% of people said they felt healthier and 29% felt less anxious because of their engagement with the historic environment. We are finding new and creative ways to support wellbeing during COVID-19. HES is donating food products stocked across its sites to local community food banks and homelessness charities.



Engaging young people

We launched a new external Youth Forum for the sector in partnership with YoungScot to give a voice to young volunteers. It aims to engage young people aged 14–24 with no previous heritage experience through creative collaborations that build skills and confidence, supporting participants to reach positive future destinations for education, training and employment.



Heritage Awareness Day 2019

This took place on 26 September 2019. Initially created by HES in 2017, the day encourages individuals, organisations and communities across Scotland to share and celebrate heritage in all its different forms. It plays an important role in shaping Scotland's story, not only telling the stories from the past, but asking audiences to think about their sense of place and what heritage means to them in a contemporary setting.



Placemaking

We worked closely with Aberdeen City Council and Hoskins Architects on a high-profile city centre regeneration project with a key placemaking focus. Aberdeen's A-listed art gallery complex reopened in November 2019 after a £34.6 million major refurbishment by Aberdeen City Council to improve accessibility, circulation, visitor facilities, and education/exhibition spaces.



6.5 MILLION
website users
(target 5M)

59%
REPORT FEELING HEALTHIER
FROM ENGAGEMENT
WITH THE HISTORIC
ENVIRONMENT

16 SITES
engaging volunteers

PUBLISHED
BRITISH SIGN
LANGUAGE
ACTION PLAN



HERITAGE AND SOCIETY – PERFORMANCE RESULTS

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

ANNUAL OPERATING PLAN ACTIONS 2019–20	INDICATORS FOR 2019–20	RESULT
Extend opportunities to harness the potential of the historic environment to improve wellbeing	1.1 Developed framework to measure wellbeing benefits	Achieved Wellbeing framework developed and approved by the HES Board in February 2020.
	1.2 Increased the number of properties in our care that engage volunteers	Achieved 16 sites engaging volunteers in 2019–20 compared to 15 in 2018–19.
	1.3 Achieved Investors in Volunteers	Achieved Investors in Volunteers accreditation awarded in January 2020.

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

Increase awareness and widen opportunities to access the historic environment	1.4 Introduced changes to our Education Visits Policy to better support young people from SEBD (social, emotional and behavioural difficulties) schools or schools in Scottish Index of Multiple Deprivation (SIMD)	Achieved Revised Education Visits Policy in place including measures implemented to record SIMD and SEDB data through Galaxy and introduction of new SIMD targeted elements to programme.
	1.5 Implemented communications strategy to champion the historic environment and what it means for Scotland	Achieved New communications and engagement strategy approved by the HES Board in August 2019 and implementation underway.
	1.6 Increased number of people accessing the historic environment through digital channels	Achieved 68 million impressions across sub-brand social channels compared to 61 million last year plus 6.5 million users visited HES websites, against a target of 5 million.
	1.7 Increased the number of young people engaged with the historic environment and worked with youth partners to enable the voice of young people to inform our work	Achieved Over 114,000 learners engaged through our Learning and Inclusion and Ranger programmes (target: 100,000, 2018–19: 129,000), the majority aged under 24. Youth Forum established in January 2020.
	1.8 Developed a HES British Sign Language Action Plan	Achieved British Sign Language Action Plan published in March 2020.

HERITAGE AND SOCIETY – PERFORMANCE RESULTS

KPI 2: WE INCREASED ENGAGEMENT WITH SCOTLAND'S HISTORIC ENVIRONMENT (continued)

ANNUAL OPERATING PLAN ACTIONS 2019–20	INDICATORS FOR 2019–20	RESULT
Connect individuals and groups to historic environment information and support	1.9 Agreed an action plan to maximise the impact of our sites over the next 3–5 years, commencing 2020–21	Partially Achieved Internal workshops, desk-based review, sector discussions and learning undertaken (delayed due to COVID-19).
	1.10 Increased the number of landscape, site and building records, including the percentage of records achieving specific quality standards	Achieved All grants offered this year have community-related outcomes attached to grant agreements.
	1.11 Led implementation of Delivery Plan for Scotland's Archaeology Strategy in partnership with others	Achieved 2019–20 actions in the delivery plan for Scotland's Archaeology Strategy completed and work commenced on a new delivery plan.

KPI 3: WE ENHANCED COMMUNITIES' USE OF THEIR HERITAGE IN PLACEMAKING

Develop our strategic approach to engagement with partners	1.12 Prioritised which Community Planning Partnerships to engage with, focusing on those linked with large scale projects and Growth Deals to promote the needs of the historic environment in placemaking	Achieved Prioritisation methodology agreed which will see resources focused where priorities are being reviewed and where opportunities exist to promote the historic environment and align services.
Set out a clear package of support for communities	1.13 Developed support and resources for use by communities working with their historic environment, collaborating with other organisations to enhance the collective support available	Achieved New online resources available for communities, Community Heritage Conference successfully delivered, and enhanced relationships to provide collective support, for example with organisations such as Development Trusts Association Scotland, Social Investment Scotland, Planning Aid Scotland and Social Enterprise Network Scotland.

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



WE ACHIEVED

10^{of} 14

of the 'Heritage and the Environment' deliverables in our Annual Operating Plan.

HIGHLIGHTS



Archives

We signed the lease on a property in November 2019, which will become the future home for the HES archives.



Managing change

We published new guidance on demolition of listed buildings, use and adaptation of listed buildings, and an asset management approach to land and property portfolios. We dealt with 96% of regulatory activities (2018-19: 96%), consultations and decisions within required timescales, exceeding our 90% target.



Climate change partnerships

On 8 October 2019, HES brought the sector together to launch the Guide to Climate Change Impacts, aimed at raising awareness of the risks and hazards of climate change - such as increased rainfall, soaring temperatures, rising sea levels and shifting coasts - and their physical impact on the historic environment throughout Scotland.



Climate emergency

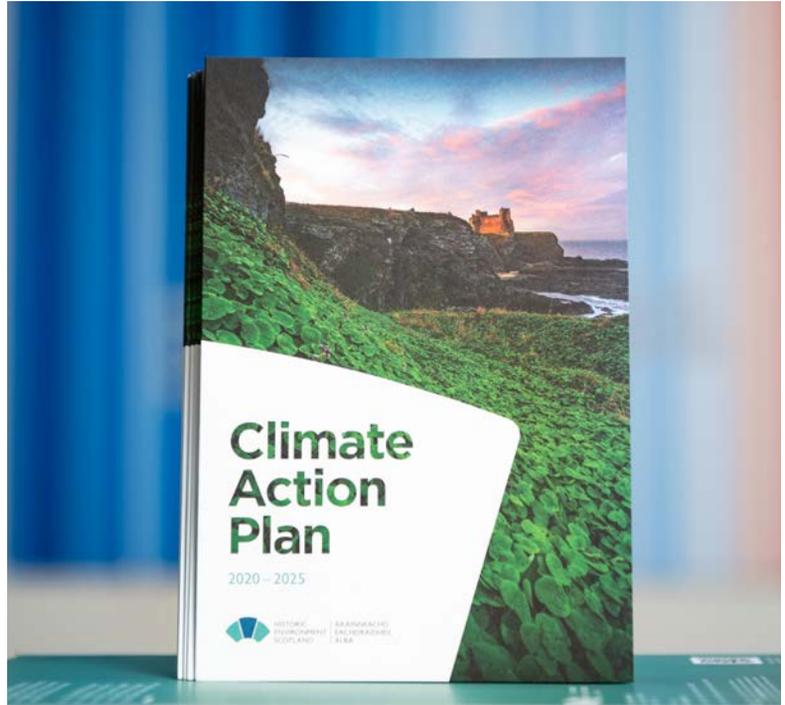
On 24 and 25 October 2019, HES hosted the launch of the Climate Heritage Network, providing a platform for the sector to unite to tackle climate change, one of the fastest-growing threats to global cultural heritage. Our work is seen globally as making a difference - we presented our actions as part of the 2019 UN Climate Action Summit (COP25), which took place in Madrid, Spain, in December 2019.

96%

OF REGULATORY ACTIVITIES,
CONSULTATIONS, AND DECISIONS
DEALT WITH WITHIN REQUIRED
TIMESCALES

(2018-19: 96%)

CLIMATE
ACTION PLAN
PUBLISHED



27 STATEMENTS OF
SIGNIFICANCE
REVISED

17 PROPERTIES
AND
73 COLLECTIONS
ITEMS DIGITALLY
DOCUMENTED

HERITAGE AND THE ENVIRONMENT – PERFORMANCE RESULTS

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

ANNUAL OPERATING PLAN ACTIONS 2019–20	INDICATORS FOR 2019–20	RESULT
Continue to look after and manage the properties, collections and archives in our care	2.1 Delivered our Asset Management Plan	Achieved 82% of projects completed or on track and projects delivered under budget (COVID-19 delayed work in March which would otherwise have been completed).
	2.2 Commenced development of a masterplan for Edinburgh Castle	Not Achieved No significant progress has been made with the Edinburgh Castle Masterplan at year end as it was agreed over the course of the year to postpone and reconsider timings.
	2.3 Prioritised the development of Monument Investment Plans (MIPs) for Caerlaverock Castle, Melrose Abbey, Urquhart Castle, Doune Castle and sites in our care in Orkney	Partially Achieved MIPs for Melrose, Doune, and Dumbarton complete, MIP approved for Caerlaverock Castle and in progress for Urquhart and Orkney.
	2.4 Digitised a further 75,000 items in our archives	Achieved Digitised and made available more than 170,000 images and files (2018–19: 165,162).
	2.5 Digitally documented 5–10 properties in our care and 40–60 objects from the collections in our care	Achieved 17 properties and 73 collections items digitally documented.
	2.6 Agreed plan for the long-term storage of the archives in our care	Achieved Plan for long-term storage of the archives in our care approved by HES Board and business case in development for best use of newly leased property.
	2.7 Updated Statements of Significance for 30 properties in our care	Partially Achieved 27 Statements of Significance revised and were ready to publish by 31 March with remaining three statements 70% complete by 31 March and completed by May 2020.

HERITAGE AND THE ENVIRONMENT – PERFORMANCE RESULTS

KPI 4: STRENGTHENED THE RESILIENCE OF SCOTLAND'S HISTORIC ENVIRONMENT (continued)

ANNUAL OPERATING PLAN ACTIONS 2019–20	INDICATORS FOR 2019–20	RESULT
Implement the new Historic Environment Policy for Scotland and continue to deliver our regulatory work	2.8 Updated <i>Managing Change</i> guidance	Achieved <i>Demolition of Listed Buildings, The Use and Adaptation of Listed Buildings and An Asset Management Approach to the Historic Environment</i> guidance published April 2019.
	2.9 Dealt with 90% of regulatory activities, consultations and decisions within required timescales	Achieved 96% of regulatory activities, consultations and decisions dealt with within required timescales (2018–19: 96%).
Lead a cross-sector approach to the management of built heritage	2.10 Published a Built Heritage Management Plan	Not Achieved Built Heritage Management Plan was not published by 31 March due to a revised timeline for the development of the plan agreed by the sector wide Scottish Historic Environment Forum.
Develop an approach to the sustainable management of historic sites	2.11 Commenced a project to consider sustainable management of our assets against changing external factors	Achieved Data collection completed, scope and forward action plan on track, with further actions to be agreed and taken forward in 2020–21.
KPI 5: INCREASINGLY LEAD THE SECTOR IN CLIMATE CHANGE		
Stimulate thinking about the impact of climate change in the historic environment sector and beyond	2.12 Began implementation of an updated Climate Change and Environmental Action Plan, including continuing to undertake adaptation activities at the properties in our care to ensure they are better prepared to respond to the impacts of climate change	Achieved <i>Climate Action Plan</i> published March 2020 and implementation begun, including procurement of 15 electric vehicles.
	2.13 Reduced our greenhouse gas (GHG) emissions by 2.4%	Achieved Greenhouse gas emissions reduced by 10.3%, emitting 4,829 tonnes of CO ₂ , a reduction of 555 tonnes of CO ₂ (2018–19: 13.1% reduction, emitting 5,382 tonnes of CO ₂ , a reduction of 814 tonnes of CO ₂).
	2.14 Worked with partners to build understanding and create resources to support climate change adaptation in the wider historic environment	Achieved Climate Heritage Network launch took place October 2019 and <i>Climate Change Impacts Guide</i> published October 2019.

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



WE ACHIEVED

11 of 12

of the 'Heritage and the Economy' deliverables in our Annual Operating Plan.

HIGHLIGHTS



Contribution to local and national economies

Our catering contractor, Benugo, began partnering with Social Bite to support their mission to end homelessness in Scotland. Benugo is working to create empowering, living wage jobs for people who have been affected by homelessness and also raising funds through cafes at sites in our care.



Visitor experience

We introduced The Quality Barometer – a new visitor quality measurement system – attracted 5.2 million visitors (2018–19: 5.2 million) and 206,455 members (2018–19: 204,457) at the end of August, while considering the impact of growing visitor numbers and sustainability. September saw Linlithgow Peel host event space for the *Kiltwalk*, and *Pedal for Scotland* events and the *Youth Climate Strike* was held in Holyrood Park. We ran the *Castle of Light* at Edinburgh Castle over six weeks during the festive season, bringing history to life in a 90-minute sound and light show, providing opportunities for local economic activity.



Skills

We worked with partners to enhance investment in skills development, delivering Year 1 of the Historic Environment Skills Investment Plan and investing in 74 workforce development roles (2018–19: 40).



Research and Science

We enhanced investment in research and science, working with partners to deliver more impactful outcomes. We delivered Year 1 of our Research Strategy and extended knowledge exchange opportunities through a series of lunchtime seminars.

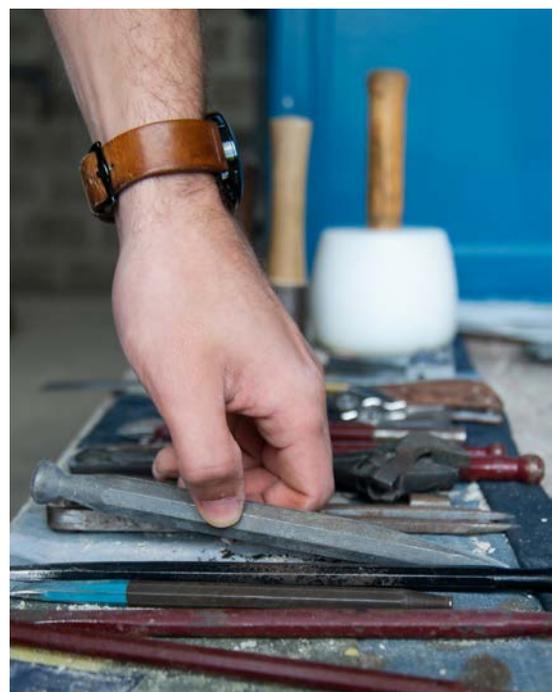


QUALITY
BAROMETER
COMPLETED
AND IN USE TO
MEASURE VISITOR
EXPERIENCE

YEAR ONE
OF OUR
RESEARCH
STRATEGY

SCOPED DEVELOPMENT OF
THE ENGINE SHED INTO AN
INTERNATIONAL CENTRE
OF EXCELLENCE FOR
HERITAGE INNOVATION

CHAMPIONED DELIVERY
OF YEAR 1 OF THE
**HISTORIC ENVIRONMENT
SKILLS INVESTMENT PLAN**



HERITAGE AND THE ECONOMY – PERFORMANCE RESULTS

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

ANNUAL OPERATING PLAN ACTIONS 2019–20	INDICATORS FOR 2019–20	RESULT
Maximise the impact of our investment in local economies and the economy of Scotland	3.1 Refreshed our grants programmes to be more proactive and outcome-focused	Partially Achieved While largely complete, the grants refresh is being deferred until later in 2020–21 due to COVID-19 impact.
Elevate our visitor experiences and tailor for a range of existing and new audiences	3.2 Increased the direct and indirect contribution of the sites in our care to local economies across Scotland	Partially Achieved (based on provisional estimate) Direct and indirect contribution of the sites in our care remained at £1.1 billion, as per last year (the 2019 calendar year was 3% ahead of 2018, however COVID-19 closures affected the financial year end).
	3.3 Welcomed between 205,000 and 210,000 members at the high point of the year	Achieved 206,455 members in August 2019 (2018–19: 204,457).
	3.4 Implemented, tested and reviewed a new Visitor Experience Quality Measurement system	Achieved Visitor Experience Quality Measurement system (The Quality Barometer) completed and in use.
	3.5 Established an internationally recognised set of attractions to benchmark visitor experience	Partially Achieved Progress made in utilising existing industry benchmarks to create an effective and consistent approach to benchmarking HES's visitor experience ratings with other leading UK attractions (final set not yet agreed).
	3.6 Contributed to planning and delivery of events for the 2020 Themed Year: Scotland's Year of Coast and Waters	Achieved Events and exhibitions plans for delivery in place.

HERITAGE AND THE ECONOMY – PERFORMANCE RESULTS

KPI 6: INCREASE ECONOMIC BENEFITS FROM SCOTLAND'S HISTORIC ENVIRONMENT (continued)

ANNUAL OPERATING PLAN COMMITMENT 2019–20	INDICATORS FOR 2019–20	RESULT
Extend and grow sustainable procurement in the historic environment sector	3.7 Refreshed our <i>Procurement Strategy</i> with a focus on sustainable procurement and increased opportunities for local suppliers	Partially Achieved Procurement Strategy refreshed but approval and publication delayed due to COVID-19 and impact on suppliers.
	3.8 Delivered a national framework for procurement of indigenous stone	Not Achieved More time required as a result of Scottish Government request to ensure framework can be used as a case study for sustainable procurement nationally (timescales for delivery and completion of tender being revised).
Explore the potential to develop the Engine Shed into an international centre of excellence for heritage innovation	3.9 Scoped the development of the Engine Shed into an international centre of excellence for heritage innovation	Achieved Options for the next phase of the Engine Shed developed following internal review of operations and performance over initial two years, independent evaluation, and review of sector landscape and future requirements.
Work with partners to enhance investment in research, science and skills development	3.10 Championed delivery of Year 1 of the Historic Environment Skills Investment Plan in collaboration with our delivery partners	Achieved Report on implementation of the Skills Investment Plan scheduled to be delivered to the <i>Our Place in Time</i> Skills and Expertise Working Group.
	3.11 Invested in 50 workforce development roles covering Modern Apprenticeships, Trainees and Craft Fellows	Achieved Invested in 70 workforce development roles (2018–19: 40).
	3.12 Delivered Year 1 of our Research Strategy 2019–22, including improving the research available on our website and developing a series of knowledge exchange activities to build partnerships	Achieved Delivered 33 of 35 actions in Year 1 of the strategy and improved research content for HES website approved for publication (delayed by impact of COVID-19).

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



WE ACHIEVED

6 of 8

of the 'Heritage and
Creativity' deliverables
in our Annual
Operating Plan.

HIGHLIGHTS



Intangible cultural heritage (ICH)

We published our Intangible Cultural Heritage Policy Statement on 31 March 2020, working with museums and the wider creative sector on a Scotland-wide position. For the first time, we have a clear articulation of the definition of ICH, how it applies to HES's work and a map of the organisation's priorities.



Creative industries

In October, *Knight at the Castle* was recognised at the Creative Edinburgh Awards for enabling local young people, with no previous heritage experience, to build the confidence to create and perform their own inspired work.



International Expertise

We were invited by the British Council in Brazil to lead a workshop as part of an international response on fire risk management following the devastating fire at Brazil's National Museum. Our Climate Change team attended the European Climate Change Adaptation conference in Lisbon to speak about the cultural heritage sector's approach to assessing climate change.



Digital Innovation

In May 2019 we partnered with the Scottish Graduate School for Arts and Humanities in the first *History and Heritage Hackathon*, bringing together graduate students, tech entrepreneurs, IT professionals and heritage professionals for an exciting weekend at Codebase in Stirling. The event opened up HES, and the data we hold, to a new audience. The creative ways in which the teams used information about the historic environment and the quality of the outputs was inspiring.

PUBLISHED
INTANGIBLE CULTURAL
HERITAGE POLICY
STATEMENT

DELIVERED
YEAR 1 OF
INTERNATIONAL
STRATEGY 2019–29

93
PARTNERSHIP PROJECTS
DELIVERED ACROSS
SCOTLAND

(2018-19: 50)



33,987
Tickets sold for
Castle of Light

HERITAGE AND CREATIVITY – PERFORMANCE RESULTS

KPI 7: INCREASINGLY INSPIRE CREATIVITY AND INNOVATION

ANNUAL OPERATING PLAN ACTIONS 2019–20	INDICATORS FOR 2019–20	RESULT
Explore what intangible cultural heritage as a practice means in the context of Scotland’s historic environment	4.1 Developed a policy statement on our role in relation to intangible cultural heritage, with a view to working with museums and the wider creative sector on a Scotland-wide position	Achieved Intangible Cultural Heritage Statement developed, approved by HES Board and published in March 2020.
Work with partners in the creative industries sector	4.2 Shaped an initiative to encourage increased use of the historic environment in creative industries	Achieved Creative Industries initiative developed and pilot product (a form of Creative in Residence Programme) to be reviewed in 2020–21.
Support the role of the historic environment in education and learning	4.3 Worked with local and national partners to use the historic environment to support formal and informal learning themes and the needs of diverse and inclusive audiences	Achieved Delivered 93 partnership projects (2019–20: target 90, 2018–19: actual 50) across Scotland with diverse learning audiences, including supporting social inclusion programmes, targeting schools in areas of rural and urban deprivation and covering wide ranging areas of the curriculum e.g. creative arts, modern languages and science, technology, engineering and mathematics (STEM).
	4.4 Developed a framework to support learning activity in the historic environment	Achieved Learning Framework and Practitioners Guide have been produced to support anyone using resources for learning to evaluate their activity against first set of learning indicators specific to the historic environment.
	4.5 Developed materials based on the historic environment to be used as part of the science, technology, engineering and mathematics (STEM) curriculum	Partially Achieved 10 curriculum-linked activities developed (target: 20 curriculum-linked activities).
Promote the place of Gaelic within Scotland’s historic environment	4.6 Delivered Year 2 of our Gaelic Language Plan 2018–23	Achieved Year 2 of Gaelic Language Plan delivered with all commitments achieved.

HERITAGE AND CREATIVITY – PERFORMANCE RESULTS

KPI 8: INCREASE INTERNATIONAL RECOGNITION OF THE QUALITY OF SCOTLAND'S HISTORIC ENVIRONMENT

ANNUAL OPERATING PLAN ACTIONS 2019–20	INDICATORS FOR 2019–20	RESULT
Build on our reputation as an international centre of expertise for heritage	4.7 Delivered Year 1 of our International Strategy 2019–29, including ensuring the organisation is able to adapt to the impact of the UK withdrawal from the EU and exploring opportunities to grow our international business and commercial partnerships	Achieved Delivered Year 1 of International Strategy 2019–2, continued involvement with the CTME EU Exit Group and a UK-wide national heritage agency Brexit Group with monitoring ongoing.
	4.8 Worked with partners to deliver World Heritage Site Management Plan actions	Partially Achieved World Heritage Site Management Plan actions well progressed, with Management Plans for Antonine Wall and Heart of Neolithic Orkney in development.

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



WE ACHIEVED

11 of 12

of the
'Heritage and Us'
deliverables in our
Annual Operating Plan.

HIGHLIGHTS



Leading the sector

We led a series of sector strategy working groups to deliver tangible actions and delivered progress reports to HES Board and to the overarching groups supporting delivery of the strategy - the Strategic Historic Environment Forum (SHEF) and the Chief Executive's Forum. We evaluated progress towards delivery of *Our Place in Time* (OPiT) and published both 2019 Annual Performance Report on delivery of OPiT and an external evaluation report in December 2019.



Supporting our people

The skills of our apprentices were recognised at *World Skills Live* and an interactive session has been held with leaders across the organisation to engage in the development of our new People Strategy, ensuring a collaborative approach with far-reaching ownership and commitment.



Transform the way we work

We have brought forward the roll-out of Skype across the organisation to enable us to deliver critical business and respond to the COVID-19 emergency. Mobile devices and Office 365 investment have enabled working from home during this period.



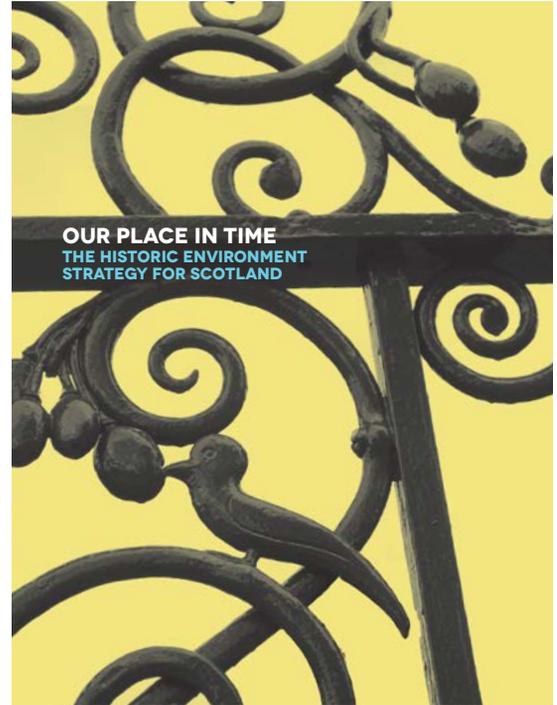
Grow and diversify income sources for the organisation

HES's first commercial holiday let was launched in September and the *Castle of Light* was run for the first time through November and December.

£64.7 MILLION
INCOME GENERATED

(2018-19: £62 million)

Delivered Year 3 of our
**PEOPLE
STRATEGY**



OUR PLACE IN TIME
THE HISTORIC ENVIRONMENT
STRATEGY FOR SCOTLAND



11 of 13
Our Place in Time
Indicators On Track

550
STAFF ARE CONNECTED
TO SKYPE FOR BUSINESS

HERITAGE AND US – PERFORMANCE RESULTS

KPI 9: GROW TRUST AND CONFIDENCE IN HES

ANNUAL OPERATING PLAN COMMITMENT 2019–20	INDICATORS FOR 2019–20	RESULT
Enhancing our customer focus	5.1 Led sector strategy working groups to deliver tangible actions to achieve the strategic priorities set out in OPiT	Achieved Progress reports to HES Board, SHEF and CEOs Forum provide evidence of progress being made by all groups.
	5.2 Evaluated progress towards delivery of OPiT	Achieved Published both 2019 Annual Performance Report on delivery of OPiT and an external evaluation report in December 2019.
	5.3 Developed a foresight approach to our policy work to address the big issues facing the sector	Achieved Update on progress and next steps prepared for Senior Management Team, with futures and foresight, developmental and capacity building work to continue into next year (tracked with developments taking place in Scottish Government).
	5.4 Promoted our strategic narrative, outcomes and successes, and those of the sector, across all channels	Achieved All activities in the 2019 Brand Action Plan were delivered.
Building a strong organisation	5.5 Reviewed existing and potential new partnership opportunities to help us deliver our plans for the historic environment	Achieved New and existing partnerships have been developed and embedded (Scotland’s Regeneration Forum, Social enterprise Network Scotland, Scottish Partnership Against Rural Crime, Development Trusts Association, Highlands and Islands Enterprise) with progress made on recording and tracking relationships.

HERITAGE AND US – PERFORMANCE RESULTS

KPI 10: ENHANCE THE SUSTAINABILITY OF HES

ANNUAL OPERATING PLAN COMMITMENT 2019–20	INDICATORS FOR 2019–20	RESULT
Focus on ensuring our people have the skills needed	5.6 Delivered Year 3 of our People Strategy, including further developing our leadership programmes	Achieved All key People Strategy outcomes have been delivered, including further development of our leadership programmes.
	5.7 Prepared a new People Strategy for 2020–23	Achieved The completed People Strategy for 2020–25 was presented at the HES Board meeting in April 2020 and preparations are being made for a launch.
	5.8 Delivered Year 3 of our Equalities Outcomes and Action Plan	Achieved Regular activities are being celebrated as part of annual programmes of work while development continues on BSL equality impact assessment and inclusion of equality activity within our learning framework.
	5.9 Implemented Phase 1 of a new Corporate Management Information System (CMIS) and began implementation of an Electronic Document and Records Management System (EDRMS)	Partially Achieved CMIS implementation progressed but not fully implemented and progress made on EDRMS and Intranet with a clear project plan in place and a number of business areas now using the EDRMS.
	5.10 Continued rollout of IT solutions, including Wi-Fi, unified communications and mobile devices	Achieved Robust, functional and secure hardware and software solutions covering Wi-Fi, Unified Communications and IT operational packages which are costed and have a clear timeline for refresh and deployment.
	5.11 Prepared a strategy to diversify income sources	Achieved Output from Income Diversification Review has informed development of the Financial Strategy endorsed by the HES Board in November 2019 and a detailed action plan to take this forward will inform post-COVID-19 resumption planning/futures thinking.
	5.12 Generated income between £62 million and £68 million ²	Achieved Generated income of £64.7 million (2018–19: £62 million).

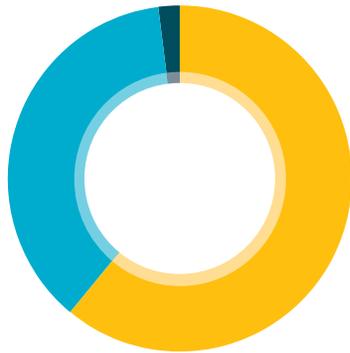
² The commercial income target is prior to discount. This differs to income reported in the financial statements which is reported net of discounts offered.

FINANCIAL REVIEW

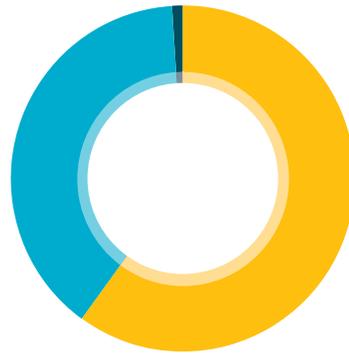
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FINANCIAL OVERVIEW

Total Income 2019-20



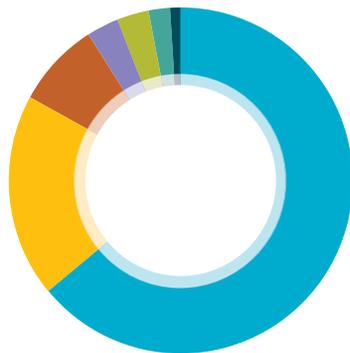
Total Income 2018-19



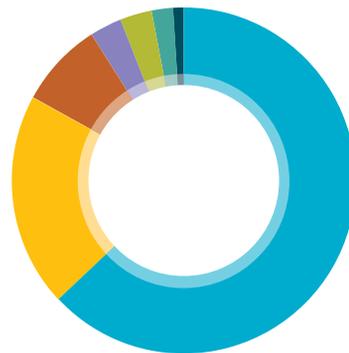
- Commercial
- Grant in aid
- Other

HES is funded mainly from commercial income and grant in aid from the Scottish Government.

Commercial Income 2019-20



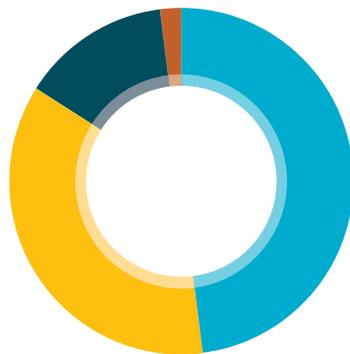
Commercial Income 2018-19



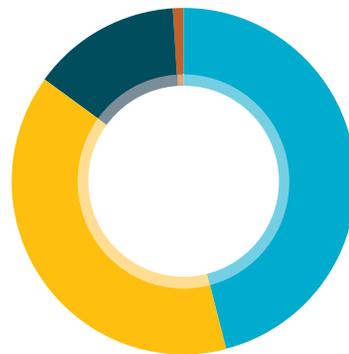
- Admissions
- Retail and catering
- Memberships
- Events and venue hire
- Imaging sales
- Audio tours
- Other

We have a diverse range of commercial income from admissions and retail sales to memberships, events and the sale of digital images.

Total Expenditure 2019-20³



Total Expenditure 2018-19³



- Staff costs
- Other running costs
- Grants
- Capital

Staff costs account for 48% of our running costs (2018-19: 46%).

³ The "Total Expenditure" charts include grant expenditure on in-year accrual basis rather than full grant commitment basis to better reflect the annual split of expenditure.

OUTTURN AGAINST SCOTTISH GOVERNMENT TARGETS

Our Scottish Government funding target is based on expenditure net of income and our overall expenditure was within target. However, our cash spend was £0.3 million higher than target. We were on track to meet our cash target until the impact of COVID-19 which resulted in a drop in income in the last weeks of the financial year.

	2019-20	2018-19
	£m	£m
Income (net of cost of sales)	60.0	56.7
Expenditure	(102.6)	(99.2)
Net expenditure for the year	42.6	42.5
Funded by:		
Scottish Government Funding - cash grant in aid	38.4	38.6
Scottish Government Funding - non-cash allocation	4.3	3.9
Total funding	42.7	42.5
Outturn for the year	0.1	-
Split:		
Outturn against Scottish Government cash grant in aid	(0.3)	-
Outturn against Scottish Government non-cash allocation	0.4	-
	0.1	-

RECONCILIATION BETWEEN REPORTING AS A NDPB AND AS A CHARITY

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

	2019-20	2018-19
	£m	£m
Outturn reported to Scottish Government	0.1	-
<i>Adjusted for:</i>		
Difference between grants offered in year and grants invested	1.3	(9.0)
Capitalisation of tangible fixed assets	2.1	1.5
Other adjustments	-	(0.4)
	3.5	(7.9)
Less: Scottish Government non-cash allocation	(4.3)	(3.9)
Net expenditure per the financial statements	(0.8)	(11.8)

In line with direction from Scottish Ministers (reproduced on page 112), our financial statements have been prepared in accordance with the Government Financial Reporting Manual (FRoM) and the Charities SORP.

OUR INCOME AND EXPENDITURE

Income

Total income has grown 3% from £100.1 million in 2018-19 to £103.3 million in 2019-20 driven by increases in our commercial income. Our sites were closed to visitors from mid-March due to COVID-19 restrictions and we estimate that our total income would have been £2.3 million higher if it were not for the impact of COVID-19.

Cash government grant in aid has decreased 1% from £38.6 million in 2018-19 to £38.4 million in 2019-20.

Income from charitable activities (note 3) includes admissions, memberships, and other activities directly linked to our charitable purpose. Our income from charitable activities has grown £2.8 million (6%) from £45.6 million in 2018-19 to £48.4 million in 2019-20. The increase in charitable income is due to inflationary increases in admission prices at sites. Visitor numbers remained consistent at 5.2 million, although were on track for a record year prior to COVID-19. Our Historic Scotland membership income has grown 11% from £4.5 million in 2018-19 to £5 million in 2019-20. The income growth is driven by an increase in gift aid claimed as well as a 1% increase in membership numbers.

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 4% from £15.4 million in 2018-19 to £16 million in 2019-20. Whilst income from trading has grown year-on-year, it is less than our internal targets partly due to delay in the relocation of our digital sales activity and the impact of COVID-19 restrictions on March income.

Expenditure

Total expenditure has decreased 7% from £111.8 million in 2018-19 to £104.1 million in 2019-20. This is due to accounting treatment of grant commitments with underlying annual expenditure increasing year-on-year.

Staff costs are our largest area of expenditure and have increased by 8% from £48.3 million in 2018-19 to £52.1 million in 2019-20. This includes the 2019-20 HES pay award, which was in line with pay policy set by Scottish Ministers, and employer pension cost increases.

Expenditure on raising funds (note 6) has increased 6% from £13.7 million in 2018-19 to £14.5 million in 2019-20. Expenditure on raising funds has grown at a higher rate than the income from trading activities which it generates, partly due to impact of COVID-19 on March trading which saw a decrease in income.



77

SITES OPERATED
COMMERCIALY

Expenditure on charitable activities (note 7) has increased 3% from £74.1 million in 2018–19 to £76.1 million in 2019–20. This expenditure covers a broad range of activities from conservation, operating visitor attractions and regulatory work.

We have invested £29.9 million through our Investment Plan over the past three years to enhance the condition of our sites and improve the experience of our visitors as well as other corporate priorities.

Grant expenditure (note 10) reported on a Charities SORP basis has decreased 44% from £24.1 million in 2018–19 to £13.5 million due to a decrease in the level of new commitments entered during the year. New grants committed vary from year to year depending on the timing of the cyclical nature of some multi-year grant programmes. The new grants committed in 2018–19 were particularly high as this included the latest round of the multi-year City Heritage Trusts grants.

We manage grant spending on an annualised basis and met our target of investing grants of £14.5 million for 2019–20. We offer grants in advance and often over multiple years and our grant funding for 2020–21 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 10% from £15.6 million in 2018–19 to £17.1 million in 2019–20, including an increase of £0.8 million to the provision for dilapidations as well as pay inflation across support functions associated with the pay policy and employer pension cost increases.

OUR FINANCIAL POSITION

As a public body, HES is restricted in its ability to build up reserves and is reliant on continued funding from the Scottish Government to operate. Whilst the group balance sheet as at 31 March 2020 shows net assets of £12.6 million (2018–19: £11.4 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 (OSCR) defines reserves as “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 £32.9 million (2018–19: negative £33.4 million). The substantial reserves deficit is due to our recognition of grant commitments in full once offered whilst our funding for grant expenditure is based on annual payments. Essentially, we are reliant on future Scottish

Investment plan

	2017-18	2018-19	2019-20	Total
	£m	£m	£m	£m
Site condition	5.5	5.8	5.6	16.9
Visitor experience	2.5	1.9	1.0	5.4
Other corporate priorities	2.1	2.6	2.9	7.6
	10.1	10.3	9.5	29.9

Government funding to meet our grant liabilities. Excluding future grant commitments (e.g. for work not yet undertaken by grant recipients), our reserves are negative £7.7 million (2018-19: negative £8.6 million). Excluding total grant liabilities, our reserves are positive £2.7 million (2018-19: positive £2.2 million).

Going concern

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

The COVID-19 pandemic and associated restrictions have had, and will continue to have, a major impact on the tourism sector and there are significant risks to HES's commercial income. Supplementary government grant in aid has been confirmed for 2020-21. Management has produced forecasts for 2020-21 and 2021-22 based on prudent assumptions around government

grant in aid and commercial income and these forecasts have been reviewed by the Board and Accountable Officer. These forecasts demonstrate that HES has sufficient funding to continue to operate.

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

The UK's exit from the EU has immediate risks to HES with the continuity of supply chains and the impact of increased costs of goods and materials. However, mitigation actions are in place and the Board and Accountable Officer are

satisfied that risks from the UK's exit from the EU do not impact on the going concern basis.

Fixed assets

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

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

Reserves

	2019-20	2018-19
	£m	£m
Unrestricted funds	9.6	8.3
Less unrestricted fixed assets	(42.5)	(41.7)
Reserves	(32.9)	(33.4)
Exclude future grant commitments	25.2	24.8
Reserves excluding future grant commitments	(7.7)	(8.6)
Exclude grants accruals and retentions	10.4	10.8
Reserves excluding total grant liabilities	2.7	2.2

The land, buildings and dwellings which we do recognise on our balance sheet are revalued every year either by formal valuation or an indexation increase. The revaluation reserve has increased £1.3 million during 2019–20 to £20.9 million as at 31 March 2020. The valuer’s report highlighted material uncertainty with regard to properties valued at 31 March due to the impact of COVID-19.

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

As at 31 March 2020, HES had restricted reserves of £3 million (2018–19: £3.1 million). Of this, £2.7 million (2018–19: £2.7 million) relates to Heritage Lottery Fund grants received to fund the Engine Shed and will be released to unrestricted reserves in line with the depreciation of the building. The remaining £0.3 million (2018–19: £0.4 million) relates to other unspent restricted grant income.

LIMITATION OF SCOPE AUDIT OPINION IN RESPECT OF STOCK

The restriction on movement in the UK as result of COVID-19 has meant that the External Auditor was unable to attend any physical stock counts. Auditing standards accept that stock counts cannot be conducted where there is a threat to the safety of the auditor. In line with these auditing standards, and given the situation, governance guidance and their firm policy, Deloitte were unable to perform physical stock counts. Due to connectivity limitations given the nature of the locations where our stock is held, the External Auditor was unable to perform a virtual count. In addition, the External Auditor was unable to perform alternative procedures to satisfy themselves as to the existence and condition of stock as at the year-end. Consequently, the audit opinion is qualified as a result of the limitation of scope on stock existence and condition.

GRANTS POLICY

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

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

This year all grants had a community-related outcome attached to grant agreements.

The grants programmes HES operates can be found at historicensevironment.scot/our-grants, and details of the grants awarded during the year ended 31 March 2020 can be found at historicensevironment.scot/grants-awarded.

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 2019–20, 92% of invoices were paid within 10 working days (2018–19: 89%) and 99% were paid within 30 days (2018–19: 98%).

POST BALANCE SHEET EVENTS

The COVID-19 pandemic began prior to 31 March 2020 and continued to escalate post the balance sheet date. The impact on HES’s finances is noted in the above Going concern section.

PRINCIPAL RISKS

PRIÒMH RIOSGAN

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

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

RISK	Mitigating action
<p>External economic changes With the economic disruptions expected in the next few years, including fallout from COVID-19 and the UK exit from the EU, there is a risk of negative impact on visitor numbers, commercial income, loss of key businesses and skills, and the ability to recruit staff.</p>	<ol style="list-style-type: none"> 1. Working internally and with the historic environment sector to explore the potential impact of economic changes and ensure our operating model remains fit-for-purpose. 2. All Directorates preparing business-continuity focused contingency plans in the event that a trade deal or extension is not agreed by the end of the transition period.
<p>Risk change: This risk increased at the end of the year as the COVID-19 situation evolved and as we await further details of progress with trade talks following the UK's exit from the EU.</p> <p>Assessment: The assessment of this risk has been informed by an internal review of Brexit preparedness in 2019–20, guidance from the Scottish Government, and external research and information on the future economic situation and impact on Scotland and the heritage sector.</p> <p>Looking ahead: We continue to implement the findings of the internal review of Brexit preparedness undertaken in 2019–20, which identified the most immediate risks to HES from Brexit as the continuity of supply chains and the impact of increased costs of goods and materials. We are undertaking scenario planning work looking at the wider impact of a recession and other economic and societal changes on our organisation and the historic environment sector.</p>	
RISK	Mitigating action
<p>Financial sustainability Financial sustainability of HES and the sector is impacted by political, constitutional and external economic factors, including an unexpected fall in visitor numbers.</p>	<ol style="list-style-type: none"> 1. Continue to look for opportunities to diversify our income generation. 2. Review of our long-term financial strategy based on scenario planning. 3. Work with Scottish Government and undertake a robust planning and budgeting process each year to ensure flexibility to deal with short-term drops in funding as well as financial sustainability over the longer term.
<p>Risk change: This risk increased to 'Very High' during 2019–20 as a result of the restrictions imposed in response to COVID-19 and the resulting impacts on our ability to generate income.</p> <p>Assessment: The assessment of this risk has been informed by financial and visitor number scenario planning.</p> <p>Looking ahead: For 2020–21 our focus will be on dealing with the impacts of COVID-19 on our operations. We will also continue to undertake scenario planning and look for income diversification opportunities to ensure our long-term financial sustainability.</p>	

RISK	Mitigating action
<p>Expectations There is a risk that demands on HES as the lead body in the historic environment outweigh the resources available to us, resulting in reputational damage.</p>	<ol style="list-style-type: none"> 1. Strategic priorities set out in our Corporate Plan 2019 onwards, with an interim six-month Action Plan developed in March 2020 to set out priorities and manage expectations through the COVID-19 situation. 2. Regular reporting on the delivery of the sector strategy <i>Our Place in Time</i> to Scotland's Historic Environment Forum. 3. Development of a strategic communications content plan to shape our external communications for 2020. 4. Regular engagement with the Scottish Government, historic environment sector and key stakeholders to demonstrate what HES is delivering on while managing expectations.
<p>Risk change: This risk remained 'High' over the course of 2019–20, exacerbated by the COVID-19 situation and the pressures on the wider historic environment.</p> <p>Assessment: The risk assessment is informed by the findings of our corporate reputation survey.</p> <p>Looking ahead: We continue to have regular engagement with Scottish Government and the historic environment sector, undertake a robust planning and budgeting process to support achievement of our Corporate Plan and deliver active stakeholder engagement through our Communications Strategy.</p>	
RISK	Mitigating action
<p>Properties in Care, associated collections and Archive Collections The impact of climate change and lack of resources, including appropriate storage facilities for the archives, leads to unacceptable irreversible loss of historic fabric, collections, archives and associated cultural significance over time.</p>	<ol style="list-style-type: none"> 1. Management of the assets in our care under the terms of the Scottish Ministers' Scheme of Delegation for Properties in Care and Associated Collections and detailed in our Asset Management Plan and Investment Plan. 2. Recording the cultural significance of the properties in our care. 3. Developed and began implementation of a new Climate Action Plan 2020–2025 to tackle the impacts of climate change on the wider historic environment and support Scotland's carbon reduction targets. 4. Robust archive management policies, plans and procedures are in place to ensure standards of care appropriate for an Accredited Archives service. 5. Project underway to develop new accommodation for archival storage, with a lease for new accommodation for the long-term storage of the archives secured.
<p>Risk change: This risk remained 'High' over the course of 2019–20, however the nature of the risk changed slightly at the end of the year when our Properties in Care and other buildings were closed due to the COVID-19 lockdown.</p> <p>Assessment: The baseline risk position is set out in our monument condition index and our Climate Change Risk Assessment. The strategic importance of the archive collection and the project management of the accommodation project also informs the assessment of this risk.</p> <p>Looking ahead: Ongoing management of assets in our care and implementation of our sector-leading Climate Action Plan 2020-2025. A project is ongoing to develop a modern, safe storage solution to ensure the long-term preservation of the archive.</p>	

OUR PLANS FOR 2020 ONWARDS

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In response to the COVID-19 pandemic, our Board approved an Action Plan for the first six months of 2020-21 that has been published instead of an Annual Operating Plan 2020-21. This will be kept under review and we will monitor and report progress throughout the year. An update covering the last six months of 2020-21 will be published in due course.

The Action Plan for 2020-21, which is year two of our Corporate Plan, retains the structure of the Corporate Plan and identifies actions in relation to each of our five outcomes and KPIs. Our activities will continue to support delivery of our three-year Corporate Plan and the National Outcomes in the Scottish Government's National Performance Framework.

Our priorities for 2020-21 are as follows:

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

Heritage delivers engagement and wellbeing benefits through visits, education programmes, volunteering and just by existing. We are working to resume activities at our sites on a phased basis, but even without physically visiting heritage sites, the historic environment can still make a difference to people's lives. Throughout 2020, we will improve and promote our online resources and social media, continue to support communities to protect and value their heritage, and increase understanding and awareness of the wellbeing benefits of the historic environment.



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

Throughout 2020, despite the temporary closure of our sites, we have continued to work to ensure they are protected against the elements and do not pose a risk to those in surrounding areas. We are putting in place robust plans to resume activities at our sites, ensuring the safety of our staff, contractors, volunteers and the public is at the centre of our plans. We are also supporting others to gain the knowledge and skills they need to look after the historic environment, including responding to climate change, by continuing to improve the information we publish and increasing our understanding of existing data.

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

As an attraction for international tourism, the historic environment makes a major contribution to Scotland's economy. Like much of the economy, the tourism income generated by the historic environment and the economic contribution from the historic environment supply chain will likely be affected by the restrictions imposed as a result of COVID-19. Over 2020 we will continue to provide support to communities in receipt of one of our grants and promote key sector skills. We are exploring ways to use digital content and agile interpretation to continue to provide a strong visitor offer as we resume activities at our sites while ensuring physical distancing and hygiene requirements are met.

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

The historic environment is about more than buildings and artefacts, so it is important that we continue to champion intangible cultural heritage and the stories of our history. We will use technology and digital channels to continue to promote creative and educational activities that can be accessed online. International cooperation is essential to responding to the impact of COVID-19 and we will continue to build our relationships with international partners and initiatives.

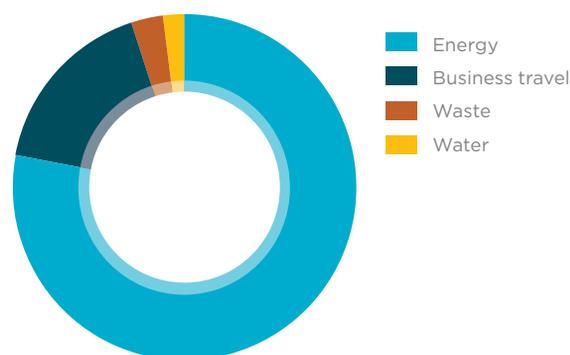
5. Heritage and Us: the historic environment is cared for and championed by a high-performing organisation

We are working with our partners across the historic environment sector to support them through the COVID-19 situation and ensure we remain well positioned to lead the historic environment sector through this and future challenges. We will ensure we can continue our role as a lead public body and work to build the resilience of our people, finances, and partnerships during this time.

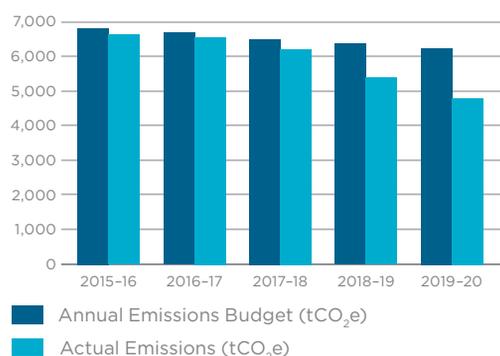
SUMMARY SUSTAINABILITY REPORT

GEÀRR-CHUNNTAS AIR AITHISG SO-SHEASMHAICH

2019-20 Greenhouse Gas (GHG) emissions



Actual vs target emissions (tCO₂e)



GHG emissions overview by contributor

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Annual Change	Change Against Baseline
Contributor	Emissions CO ₂ e						Change %	
Energy	6,037	5,728	5,556	5,143	4,359	3,759	(13.8%)	(37.7%)
Business travel	811	693	799	821	786	805	2.4%	(0.8%)
Waste	90	136	169	166	162	153	(5.5%)	69.6%
Water	48	59	62	66	77	112	45.4%	135.2%
Grand total	6,986	6,616	6,588	6,196	5,384	4,829	(10.3%)	(30.9%)

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

Year	GHG EMISSIONS					
	TARGET		ACTUAL		DIFFERENCE	
	Emissions tCO ₂ e	Change %	Emissions tCO ₂ e	Change %	Emissions tCO ₂ e	Change %
BASELINE	6,986	N/A	6,986	N/A	N/A	N/A
2015-16	6,832	(2.2%)	6,616	(5.3%)	(216)	(3.2%)
2016-17	6,679	(2.2%)	6,588	(0.4%)	(91)	(1.4%)
2017-18	6,525	(2.3%)	6,196	(6.0%)	(329)	(5.0%)
2018-19	6,371	(2.4%)	5,384	(13.1%)	(988)	(15.5%)
2019-20	6,218	(2.4%)	4,829	(10.3%)	(1,389)	(22.3%)
TOTAL	32,625	(11.5%)	29,613	(30.9%)	(3,013)	(9.2%)

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

This Summary Sustainability Report provides an overview of HES performance for 2019–20. Throughout this period, we have continued to put sustainability at the heart of everything we do, fulfilling our duty as a public body and providing leadership to our sector.

In October 2019 we hosted the global launch of the Climate Heritage Network in Edinburgh, confirming our leadership role for climate action in the heritage sector. This new network aims to mobilise the culture, arts and heritage sectors for climate action and its initial work is focused on the forthcoming United Nations Climate Change Conference in Glasgow.

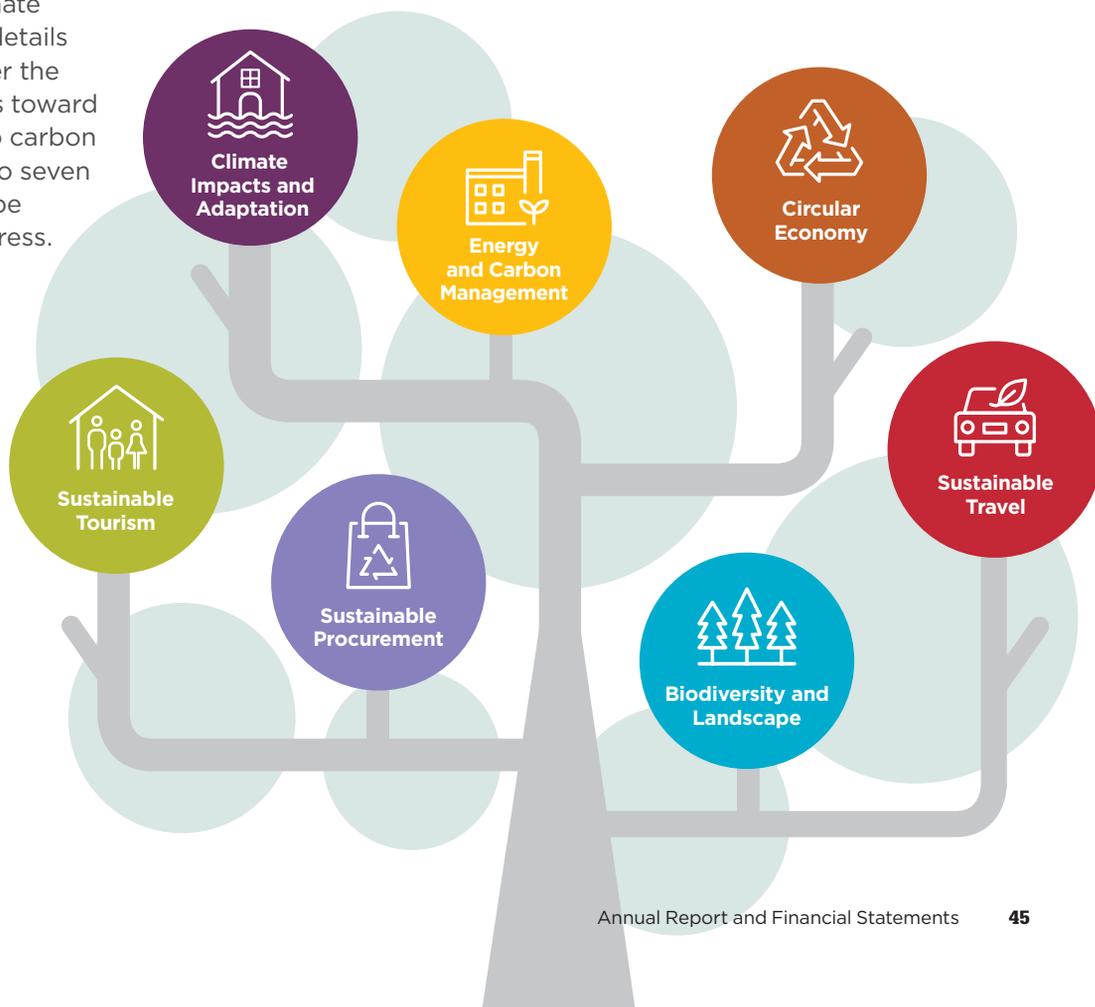
Following this, in February 2020 we launched our new Climate Action Plan (CAP) which details the action we will take over the next five years to progress toward the 2045 national net-zero carbon target. The CAP is split into seven themes, on which we will be reporting our annual progress.

ENERGY AND CARBON MANAGEMENT

Our Carbon Management Plan target was to reduce annual Greenhouse Gas (GHG) emissions by 11.5% in the first five-year period from the 2014–15 baseline to 2019–20. We have delivered a reduction of 30.9% over this period, significantly in excess of target for the CMP. We have stayed well within the emissions budget we have set ourselves, with our total emissions over the last five years 9.3% lower than our target projected emissions.

We have reduced our headline GHG emissions by more than our target for the fifth year in a row.

Energy consumption from buildings is the largest contributor to our organisational carbon footprint, accounting for 77.8% of emissions that we report on. Business travel accounts for 16.7%, Waste 3.2%, and Water 2.3%. During 2019–20, we reduced our GHG emissions by 10.3% against our target of a 2.4% reduction. This consisted of a 13.8% reduction in energy emissions, a 5.5% reduction in waste emissions, a 2.4% increase in business travel emissions and a 45.4% increase in water emissions. Water consumption has increased against the previous year, largely due to more accurate billing from our supplier.



BREAKDOWN OF ESTIMATED HES EMISSIONS INCLUDING SCOPE 3 CATEGORIES



Our GHG emissions reduced by 555 tonnes of carbon dioxide equivalent (tCO₂e) from 5,384 tCO₂e for 2018-19 to 4,829 tCO₂e for 2019-20.

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

There has been considerable difficulty in collecting data this year from a number of suppliers who supply data at year end, in part due to the impact of COVID-19 on their operations. As a result, we have had to estimate figures based on a combination of last year's data and the partial data we have for 2019-20. All data sets have likely been impacted with the biggest impact being on waste and travel. This is likely to have contributed to the significant decrease from the same source. We intend to continue updating figures as more accurate data becomes available and hope to publish a revised Sustainability Report later this year.

As part of our review of our Carbon Management Plan (CMP), we have conducted an analysis of our 'Scope 3', or value chain emissions, in order to develop a more complete picture of our organisational impacts.

The results from our initial investigation using the GHG Protocol guidance is shown below. Visitor travel has not been included as it is so large it dwarfs all other categories. It is estimated that both visitor travel and procurement of goods and services forms a large percentage of our carbon impacts and at present we are not reporting on these qualitatively. This review will help us respond to the Scottish Government's forthcoming Green Recovery Plan and updated guidance to public bodies on meeting duties under the Climate Change (Scotland) Act and associated legislation.

SUSTAINABLE TRAVEL

The data on travel is included in the carbon figures for the year. A number of sustainable travel projects have taken place taken place in 2019–20:

- In June 2019, seven new electric bikes, funded by a grant from Energy Saving Trust, were made available at locations across Scotland for our staff to use on short journeys, e.g. between sites in Edinburgh and Stirling.
- We successfully secured funding through Transport Scotland and Energy Saving Trust to increase the number of electric vehicles in our fleet and add charge points at a number of locations. The 15 electric vehicles were procured during 2019–20 but the delivery of the charging points has been postponed until 2020–21 due to the impact of COVID-19.
- In June 2019 we again organised Bike Week activities for staff. We continue to work to make cycling accessible to our staff through the Cycle Friendly Employer Award which is now held by seven HES locations; Longmore House, Holyrood Park Education Centre, John Sinclair House, Stirling Castle, The Engine Shed, Edinburgh Castle and Croft-an-Righ.

CLIMATE IMPACTS AND ADAPTATION

Impact guide

In October 2019, the Our Place In Time Climate Change Working Group launched A Guide to Climate Change Impacts. This new guide was the first of its kind for the historic environment sector. We led on the development of The Guide, with contributions from over 20 other organisations working across Scotland.

CVI – Heart of Neolithic Orkney

In April 2019 we hosted a contingent of scientists and other climate change professionals in Orkney to trial a new methodology for assessing climate vulnerability of World Heritage sites. This was the first time this methodology had been trialled on a cultural world heritage site and it will now be rolled out to all six of Scotland’s World Heritage sites.

Edinburgh Adapts Guide to Building Maintenance in a Changing Climate

In 2019, we worked in partnership with Edinburgh World Heritage to develop a new guide that alerts property owners to the impact of climate change on traditional buildings in the capital. The guide, launched in August 2019, provides practical advice on how to protect homes from damage and decay. This fulfils actions assigned to both organisations in the Edinburgh Adapts Action Plan 2016–20.

MCCIP Cultural Heritage Report Card

In January 2020, the Marine Climate Change Impact Partnership (MCCIP) published a series of new ‘Report Cards’ that provide up to date accounts of understanding of climate impacts in the marine and coastal environment. We led on a Cultural Heritage sector Report Card, which was the first time this topic has been included as a standalone paper in this series.

Dynamic Coast: Scotland’s Coastal Change Assessment

We have continued to partner in this project which will reach the end of Phase Two of its work later this year. As part of Phase Two the project team have been carrying out detailed research and analysis to support the development of an Adaptation Plan for the Bay of Skail in Orkney, home to Skara Brae.

CIRCULAR ECONOMY

Implementing circular economic principles and supporting the wider transition to a circular economy is a key work area. Progress in 2019–20 includes:

Reducing our operational waste:

- Using Warp It, an online resource sharing platform, we have redistributed 1,896 individual items, diverted 3.7 tonnes of waste and 33.5 tonnes of CO₂e and saved around £27,750 in procurement costs.
- We have reduced paper and disposables use through new board meeting software, switching official files to digital formats, and introducing a new 25p discount for reusable cups at all of our cafes and shops.
- Our recycling collection capacities have increased across our estate, and our Green Champions have set up new recycling collections for crisp packets and pens.

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

- We have continued to support the supply of local traditional materials in Scotland. Initiatives include: funding the RSPB (Royal Society for Protection of Birds) to sustainably manage reed beds for thatch in Perthshire, researching the growing of linseed to make a natural and non-toxic paint alternative; supporting the procurement of Scottish stone, and partnering with Bute Estates to undertake the first extraction of Scottish slate for over 60 years.

- We have also continued to undertake projects using locally-sourced, natural and reused materials. Alongside our conservation works, projects include: path works at Holyrood Park and Machrie Moor where stone chippings from a local quarry, local turf and natural clay/terracotta pipes were used; a community project in Iona using stone from leftover materials at a local disused quarry, and a training project in Stirling where students have built small shelters using reused sandstone blocks from the apprentice training course.

Investing in recycled content and circular business models:

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

Prolonging the life of buildings:

- We continue to carry out maintenance and repairs across our estate to care for our buildings and monuments, e.g. bringing buildings in Holyrood Park and Melrose back into use and upgrading over 100 sash and case windows at Stirling Castle.

- We launched guidance to support the planning sector in adapting listed buildings for reuse to prolong their life.
- Our HES grants and funding programme has continued to fund and support multiple projects to enable the repair and maintenance of traditional buildings across Scotland and to make them more resilient to climate change. This includes funding of the Conservation Area Regeneration Schemes and the Traditional Buildings Health Check in Stirling.
- We have also supported The Ridge, a community project in East Lothian to convert a disused building into office space for a charity using reused materials.

Virtualising

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

SUSTAINABLE PROCUREMENT

We are committed to maximising the ethical, social and environmental benefits associated with our procurement. Key activity undertaken in 2019–20 included:

- We continued to use the Sustainable Procurement Tools for our larger contracts, ensuring that we build sustainable criteria into the specification of the product/ services where possible and link this to evaluation criteria.
- Our procurement team undertook continued professional development (CPD) training in sustainable procurement and ran training courses for HES staff throughout the organisation.
- We have continued to engage with our suppliers and users of contracts to encourage procurement of sustainable products throughout HES.
- We have worked with our suppliers to reduce packaging and invest in recycled content, including this as a requirement within our specifications. This includes our PPE suppliers who have removed all plastic transit packaging from our deliveries.
- Work has been ongoing to reduce purchasing where possible and increase resource efficiency.

BIODIVERSITY AND LANDSCAPES

We worked to support biodiversity across our operations in a number of ways in 2019–20.

- Progress was made on the baseline database for landscape concerning designations and understanding what we have on the estate. To date over half of the 336 Properties in Care have been analysed.
- Tree Awareness Workshops to increase staff understanding of the importance of ancient and veteran trees on our Properties in Care (and how they can be protected) have been attended by over 50 Monument Conservation Unit staff members this year.
- Specialist wildlife surveys have been carried out at HES properties by licensed surveyors to inform the Statements of Natural Significance process. These include wildlife at five water/ wetland sites, woodland including bryophytes: mosses and lichens, at Caerlaverock Castle, and bat surveys at eight sites.
- The Statements of Natural Heritage programme is ongoing, with a redesign to include information required to manage the properties. Much work has been done to ensure integration with the Risk Management and Properties in Care Management System programmes. Surveys have taken place at 300 (93%) of the 324 Properties in Care that are scheduled for survey and 240 statements have been put into the new format in an ongoing process.

- We assisted the BBC in the production of *The Bat Cave*, a documentary on bat conservation.
- We recorded a total of 1,127 hours of voluntary activity from our volunteers.

SUSTAINABLE TOURISM

Sustainable tourism is a new theme in our Climate Action Plan, which was published this year and aims to reduce the impact of tourism. Partnership working is crucial in this area; we are members of the Scottish Tourism Alliance, Edinburgh Tourism Action Group and part of World Heritage Site Management Plans, all of whom are driving sustainable tourism. Our network of Green Champions work on a number of projects across HES with the aim of improving sustainability and highlighting this issue to our visitors. Examples of work last year include a beach clean-up on Inchcolm, Wildlife Spotters for visitors to Urquhart Castle, and the ongoing Stirling High School Bee Project which is hosted at Stirling Castle.

ACCOUNTABILITY REPORT

STRUCTURE, GOVERNANCE AND MANAGEMENT

AITHISG AIR FREAGARRACHD

STRUCTAR, RIAGHLACHAS AGUS STIÙIREADH

HES is a NDPB created under The Historic Environment Scotland Act 2014 with the general function of investigating, caring for and promoting Scotland's historic environment. HES is also a registered charity.

HES's Framework Document, drawn up by the Scottish Government in consultation with the HES Board, sets out a broad framework for how we operate. The Framework Document was updated in April 2019 and is available on our website at historicenvironment.scot/framework-document.

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

HES is governed by a non-executive board supported by an Audit, Risk and Assurance Committee and a Staff Governance Committee. Day-to-day running of HES is delegated to the Chief Executive and the Senior Management Team.

BOARD

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

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

The board members from 1 April 2019 up to the date this Annual Report was approved, were:

- Jane Ryder OBE, Chair
- Ian Brennan
- Dr Janet Brennan
- Trudi Craggs (until 12 December 2019)
- Andrew Davis (from 6 April 2020)
- Emma Herd (from 6 April 2020)
- Andrew Holmes (until 12 December 2019)
- Terry Levinthal (from 6 April 2020)
- Dr Coinneach Maclean
- Dr Fiona McLean
- Ian Robertson
- Dr Paul Stollard
- Dr Ken Thomson
- Jane Williamson (from 6 April 2020)

The full biographies for our current board members can be found at historicenvironment.scot/board-members.

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

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

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

To discharge their responsibilities, the Board met six times during 2019-20 for regular Board meetings. At each regular meeting the Board received a report on key operational matters from the Chief Executive; a financial report; minutes of sub-committees to the Board; and reports on specific topics as necessary. Risk related items were highlighted as necessary. The Board also met twice specifically on strategy development and undertook one site visit with stakeholder engagements.

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 [historicenvironment.scot/board-papers](https://www.historicenvironment.scot/board-papers).

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

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

to familiarise themselves with the Scottish Government publication On Board – a guide for board members of public bodies in Scotland.

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

BOARD COMMITTEES

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

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

CHIEF EXECUTIVE AND THE SENIOR MANAGEMENT TEAM

The Chief Executive is appointed by and is accountable to the Board. The Chief Executive chairs a Senior Management Team comprising senior staff from HES. Senior Management Team members from 1 April 2019 to the date this report was approved were:

- Alex Paterson, Chief Executive and Accountable Officer
- Barbara Cummins, Director of Heritage
- Stephen Duncan, Director of Commercial and Tourism
- Gary Love, Director of Corporate Services
- Lisa McGraith, Director of Communications (returning from maternity leave from 1 March 2020)
- Kirsteen Rowlands, Interim Director of Communications (to 4 June 2020)
- Dr David Mitchell, Director of Conservation
- Lindsey Ross, Director of People (from 30 September 2019)
- Donella Steel, Director of Finance and Performance
- Alison Turnbull, Director of Development and Partnership

Other than Kirsteen Rowlands leaving on completion of her secondment, there were no changes to the Senior Management Team from the 31 March 2020 to the date this Annual Report was approved.

Full biographies for our current Senior Management Team can be found on our website at historicensevironment.scot/senior-management-team.

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

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

GROUP STRUCTURE

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

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

Scran Limited ceased trading on 31 March 2016 and was dormant for the year to 31 March 2020. The activities previously undertaken by Scran Limited are now undertaken directly by HES.

HES is also in a Limited Liability Partnership with Glasgow School of Art, CDDV LLP. HES's share of CDDV LLP was not consolidated in the Group's financial statements as it is not considered material. The partnership undertook digital documentation of heritage sites. During 2019-20, HES and Glasgow School of Art agreed to dissolve the partnership and this will be completed during 2020-21.

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

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

AITHISG AIR OBAIR NAN OIFIGEARAN LE UALLAICHEAN SÒNRAICHTE

The Principal Accountable Officer of the Scottish Government appointed the Chief Executive as the Accountable Officer for HES in accordance with section 15 of the Public Finance and Accountability (Scotland) Act 2000. As Accountable Officer, the Chief Executive is responsible to Scottish Ministers. In line with the responsibilities assigned to the Accountable Officer in the Scottish Public Finance Manual (SPFM), the Accountable Officer is personally responsible for:

- The propriety and regularity of financial transactions under the Accountable Officer's control and for the economical, efficient and effective use of resources provided to HES.
- Ensuring that arrangements have been made to secure best value and for signing the annual report.
- Ensuring that effective management systems are in place within HES and that risks are identified, assessed and managed appropriately.

In accordance with the accounts direction (reproduced on page 112) issued under Paragraph 13 of Schedule 1 of the Historic Environment Scotland Act 2014 the Accountable Officer is required to prepare financial statements for each financial year in the form and on the basis set out in the FReM and applicable Charities SORP.

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, and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

In preparing the accounts the Accountable Officer is required to comply with the FReM and applicable Charities SORP, in particular to:

- Observe the accounts direction 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 and the applicable Charities SORP have been followed and disclose and explain any material departures in the accounts.
- Prepare the accounts on a going concern basis.
- Confirm that the Annual Report and Financial Statements as a whole are 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.

GOVERNANCE STATEMENT

AITHRIS RIAGHLACHAIS

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

SCOPE OF RESPONSIBILITY

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

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

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

HES complied with the SPFM and guidance from Scottish Ministers in all material aspects for the year to 31 March 2020.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

The Information Assurance Board, chaired by the Director of Finance and Performance as the Senior Information Risk Owner, has met on several occasions and work by Information Asset Owners to identify and quantify the organisation's information assets is progressing. The Information Assurance Board collectively deals with information risk, data handling, business continuity, information, records, document management and security. HES reported one personal information breach to the Information Commissioner's Office, however there were no cases of significant

information loss during 2019–20 (2018–19 no personal information breaches or significant information losses reported).

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.

REVIEW OF EFFECTIVENESS

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

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

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

FOLLOW-UP OF ISSUES REPORTED IN OUR 2018–19 GOVERNANCE STATEMENT

During 2018–19, we reported on the following issues on which we required further assurance:

Business continuity planning

We developed our Business Continuity Plans at Corporate and Directorate level during 2019–20 and undertook a full exercise to test these plans with a detailed scenario. This work turned out to be invaluable to helping us to respond to the COVID-19 pandemic. We have since undertaken a review of our response to COVID-19 and will use lessons learned to further improve our plans. I am satisfied that sufficient action has been taken to address this issue.

Information assets

Following action during 2019–20 by Information Asset Owners, we now have a comprehensive register of all our information assets. We have also identified all assets containing personal information and the reasons for holding these assets. I am satisfied that sufficient action has been taken to address this issue.

Compliance assurance and reporting

A project to improve our compliance assurance and reporting began in 2019–20. The project's objectives are to map our compliance landscape, standardise our approach to compliance policies and procedure, and enhance our monitoring and reporting of compliance across the organisation. We have begun to develop a database of laws and regulations and to map those to existing policies and procedures. Work to develop our internal policy and procedure frameworks is also in progress. At present, the project has been paused due to our focus on COVID-19 response. Completion of this project will improve assurance provided on this issue.

2019–20 ISSUES

In addition to the compliance assurance and reporting point highlighted above and over which we need further assurances, a new issue that has been identified during 2019–20 is:

Project management

There is a need to review our approach to project management across the organisation to develop and embed good practice. In particular, we recognise a need to develop our approach to benefits measurement to help ensure we can best demonstrate value for money from the projects we deliver. We will seek to develop organisation-wide guidance and frameworks for project management that can be adapted to support good practice approaches in the variety of project work undertaken across the organisation.

CONCLUSION

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



Alex Paterson

Chief Executive and
Accountable Officer
23 September 2020



REMUNERATION AND STAFF REPORT

AITHISG CO-DHÌOLADH IS LUCHD-OBACH

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

REMUNERATION POLICY

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

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

The Board in approving the pay award has regard to:

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

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

SERVICE CONTRACTS

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

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

BOARD MEMBERS

None of the board members have been paid any remuneration or received any other benefits in their relation to role as a board member of HES or a related entity for the year to 31 March 2020 (2018-19: none).

SENIOR MANAGEMENT TEAM SALARIES AND PENSION BENEFITS

The total salaries and pension entitlement earned by the Senior Management Team for 2019-20 was £970,000 (2018-19: £843,000). The salary and pension entitlement earned individually by the Senior Management Team members for the year to 31 March 2020 were as follows:

	2019-20			2018-19		
	SALARY	PENSION BENEFITS	TOTAL	SALARY	PENSION BENEFITS	TOTAL
	£000	£000	£000	£000	£000	£000
Chief Executive						
Alex Paterson	120-125	48	170-175	120-125	47	165-170
Directors						
Barbara Cummins	70-75	29	100-105	70-75	28	95-100
Stephen Duncan	70-75	29	100-105	70-75	28	95-100
Gary Love	70-75	30	100-105	70-75	9	80-85
Lisa McGraith ¹	40-45	16	55-60	70-75	28	100-105
Dr David Mitchell	70-75	31	100-105	70-75	28	95-100
Donella Steel	70-75	29	100-105	70-75	28	95-100
Lindsey Ross ²	35-40	14	50-55	-	-	-
Kirsteen Rowlands ³	65-70	18	80-85	0-5	1	0-5
Alison Turnbull	65-70	26	90-95	60-65	24	85-90

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

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

- 1 Lisa McGraith was on maternity leave from 4 March 2019 to 1 March 2020. The full year equivalent salary for 2019-20 would have been in the range £70,000 to £75,000.
- 2 Lindsey Ross was appointed as Director of People on 30 September 2019. The full year equivalent salary for 2019-20 would have been in the range £70,000 to £75,000.
- 3 Kirsteen Rowlands was seconded from the Scottish Government as Interim Director of Communications from 13 March 2019 to 4 June 2020. The recharge for the services provided during 2019-20 was £91,036 (2018-19 £4,090) and the salary and pension elements of the recharge have been included in the table above. The full year equivalent salary for 2018-19 would have been in the range £60,000 to £65,000.

Bonuses

There were no bonuses paid to the Senior Management Team for 2019–20 (2018–19: nil).

Compensation for loss of office

No member of the Senior Management Team received compensation for loss of office for 2019–20 (2018–19: nil).

Pension benefits

The pension entitlements earned by the Senior Management Team for 2019–20 were:

	Real increase in pension and related lump sum at pension age	Accrued pension at pension age at 31 March 2020 and related lump sum	CETV at 31 March 2019	CETV at 31 March 2020	Real increase in CETV
	£000	£000	£000	£000	£000
Chief Executive					
Alex Paterson	2.5–5	10–15	96	139	30
Directors					
Barbara Cummins	0–2.5	15–20	210	241	17
Stephen Duncan	0–2.5	30–35	460	504	18
Gary Love	0–2.5 plus a lump sum of 0–2.5	35–40 plus lump sum of 100–105	754	809	19
Lisa McGraith	0–2.5	15–20	154	170	6
Dr David Mitchell	0–2.5	25–30	420	460	17
Donella Steel	0–2.5	20–25	339	374	16
Lindsey Ross	0–2.5	0–5	-	8	5
Alison Turnbull	0–2.5	0–5	23	41	12

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

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

Cash Equivalent Transfer Value (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.

Civil Service Pensions are still assessing the impact of the McCloud judgement in relation to changes to benefits in 2015. The benefits and related CETVs disclosed do not allow for any potential future adjustments that may arise from this judgement.

During the year, the Government announced that public sector pension schemes will be required to provide indexation

on the Guaranteed Minimum Pension element of the pension. Civil Service Pensions has updated the methodology used to calculate CETV values as at 31 March 2020. The impact of the change in methodology is included within the reported real increase in CETV for the year.

The real increase in the value of the CETV

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

Fair pay disclosures

The minimum, maximum and median total remunerations for 2019-20 were:

	2019-20	2018-19
	£000	£000
Minimum total remuneration	18	17
Maximum total remuneration	123	122
Band of highest paid member of the Senior Management Team	120-125	120-125
	£	£
Median total remuneration	22,537	22,787
Ratio of median total remuneration to maximum total remuneration	5.20	5.38

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

CIVIL SERVICE PENSIONS

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

These statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. 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 uprated 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 a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from 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

	2019-20	2018-19
Staff costs comprise:	£000	£000
Wages and salaries	38,099	37,031
Social security costs	3,493	3,383
Employer's contributions to pension schemes	9,749	7,183
Early departure costs	-	-
Agency temporary staff costs	756	695
Total employment costs	52,097	48,292
Less: Recoveries in respect of outward secondments	(14)	(52)
Total net costs	52,083	48,240

Employees who received benefits, excluding pension costs, of more than £60,000:	2019-20	2018-19
Banding		
£60,000 - 69,999	7	2
£70,000 - 79,999	5	6
£120,000 - 129,999	1	1
Total number of staff	13	9

Staff numbers

The average number of full-time equivalent (FTE) staff employed for 2019–20, by occupational group, were:

	2019-20 FTE	2018-19 FTE
Commercial and Tourism	529	551
Conservation	447	450
Heritage	149	151
Corporate Services	67	63
Finance and Performance	62	58
Communications	22	23
People	21	19
Development and Partnership	12	9
Chief Executive's Office	6	5
Senior Management	9	8
Agency/Temporary Staff	19	19
	1,343	1,356

The average number of staff employed for 2019–20 were:

	2019-20 Headcount	Restated* 2018-19 Headcount
Full time	1,135	1,154
Part time	398	394
	1,533	1,548

The average number of staff by band and gender for 2019–20 were:

	Male Headcount	Female Headcount	2019-20 Total Headcount	Male Headcount	Female Headcount	Restated* 2018-19 Total Headcount
Chief Executive	1	-	1	1	-	1
Director	3	5	8	3	4	7
Band F	25	16	41	24	16	40
Bands A-E	803	680	1,483	828	672	1,500
	832	701	1,533	856	692	1,548

* Restated - refer to note 32 on page 110

Sickness absence

For 2019–20, the average sickness absence was 11 days (2018–19: 13 days) and 13,741 total days (2018–19: 17,329 days). This is split 4.5 average number of working days lost to ill-health short-term absences (2018–19: 6 days) and 6.5 average number of working days lost to ill-health long-term absences (2018–19: 9 days). The HR team continues to work closely with management to ensure appropriate management of sickness absence. Regular case reviews are carried out in partnership with management, with a view to identifying, discussing and supporting staff at an early stage to best understand their needs and to support them in achieving sustained attendance.

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

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. The percentage of staff declaring a disability for 2019–20 was 2% (2018–19: 2%).

Equal opportunities and diversity

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

In April 2019 HES published its Mid Term Equalities Progress Report 2019. This is a statutory reporting requirement as part of the public sector equality duties and is available on the HES website. The following are examples of activity highlighted:

- Partnered with Standard Life to create a shadow board opportunity for a senior female manager as part of the Scottish Government 50:50 campaign.

- A number of employee networks/forums are now in place including LGBT+ employee network, Youth Forum and Conservation Equity Forum.
- Launch of our Equalities E-learning programme.
- Design and development of our equality impact assessment process and templates.
- Scotland's Urban Past (HLF funded) project drew to its five-year close in 2019 and we will look to build the legacy from this work with diverse communities on oral and local history projects across Scotland.
- Hosted three seminars in 2019 as part of the Coalition of Race Equality and Rights Black History Month programme.
- Our BSL Tours over 2018 and 2019 were well received by the Deaf community locally, nationally and internationally.
- We continue to offer internships targeted towards people from under-represented groups and in 2019 we partnered with Next Step Initiative (Africa) for a second year and offered practical conservation experience to two internees.
- Partnered with Inclusion Scotland to offer an internship to a Deaf BSL user to assist in developing our British Sign Language Plan.
- Published our British Sign Language Plan 2020–24 in March 2020.
- Our work on health and wellbeing has maintained our Gold Award from Healthy Working Lives

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 representatives are present at all HES sites, as well as a team of health and safety advisors. They ensure that each site remains safe not only for staff but also for visitors, with dedicated visitor safety risk assessments being used specifically to protect visitors from site hazards at ancient monuments. Our health and safety advisors 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 involved 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 and 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 in ensuring the growth and success of HES as an organisation.

Employee consultation

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

Trade union relationships

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

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

Number of employees who were relevant union officials during 2019-20	25
Full-time equivalent employee number	24.7
<hr/>	
Banding	Number of employees
0%	17
1-50%	8
<hr/>	
Total cost of time	£3,974
Total pay bill	£52,083,000
Percentage of total pay bill spent on facility time	0.01%
Time spent on paid activities as a percentage of total paid facility time	89%

Volunteers

For 2019-20, HES provided opportunities to 999 volunteers (2018-19: 715), who dedicated 11,778 hours (2018-19: 10,590) to volunteering with us. These included our board members, volunteer gardeners, volunteer rangers, archaeology volunteers, volunteer tour guides, and visitor activity and event volunteers.

Expenditure on consultancy

Expenditure on consultancy for 2019-20 was £531,000 (2018-19: £443,000).

Exit packages

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.

Exit package cost band	Voluntary departures agreed 2019-20 Number	Cost of exit package 2019-20 £000	Voluntary departures agreed 2018-19 Number	Cost of exit package 2018-19 £000
<£10,000	1	1	-	-
£10,000-£25,000	1	13	-	-
£25,000-£50,000	2	73	-	-
Total	4	87	-	-



VOLUNTEER NUMBERS
HAVE INCREASED

40%

REFERENCE DETAIL

TUAIRISGEUL AIR FIOSRACHADH RIANACHAIL

Principal Office and Registered Address

Longmore House
Salisbury Place
Edinburgh EH9 1SH

Scottish charity number

SC045925

Subsidiaries

Historic Environment Scotland
Enterprise Limited
Scran Limited (dormant)

Bankers

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

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

Bank of Scotland
300 Lawnmarket
Edinburgh EH1 2PH

Solicitors

Harper MacLeod LLP
65 Haymarket Terrace
Edinburgh EH12 5HD

External auditors

Deloitte LLP
110 Queen Street
Glasgow G1 3BX

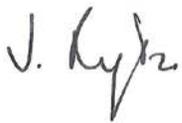
APPROVAL

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 September 2020.



Jane Ryder OBE
Chair



Alex Paterson
Chief Executive and
Accountable Officer

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

QUALIFIED OPINION ON FINANCIAL STATEMENTS

We have audited the financial statements in the annual report and accounts of Historic Environment Scotland for the year ended 31 March 2020 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, 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the accompanying financial statements:

- Give a true and fair view in accordance with the Historic Environment Scotland Act 2014 and directions made thereunder

by the Scottish Ministers of the state of the body's affairs as at 31 March 2020 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 QUALIFIED OPINION

At the time of the physical counting of inventories, attendance was impracticable due to safety threats imposed by the COVID-19 pandemic. Due to connectivity limitations given the nature of the locations where inventories are held, we were unable to perform a virtual count, and we were unable to satisfy ourselves by using other audit procedures concerning the existence and condition of inventory quantities held at 31 March 2020, which were included in the consolidated balance sheet at £2,999,000 and charity balance sheet at £274,000.

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is four years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

EMPHASIS OF MATTER – MATERIAL UNCERTAINTY RELATING TO VALUATION OF LAND AND BUILDINGS

We draw attention to note 2b in the financial statements, which describes the effects of the uncertainties created by the coronavirus COVID-19 pandemic on the valuation of Historic Environment Scotland's land and building portfolio. As noted by Historic Environment Scotland's external valuers, the outbreak has caused extensive disruption to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the fair value of the land and building portfolio at the balance sheet date. Our opinion is not modified in respect of this matter.

CONCLUSIONS RELATING TO GOING CONCERN BASIS OF ACCOUNTING

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

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

RISKS OF MATERIAL MISSTATEMENT

We have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

RESPONSIBILITIES OF THE ACCOUNTABLE OFFICER FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud. A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER INFORMATION IN THE ANNUAL REPORT AND ACCOUNTS

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express

any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

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

REPORT ON REGULARITY OF EXPENDITURE AND INCOME

OPINION ON REGULARITY

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

RESPONSIBILITIES FOR REGULARITY

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

REPORT ON OTHER REQUIREMENTS OPINIONS ON MATTERS PRESCRIBED BY THE AUDITOR GENERAL FOR SCOTLAND

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

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, based on the work undertaken in the course of the audit:

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Arising solely from the limitation on the scope of our work relating to inventory, referred to above:

- We have not obtained all the information and explanations that we considered necessary for the purpose of our audit; or
- we were unable to determine whether adequate accounting records had been kept by the entity.

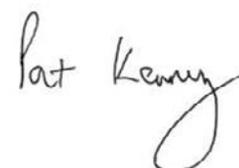
We have nothing to report in respect of these matters.

CONCLUSIONS ON WIDER SCOPE RESPONSIBILITIES

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

USE OF OUR REPORT

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



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

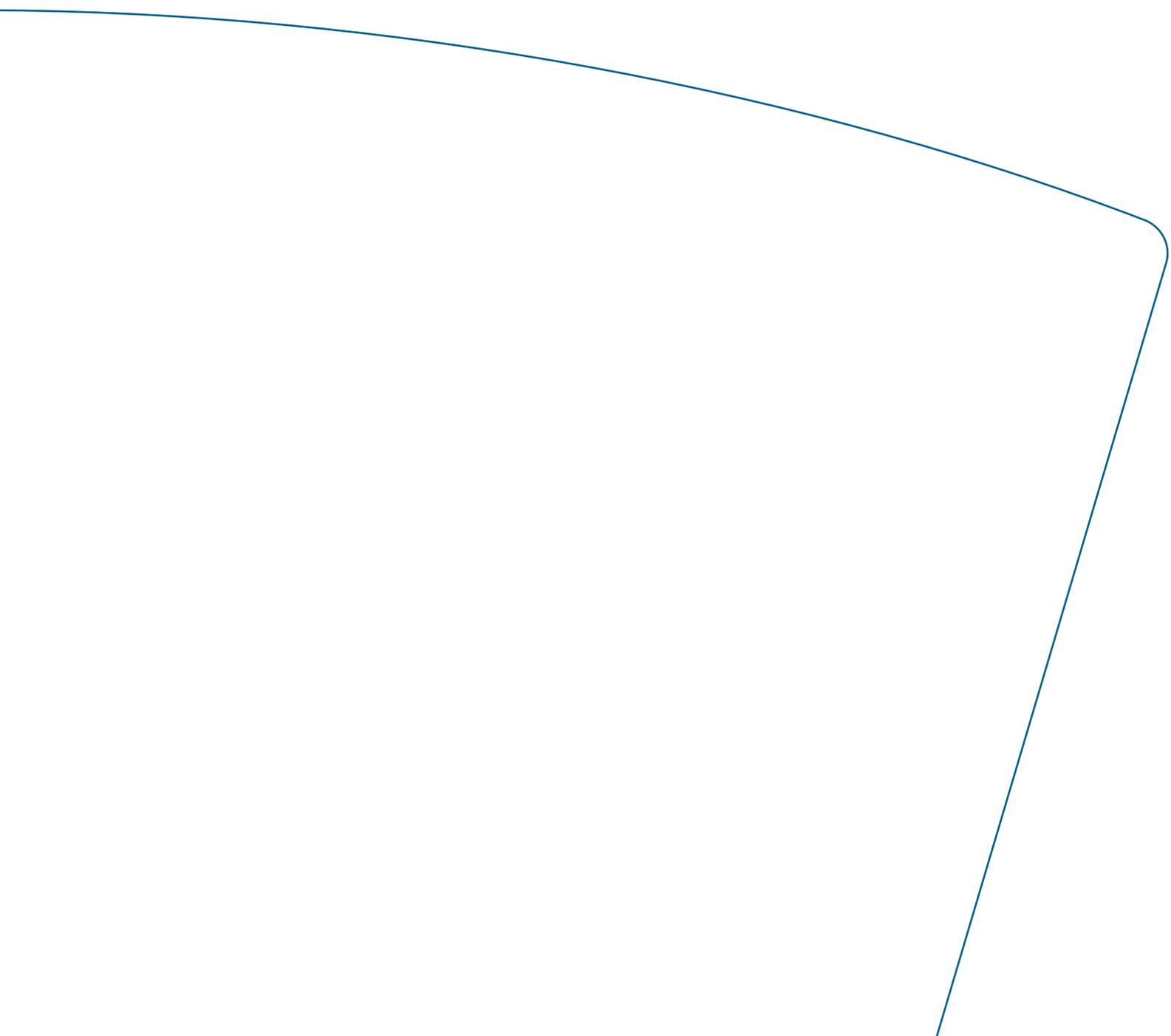
Deloitte LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

FINANCIAL STATEMENTS

Year ended: 31 March 2020

CUNNTASAN BLIADHNAIL

Bliadhna crìochnaichte: 31 Màirt 2020



CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITY FOR THE YEAR ENDED 31 MARCH 2020

		2019-20			2018-19		
	Note	Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
Income from:							
Government grant in aid		38,370	-	38,370	38,600	-	38,600
Charitable activities	3	47,220	1,167	48,387	44,755	831	45,586
Trading activities	4	16,032	-	16,032	15,410	-	15,410
Donations and legacies	5	94	-	94	89	-	89
Other income		441	-	441	381	-	381
Total income		102,157	1,167	103,324	99,235	831	100,066
Expenditure on:							
Raising funds	6	(14,542)	-	(14,542)	(13,675)	-	(13,675)
Charitable activities	7	(74,715)	(1,374)	(76,089)	(72,617)	(1,448)	(74,065)
Grants	8	(13,461)	-	(13,461)	(24,085)	-	(24,085)
Total expenditure		(102,718)	(1,374)	(104,092)	(110,377)	(1,448)	(111,825)
Net expenditure		(561)	(207)	(768)	(11,142)	(617)	(11,759)
Transfers between funds	24	(108)	108	-	(189)	189	-
Gain on revaluation of fixed assets	27	1,967	-	1,967	4,942	-	4,942
Net movement in funds		1,298	(99)	1,199	(6,389)	(428)	(6,817)
Reconciliation of funds							
Total funds brought forward		8,322	3,061	11,383	14,711	3,489	18,200
Total funds carried forward	24	9,620	2,962	12,582	8,322	3,061	11,383

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 111 form part of these financial statements.

CHARITY STATEMENT OF FINANCIAL ACTIVITY FOR THE YEAR ENDED 31 MARCH 2020

	Note	2019-20			2018-19		
		Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
Income from:							
Government grant in aid		38,370	-	38,370	38,600	-	38,600
Charitable activities	3	47,220	1,167	48,387	44,755	831	45,586
Gift aid		2,819	-	2,819	3,096	-	3,096
Donations and legacies	5	94	-	94	89	-	89
Other income:							
Recharges for personnel and services		6,428	-	6,428	6,042	-	6,042
Miscellaneous income		441	-	441	360	-	360
Total income		95,372	1,167	96,539	92,942	831	93,773
Expenditure on:							
Charitable activities	7	(74,715)	(1,374)	(76,089)	(72,617)	(1,448)	(74,065)
Grants	8	(13,461)	-	(13,461)	(24,085)	-	(24,085)
Other	10	(7,757)	-	(7,757)	(7,382)	-	(7,382)
Total expenditure		(95,933)	(1,374)	(97,307)	(104,084)	(1,448)	(105,532)
(Net expenditure) / net income		(561)	(207)	(768)	(11,142)	(617)	(11,759)
Transfers between funds	24	(108)	108	-	(189)	189	-
Gain on revaluation of fixed assets	27	1,967	-	1,967	4,942	-	4,942
Net movement in funds		1,298	(99)	1,119	(6,389)	(428)	(6,817)
Reconciliation of funds							
Total funds brought forward		8,322	3,061	11,383	14,711	3,489	18,200
Total funds carried forward	24	9,620	2,962	12,582	8,322	3,061	11,383

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.

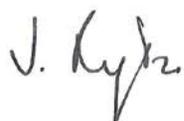
The notes on pages 79 to 111 form part of these financial statements.

CONSOLIDATED AND CHARITY BALANCE SHEETS AS AT 31 MARCH 2020

		2019-20	2019-20	2018-19	2018-19
	Note	Group	Charity	Group	Charity
		£000	£000	£000	£000
Fixed assets:					
Intangible assets	15	50	50	249	249
Tangible assets	16	44,831	44,831	43,771	43,771
Heritage assets	17	361	361	361	361
Investments	18	-	1,157	-	1,157
Total fixed assets		45,242	46,399	44,381	45,538
Current assets:					
Stock	19	2,999	274	2,848	276
Debtors	20	4,591	7,549	3,649	6,795
Cash at bank and in hand		4,860	4,281	3,008	2,167
Total current assets		12,450	12,104	9,505	9,238
Current liabilities:					
Creditors: amounts falling due within one year	21	(34,501)	(35,328)	(30,851)	(31,747)
Net current liabilities		(22,051)	(23,224)	(21,346)	(22,509)
Total assets less current liabilities		23,191	23,175	23,035	23,029
Creditors: amounts falling due outside one year	22	(8,109)	(8,093)	(10,892)	(10,886)
Provisions	23	(2,500)	(2,500)	(760)	(760)
Net assets		12,582	12,582	11,383	11,383
Funds:					
Restricted funds	24	2,962	2,962	3,061	3,061
Unrestricted reserve	24	(11,273)	(11,273)	(11,229)	(11,229)
Revaluation reserve	27	20,893	20,893	19,551	19,551
Unrestricted funds		9,620	9,260	8,322	8,322
Total funds		12,582	12,582	11,383	11,383

These financial statements of Historic Environment Scotland, registered charity number SC045925, were approved by the Board the Accountable Officer and authorised for issue on 23 September 2020.

They were signed on its behalf by



Jane Ryder OBE
Chair



Alex Paterson
Chief Executive and Accountable Officer

The notes on pages 79 to 111 form part of these financial statements.

CONSOLIDATED AND CHARITY CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

	Note	2019-20 Group £000	2019-20 Charity £000	2018-19 Group £000	2018-19 Charity £000
Reconciliation of (net expenditure) / net income to net cash flow from operating activities					
(Net expenditure) / net income		(768)	(768)	(11,759)	(11,759)
Adjustments for					
Depreciation		2,910	2,910	3,422	3,422
Amortisation		199	199	218	218
Impairment of fixed assets		12	12	-	-
Loss / (gain) on disposal of fixed assets		-	-	322	322
Increase / (decrease) in provisions	23	1,740	1,740	(125)	(125)
(Increase) / decrease in stock	19	(151)	2	(292)	(7)
(Increase) / decrease in debtors	20	(941)	(753)	1,022	1,120
Increase in creditors	21, 22	866	787	7,116	7,190
Net cash from operating activities		3,867	4,129	(76)	381
Cash flows from investing activities					
Purchase of fixed assets	15, 16	(2,029)	(2,029)	(1,450)	(1,450)
Proceeds on disposal of fixed assets		14	14	42	42
Net cash used in investing activities		(2,015)	(2,015)	(1,408)	(1,408)
Net increase / (decrease) in cash		1,852	2,114	(1,484)	(1,027)
Cash as at 1 April		3,008	2,167	4,492	3,194
Cash as at 31 March		4,860	4,281	3,008	2,167

The notes on pages 79 to 111 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

HES is a 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);
- The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102);
- The 2019/20 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 impact of the COVID-19 pandemic, the deficit on unrestricted funds and the UK's exit from the EU. Further information is disclosed on pages 38 to 39 within the Financial Review. The Board and Accountable Officer are satisfied that income from government grant and commercial income will be sufficient to meet HES's obligations as they fall due for at least 12 months from the date of signing of these financial statements. For this reason, the financial statements are prepared on a going concern basis.

c. Basis of consolidation

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

d. Income

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

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

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

Government grant in aid

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

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

Admissions, retail and other earned income

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

Membership income

Historic Scotland membership income is accounted for on a cash basis.

Other grant income

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

1. ACCOUNTING POLICIES (continued)

e. Expenditure

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

Expenditure is classified under the following activity headings:

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

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

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

f. Grants payable

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

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

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

g. Leases

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

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

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

h. Fund accounting

Unrestricted funds are available to spend on activities which further any of the purposes of HES.

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

i. Tangible fixed assets

Initial recognition

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

Properties in care

HES is responsible for over 300 archaeological and historic sites across Scotland in the care of Scottish Ministers (the “properties in care”). 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 properties it cares for however, in the opinion of the Board and Accountable Officer these assets are integral to the operation and being of HES and following guidance from Scottish Ministers are included within these financial statements.

Land, buildings and dwellings

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

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

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

Operational land, building and dwellings includes elements of the properties in care, which, in addition to being held by HES in pursuit of its overall objectives, are also used for income generation or other non-heritage purposes. All operational land, building and dwellings are subject to a five-year

rolling programme of professional valuations. The valuations are undertaken by the District Valuers of the Valuation Office Agency, acting in the capacity as 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 dwelling have been valued on a fair value basis applying the following approaches:

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

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

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

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

Leasehold building improvements

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

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

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

Antiques and works of art

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

Assets under construction

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

Subsequent costs

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

Capitalisation thresholds

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

Donated fixed assets

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

Depreciation

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

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

Land: Not depreciated

Buildings and dwellings:

On an individual basis not exceeding 60 years

Leasehold building improvements (included within buildings and dwellings):

Over the term of the lease

Motor vehicles: 5 years

ICT systems: 3 years

Plant and equipment: 5 years

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

Assets in the course of 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.

1. ACCOUNTING POLICIES (continued)

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

Amortisation

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

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

Archive rights: 10 years

Computer and software licenses: 3 years

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 properties in care, the valuation of these sites lack reliability and involves costs that are likely to be onerous on HES. HES does not therefore recognise these assets on its balance sheet.

Archives and Collections

HES owns or holds in its care

archives and collections relating to Scotland's wider historic environment:

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

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

Conservation costs

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

of financial activity when it is incurred.

l. Investments

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

m. Stock

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

n. 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.

Offsetting

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the HES intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

o. Provisions

Provisions are recognised where HES has a present obligation resulting from a past event which will probably result in the transfer of funds to a third party and the amount due to settle

the obligation can be measured or estimated reliably. Provisions are normally recognised at their settlement amount after allowing for any trade discount due.

p. Pensions

Past and present employees of HES are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS – known as “alpha”), multi-employer defined benefit schemes which is described in the staff costs note (note 12).

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

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

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

q. 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.

r. 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.

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

There are not any 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 ESTIMATION UNCERTAINTY

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 additional grant in aid and prudent financial forecasts.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

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. 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 2020 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 5-year rolling programme of professional valuations in accordance with the Charities SORP. The valuations were conducted in accordance

with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

The Valuation Office Agency's report highlighted the following the material uncertainty due to the impact of COVID-19:

“The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation(s) is / are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property / these properties under frequent review.”

The valuation report has been used to inform the measurement of assets in these financial statements. Although the valuer has declared a material valuation uncertainty, the valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to HES as at 31 March 2020 and can be relied upon.

As noted, HES has not obtained a complete valuation of all land, buildings and dwellings assets for 2019–20. HES recognises that there may now be greater uncertainty in markets on which the valuations for the remaining assets were based (dating from 2014–15 to 2018–19), and on which asset measurements reflected in these statements have also been calculated.

As noted by HES's external valuers, the outbreak has caused extensive disruption to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the fair value of the land and building portfolio at the balance sheet date.

Provisions for future liabilities

The provision for leasehold dilapidations is estimated based on assessments undertaken by external surveyors as well as our internal surveyors.

The provision for compensation claims is estimated based on assessments by our external insurers, external lawyers as well as our internal lawyers.

3. INCOME FROM CHARITABLE ACTIVITIES – GROUP AND CHARITY

	2019-2020			2018-19		
	Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
Admissions	40,411	-	40,411	38,588	-	38,588
Membership	5,005	-	5,005	4,513	-	4,513
Audio Tours	993	-	993	962	-	962
Imaging sales - charitable	143	-	143	151	-	151
Third party services	180	-	180	188	-	188
Visitor events	211	-	211	204	-	204
Heritage Lottery Fund grants	-	592	592	-	286	286
Partnership funding	166	575	741	-	545	545
Other	111	-	111	149	-	149
	47,220	1,167	48,387	44,755	831	45,586

4. INCOME FROM TRADING ACTIVITIES – GROUP

	2019-20	2018-19
	Unrestricted £000	Unrestricted £000
Retail and catering	12,234	11,859
Imaging sales - trading	1,257	1,412
Events and venue hire	1,992	1,525
Other	549	614
Total	16,032	15,410

* Restated - refer to note 32 on page 110

5. INCOME FROM DONATIONS AND LEGACIES – GROUP AND CHARITY

	2019-20	2018-19
	Total	Total
	£000	£000
Donations	94	89
Total	94	89

6. EXPENDITURE ON RAISING FUNDS – GROUP

	2019-20	2018-19
	Unrestricted	Unrestricted
	£000	£000
Direct salaries	6,452	6,011
Direct costs	4,868	4,661
Support costs	2,731	2,440
Depreciation	491	563
Total	14,542	13,675

7. EXPENDITURE ON CHARITABLE ACTIVITIES – GROUP AND CHARITY

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

	Commercial and Tourism	Heritage	Conservation	Development and Partnership	2018-19 Total
	£000	£000	£000	£000	£000
Direct salaries	10,977	6,161	16,512	484	34,134
Direct costs	8,515	1,787	13,291	218	23,811
Support costs	4,460	1,828	6,630	153	13,071
Depreciation	1,027	418	1,567	37	3,049
	24,979	10,194	38,000	892	74,065
Unrestricted	24,339	9,711	37,675	892	72,617
Restricted	640	483	325	-	1,448
	24,979	10,194	38,000	892	74,065

8. EXPENDITURE ON GRANTS – GROUP AND CHARITY

	2019-20	2018-19
	£000	£000
Grants payable	12,763	23,412
Direct salaries	467	412
Direct costs	73	111
Support costs	134	122
Depreciation	24	28
	13,461	24,085

	2019-20	2018-19
	£000	£000
Grants invested from current year funding	14,697	14,542
Grant returned to HES	(420)	(97)
Movement in grant commitments from future funding	(1,514)	8,967
Grants payable	12,763	23,412

9. SUPPORT COSTS – GROUP AND CHARITY

	Raising Funds	Charitable Activities	Grants	2019-20 Total
	£000	£000	£000	£000
Office running costs	660	3,494	32	4,186
Information systems	724	3,832	34	4,590
Finance	367	1,939	18	2,324
HR	229	1,106	13	1,348
Communications	271	1,432	13	1,716
Chief Executive's Office	171	909	8	1,088
Information governance	94	495	5	594
Corporate analysis and performance	46	243	2	291
Governance	38	198	2	238
Health, safety and security	95	455	5	555
Corporate services	36	175	2	213
	2,731	14,278	134	17,143

	Raising Funds	Charitable Activities	Grants	2018-19 Total
	£000	£000	£000	£000
Office running costs	469	2,542	23	3,034
Information systems	720	3,905	35	4,660
Finance	336	1,820	16	2,172
HR	239	1,184	14	1,437
Communications	263	1,431	13	1,707
Chief Executive's Office	110	598	5	713
Information governance	112	609	6	727
Corporate analysis and performance	44	238	2	284
Governance	37	201	2	240
Health, safety and security	71	348	4	423
Corporate services	39	195	2	236
	2,440	13,071	122	15,633

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

Charity

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

10. EXPENDITURE ON OTHER – CHARITY

	2019-20	2018-19
	£000	£000
Direct salaries	4,535	4,379
Support costs	2,731	2,440
Depreciation	491	563
	7,757	7,382

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

11. GRANTS – GROUP AND CHARITY

	2019-20	2018-19
	£000	£000
Grants commitment at 1 April	35,587	26,014
Grants awarded	13,648	23,731
Grants reduced	(524)	(287)
Grants paid in year	(13,193)	(13,871)
Grants commitment at 31 March	35,518	35,587

	2019-20	2018-19
	£000	£000
Accrual for grants payable due within one year	26,024	23,207
Accrual for grants payable due outside one year	7,576	10,630
Grants retentions due within one year	1,401	1,494
Grants retentions due outside one year	517	256
	35,518	35,587

Grants awarded:

	2019-20			2018-19		
	Institutions £000	Individuals £000	Total £000	Institutions £000	Individuals £000	Total £000
Archaeology Programme funding	1,012	-	1,012	3,330	101	3,431
City Heritage Trust	-	-	-	8,289	-	8,289
Conservation Area Regeneration Scheme	4,412	-	4,412	3,524	-	3,524
Historic Environment Repair Grants	4,852	51	4,903	2,369	258	2,627
Historic Environment Support Fund	334	38	372	314	35	349
Organisational Support Fund	2,425	-	2,425	3,586	-	3,586
Places of Worship	524	-	524	1,925	-	1,925
	13,559	89	13,648	23,337	394	23,731

Information of our grants policy can be found on page 39. Details of the grants awarded during the year ended 31 March 2020 can be found at [historicenvironment.scot/grants-awarded](https://www.historicenvironment.scot/grants-awarded).

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

12. EXPENDITURE DISCLOSURES

	2019-20	2018-19
	£000	£000
External auditor's remuneration for audit of the financial statements		
Historic Environment Scotland	78	77
Historic Environment Scotland Enterprises Limited	13	13
Scran Limited	-	-
	91	90
	2019-20	2018-19
	£000	£000
Board members' expenses		
Accommodation, travel and subsistence incurred by or on behalf of board members	32	18
	2019-20	2018-19
	£000	£000
Number of board members		
Number of board members	12	10
Number of board members claiming expenses or expenses paid on behalf of board members	10	10
	2019-20	2018-19
	£000	£000
Losses statement		
Losses resulting from unpaid direct debits, cash losses and bad debts	19	32

13. STAFF COSTS – GROUP AND CHARITY

Staff costs for the year to 31 March 2020 were £52,083,000 (2018-19: £48,240,000). Further analysis of these costs is shown within the Remuneration and Staff Report on page 58.

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

2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation at civilservicepensionscheme.org.uk.

For the year to 31 March 2020, employers' contributions of £9,613,000 (2018-19: £7,031,000) were payable to the PCSPS at one of four rates in the range 26% to 30.30% (2018-19: 20% to 24.5%) of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The anticipated employers'

contributions for the year to 31 March 2021 are £10,400,000.

The contribution rates are set to meet the cost of the benefits accruing during the year ended 31 March 2020 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 £136,000 (2018-19: £152,000)

were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age related and range 8% to 14.75% of pensionable earnings. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £5,000 (2018-19: £5,000), 0.5% of pensionable pay,

were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £13,000 (2018-19: £10,000). No contributions were prepaid at that date (2018-19: £nil).

Key management personnel remuneration is disclosed in the Remuneration and Staff Report on pages 58 to 68.

14. RELATED PARTIES – GROUP AND CHARITY

Group Undertakings:

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

Transactions undertaken with group undertakings during the year were:

	2019-20 £000	2018-19 £000
Supply of personnel and support services by HES to HESe	6,427	6,042
Gift aid donation HESe to HES	2,819	3,096

Amount receivable from/due to group undertakings:

	Debtors receivable 2019-20 £000	Creditors outstanding 2019-20 £000	Debtors receivable 2018-19 £000	Creditors outstanding 2018-19 £000
HESe	3,176	-	3,585	83
Scran	-	1,157	-	1,157

14. RELATED PARTIES – GROUP AND CHARITY (continued)

Other related parties:

Centre for Digital Documentation and Visualisation LLP (CDDV)

During the year ended 31 March 2010 Historic Scotland entered into a Limited Liability Partnership with Glasgow School of Art to form CDDV. It was agreed that CDDV would deliver the digital documentation of the five Scottish World Heritage sites and five international Heritage sites in a project known as the Scottish Ten, as well as undertaking commercial projects. This work continued with HES. During 2019–20, HES and Glasgow School of Art agreed to dissolve the partnership and this is planned to be completed during 2020–21. CDDV's assets were split between the partners as at 31 March 2020. During 2019–20 HES levied charges of £nil (2018–19: £7,000) to CDDV and incurred charges of £9,000 (2018–19: £26,000) from CDDV. Amounts due from CDDV to HES were £29,000 as at 31 March 2020 (2018–19: £nil payable by CDDV or HES). The financial statements do not consolidate HES's share of CDDV LLP as it is not considered material.

Association of Leading Attractions

HES Director Stephen Duncan was a board member for Association of Leading Attractions. HES incurred costs in 2019–20 of £5,000 (2018–19: £nil). There were no outstanding balances at 31 March 2020 (2018–19: £nil).

The Crichton Trust

HES board member Janet Brennan is Trustee for The Crichton Trust. HES incurred costs in 2019–20 of £14,000 (2018–19: £nil). There were no outstanding balances at 31 March 2020 (2018–19: £nil).

Edinburgh Napier University

HES board member Paul Stollard was a member of the court for Edinburgh Napier University until July 2018. HES received payment of £1,000 in 2018–19 and incurred costs of £10,000. There were no balances outstanding at the 31 March 2019.

Forth Valley College

HES board member Ken Thomson was Forth Valley College Principal and Chief Executive and HES board member Trudi Craggs was a Forth Valley College board member throughout 2019–20. HES incurred costs of £50,000 in 2019–20 (2018–19: £50,000) HES received payments in 2019–20 of £1,000 (2018–19: £6,000). There were no outstanding balances at 31 March 2020 (2018–19: £nil).

JPS Restoration

HES Director Dr David Mitchell's brother in law owns the company JPS Restoration. HES incurred costs HES of £8,000 in 2019–20 (2018–19: £1,000). Amounts due from HES as at 31 March were £2,000 (2018–19: £nil).

The Smith Art Gallery & Museum

HES Director Dr David Mitchell is also a trustee of The Smith Art Gallery & Museum. HES incurred costs of £nil in 2019–20 (2018–19: £3,000). Amounts due from HES as at 31 March were £nil (2018–19: £nil).

Society for Antiquaries of Scotland

HES Head of Archaeology Dr Rebecca Jones's spouse is a director for the Society for Antiquaries of Scotland. HES incurred costs of £3,000 in 2019–20 (2018–19: £9,000).

There were no outstanding balances at 31 March 2020 (2018–19: HES due £6,000).

Scottish Ironworks Foundation

HES Director Dr Mitchell is also a trustee for Scottish Ironworks Foundation. HES incurred costs of 2019–20 of £Nil (2018–19: Nil). There were no outstanding balances at 31 March 2020 (2018–9: £nil).

The Smith Art Gallery & Museum

HES Director Dr David Mitchell is also a trustee of The Smith Art Gallery & Museum. HES awarded grants of £nil (2018–19: £1,000) and incurred costs of £nil in 2019–20 (2018–19: £3,000). Amounts due from HES as at 31 March were £nil (2018–19: £nil).

The Malt Whisky Trail Limited

HES Director Stephen Duncan was a board member for The Malt Whisky Trail Limited. HES incurred costs in 2019–20 of £4,000 (2018–19: £nil). There were no outstanding balances at 31 March 2020 (2018–19: £nil).

University of the Highlands and Islands

HES board member Fiona McLean is Vice Chair and independent governor for the University of the Highlands and Islands. HES incurred costs of £nil in 2019–20 (2018–19: £1,000). There were no outstanding balances at 31 March 2020 (2018–19: £nil).

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

15. INTANGIBLE ASSETS – GROUP AND CHARITY

	Archive rights £000	Computer & software licences £000	Total £000
Cost			
As at 1 April 2018	54	1,510	1,564
Additions	-	-	-
Transfers	-	86	86
Disposals	-	(123)	(123)
As at 1 April 2019	54	1,473	1,527
Additions	-	-	-
Transfers	-	-	-
Disposals	-	(4)	(4)
As at 31 March 2020	54	1,469	1,523
Accumulated amortisation			
As at 1 April 2018	(16)	(1,167)	(1,183)
Charge for the year	(8)	(210)	(218)
Disposals	-	123	123
As at 1 April 2019	(24)	(1,254)	(1,278)
Charge for the year	(8)	(191)	(199)
Disposals	-	4	4
As at 31 March 2020	(32)	(1,441)	(1,473)
Net Book Value			
As at 31 March 2018	38	343	381
As at 31 March 2019	30	219	249
As at 31 March 2020	22	28	50

Amortisation of archive rights is included within expenditure on charitable activities within the statement of financial activity. The computer and software licence 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 2018	3,157	32,719	3,606	3,116
Additions	-	47	-	334
Transfers	14	(14)	-	-
Disposals	-	(342)	(90)	(406)
Revaluation and Indexation	34	3,031	189	-
As at 1 April 2019	3,205	35,441	3,705	3,044
Additions	-	41	-	78
Transfers	-	-	-	-
Disposals	-	-	-	(127)
Revaluation and Indexation	199	816	201	-
As at 31 March 2020	3,404	36,298	3,906	2,995
Accumulated Depreciation & Impairment				
As at 1 April 2018	(246)	(4,154)	(241)	(2,196)
Charge for the year	-	(1,006)	(133)	(367)
Disposals	-	219	14	405
Impairment	-	-	-	-
Revaluation and Indexation	-	1,636	52	-
As at 1 April 2019	(246)	(3,305)	(308)	(2,158)
Charge for the year	-	(1,227)	(140)	(276)
Disposals	-	-	-	125
Impairment	(12)	-	-	-
Revaluation and Indexation	-	582	169	-
As at 31 March 2020	(258)	(3,950)	(279)	(2,309)
Net Book Value				
As at 31 March 2018	2,911	28,565	3,365	920
As at 31 March 2019	2,959	32,136	3,397	886
As at 31 March 2020	3,146	32,348	3,627	686
Historic Cost				
As at 31 March 2018	1,436	15,436	-	920
As at 31 March 2019	1,450	14,446	-	886
As at 31 March 2020	1,450	13,951	-	683

ICT systems	Plant & equipment	Antiques & works of art	Assets under construction	Total
£000	£000	£000	£000	£000
6,073	6,985	2,331	466	58,453
530	203	-	336	1,450
268	66	-	(420)	(86)
(516)	(389)	-	(148)	(1,891)
-	-	-	-	3,254
6,355	6,865	2,331	234	61,180
240	107	-	1,563	2,029
-	-	-	-	-
(188)	(4)	-	-	(319)
-	-	-	-	1,216
6,407	6,968	2,331	1,797	64,106
(3,708)	(5,952)	(705)	-	(17,202)
(1,507)	(339)	(70)	-	(3,422)
500	389	-	-	1,527
-	-	-	-	-
-	-	-	-	1,688
(4,715)	(5,902)	(775)	-	(17,409)
(933)	(264)	(70)	-	(2,910)
176	4	-	-	305
-	-	-	-	(12)
-	-	-	-	751
(5,472)	(6,162)	(845)	-	(19,275)
2,365	1,033	1,626	466	41,251
1,640	963	1,556	234	43,771
935	806	1,486	1,797	44,831
2,365	1,033	1,626	466	23,282
1,640	963	1,556	234	21,175
935	806	1,486	1,797	21,108

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

Valuation of land, buildings and dwelling

At 31 March 2020, 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 depreciated replacement cost (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.

Material uncertainty

The Valuation Office Agency's report highlight material uncertainty due to the impact of COVID-19. Detail on this is set out in note 2.

Historic cost value of dwelling

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

17. HERITAGE ASSETS – GROUP AND CHARITY

Collections

	2019-20	2018-19
	£000	£000
Cost and Net Book Value as at 1 April and 31 March	361	361

The Cost and Net Book Value of Heritage Assets relates to a collection of seven paintings purchased by HES in the year ended 31 March 2006. There have not been any acquisitions or disposals of Heritage Assets in the past five years requiring to be disclosed.

18. INVESTMENTS – CHARITY

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

	2019-20	2018-19
	£000	£000
HESe	-	-
Scran	1,157	1,157
As at 31 March	1,157	1,157

HES's investment in HESe is carried on the balance sheet at a cost of £1. HES's investment in Scran is carried on the balance 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:

	2019-20	2018-19
	£000	£000
Income	16,032	15,432
Expenditure	(13,213)	(12,336)
Gift aid to HES	2,819	3,096

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

	2019-20	2018-19
	£000	£000
Current assets	3,519	3,935
Creditors: amounts falling due within one year	(3,503)	(3,929)
Creditors: amounts falling due after more than one year	(16)	(6)
Net Assets	-	-

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 2019-20 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:

	2019-20	2018-19
	£000	£000
Current assets	1,157	1,157
Net Assets	1,157	1,157

Scran's current assets at 31 March 2019 and 31 March 2020 relate solely to amounts owed by Historic Environment Scotland as a result of the transfer of its net assets on 1 April 2016.

19. STOCKS

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

	2019-20	2019-20	2018-19	2018-19
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Retail stocks net of obsolescence provision	2,713	-	2,557	-
Work stocks - raw materials and consumables	286	274	291	276
	2,999	274	2,848	276

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 2020 was £253,000 (2018-19: £131,000).

Retail stocks included as cost of sales for 2019-20 were £4,932,000 (2018-19: £5,514,000).

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

	2019-20	2019-20	2018-19	2018-19
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Trade debtors	604	423	519	198
Taxes and social security	391	387	-	-
Amounts owed by group undertakings	-	3,176	-	3,585
Prepayments	1,165	1,159	1,789	1,783
Accrued income	1,364	1,350	1,177	1,096
Reimbursement of provisions	944	944	-	-
Other debtors	123	110	164	133
	4,591	7,549	3,649	6,795

21. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019-20	2019-20	2018-19	2018-19
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Accrual for grants payable	26,024	26,024	23,207	23,207
Grants retention	1,401	1,401	1,494	1,494
Trade payables	278	276	330	329
Amounts owing to group undertakings	-	1,157	-	1,240
Other taxation and social security	-	-	365	365
Other payables	1,229	1,217	1,026	1,020
Accruals	5,174	4,977	3,968	3,731
Deferred income	395	276	461	361
	34,501	35,328	30,851	31,747

All deferred income as at 31 March 2019 was recognised during 2019-20 and all deferred income as at 31 March 2020 was deferred during the year. Deferred income relates to amounts received in advance of entitlement.

22. CREDITORS – AMOUNTS FALLING DUE OUTSIDE ONE YEAR

	2019-20 Group £000	2019-20 Charity £000	2018-19 Group £000	2018-19 Charity £000
Accruals for grants payable	7,576	7,576	10,630	10,630
Retentions	517	517	256	256
Deferred income	16	-	6	-
	8,109	8,093	10,892	10,886

23. PROVISIONS FOR LIABILITIES – GROUP AND CHARITY

	Pension costs £000	Compensation payments £000	Waste water £000	Holiday pay £000	Dilapida- tions £000	Total £000
Balance as at 1 April 2019	9	37	53	140	521	760
Provisions made in the year	-	1,080	-	-	826	1,906
Provisions used during the year	(9)	-	-	-	-	(9)
Provisions released during the year	-	(33)	(53)	(71)	-	(157)
Balance as at 31 March 2020	-	1,084	-	69	1,347	2,500

During 2019-20, the provision for pension costs fully utilised.

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

During 2019-20, the provision for waste water was released as HES no longer needed to undertake additional work on this project.

The provision for holiday pay relates to a change in EU regulations on how overtime for holiday pay should be assessed. Following agreement with the Trade Unions, HES implemented its first payment to staff in 2019-20. The balance relates to prior years and is expected to be utilised within financial year 2020-21.

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

24. FUNDS

	As at 1 April 2019 £000	Income £000	Expenditure £000	Transfer between reserves £000	Gains & losses £000	As at 31 March 2020 £000
Restricted funds – Group and Charity						
Heritage Lottery Fund	2,701	383	(343)	-	-	2,741
Travel Subsidy	36	-	-	(36)	-	-
Heritage Lottery Fund Scotland's Urban Past	-	209	(257)	48	-	-
Heritage Partnership Project	-	100	(100)	-	-	-
Rock Art	368	-	(192)	-	-	176
Funds less than £100,000	(44)	475	(482)	96	-	45
Total restricted funds – Group and Charity	3,061	1,167	(1,374)	108	-	2,962
Unrestricted funds – Group						
Unrestricted reserve	(11,229)	102,157	(102,718)	517	-	(11,273)
Revaluation reserve	19,551	-	-	(625)	1,967	20,893
Total unrestricted funds – Group	8,322	102,157	(102,718)	(108)	1,967	9,620
Unrestricted funds – Charity						
Unrestricted reserve	(11,229)	95,372	(95,933)	517	-	(11,273)
Revaluation reserve	19,551	-	-	(625)	1,967	20,893
Total unrestricted funds – Charity	8,322	95,372	(95,933)	(108)	1,967	9,620
All funds – Group	11,383	103,324	(104,092)	-	1,967	12,582
All funds – Charity	11,383	96,539	(97,307)	-	1,967	12,582

	As at 1 April 2018 £000	Income £000	Expenditure £000	Transfer between reserves £000	Gains & losses £000	As at 31 March 2019 £000
Restricted funds - Group and Charity						
Heritage Lottery Fund	2,780	-	(79)	-	-	2,701
Travel Subsidy	29	250	(243)	-	-	36
Heritage Lottery Fund Scotland's Urban Past	-	315	(390)	75	-	-
Education resources	2	90	(102)	12	-	2
Bute Housing	-	114	(114)	-	-	-
Rock Art	545	-	(177)	-	-	368
Romantic Scotland	135	(31)	(125)	21	-	-
Funds less than £100,000	(2)	93	(218)	81	-	(46)
Total restricted funds - Group and Charity	3,489	831	(1,448)	189	-	3,061
Unrestricted funds - Group						
Unrestricted reserve	(5,046)	99,235	(110,377)	4,959	-	(11,229)
Revaluation reserve	19,757	-	-	(5,148)	4,942	19,551
Total unrestricted funds - Group	14,711	99,235	(110,377)	(189)	4,942	8,322
Unrestricted funds - Charity						
Unrestricted reserve	(5,046)	92,942	(104,084)	4,959	-	(11,229)
Revaluation reserve	19,757	-	-	(5,148)	4,942	19,551
Total unrestricted funds - Charity	14,711	92,942	(104,084)	(189)	4,942	8,322
All funds - Group	18,200	100,066	(111,825)	-	4,942	11,383
All funds - Charity	18,200	93,773	(105,532)	-	4,942	11,383

25. NET ASSETS BY FUND

Net Assets	Fixed assets £000	Cash £000	Other net current liabilities £000	Creditors falling outside one year £000	Provisions £000	2019-20 Total £000
Group						
Restricted funds	2,741	221	-	-	-	2,962
Unrestricted reserve	21,608	4,639	(26,911)	(8,109)	(2,500)	(11,273)
Revaluation reserve	20,893	-	-	-	-	20,893
Total Funds	45,242	4,860	(26,911)	(8,109)	(2,500)	12,582
Charity						
Restricted funds	2,741	221	-	-	-	2,962
Unrestricted reserve	22,765	4,060	(27,505)	(8,093)	(2,500)	(11,273)
Revaluation reserve	20,893	-	-	-	-	20,893
Total Funds	46,399	4,281	(27,505)	(8,093)	(2,500)	12,582

Net Assets	Fixed assets £000	Cash £000	Other net current liabilities £000	Creditors falling outside one year £000	Provisions £000	2018-19 Total £000
Group						
Restricted funds	2,700	361	-	-	-	3,061
Unrestricted reserve	22,130	2,647	(24,354)	(10,892)	(760)	(11,229)
Revaluation reserve	19,551	-	-	-	-	19,551
Total Funds	44,381	3,008	(24,354)	(10,892)	(760)	11,383
Charity						
Restricted funds	2,700	361	-	-	-	3,061
Unrestricted reserve	23,287	1,806	(24,676)	(10,886)	(760)	(11,229)
Revaluation reserve	19,551	-	-	-	-	19,551
Total Funds	45,538	2,167	(24,676)	(10,886)	(760)	11,383

26. LEASING – GROUP AND CHARITY

Total payments for operating leases for 2019–20 were £1,903,000 (2018–19: £1,809,000).

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

	Land & Buildings	Equipment	2019–20 Total	Land & Buildings	Equipment	2018–19 Total
	£000	£000	£000	£000	£000	£000
Not later than one year	1,933	1	1,934	1,725	1	1,726
Later than one year and not later than five years	6,410	-	6,410	5,545	-	5,545
Later than five years	12,609	-	12,609	13,412	-	13,412
	20,952	1	20,953	20,682	1	20,683

27. REVALUATION RESERVE – GROUP AND CHARITY

	2019–20	2018–19
	£000	£000
As at 1 April	19,551	19,757
Revaluation and indexation of cost / valuation	2,050	4,994
Revaluation and indexation of accumulated depreciation	(83)	(52)
Gain on revaluation of fixed assets	1,967	4,942
Transfer of realised element of revaluation reserve to unrestricted reserve	(625)	(5,148)
As at 31 March	20,893	19,551

28. 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 2020, indicative authorisations totalled:

	2019-20	2018-19
	£000	£000
Commitments due in:		
Less than one year	4,071	55
More than one year and less than five years	7,140	8,928
More than five years	-	-
Total	11,211	8,983

In addition, HES has capital commitments in respect of implementing a new Enterprise Resource Planning (ERP) system. As at 31 March 2020 these commitments totalled:

	2019-20	2018-19
	£000	£000
Commitments due in:		
Less than one year	1,350	1,101
More than one year and less than five years	799	1,210
More than five years	-	-
Total	2,149	2,311

29. FINANCIAL INSTRUMENTS

As at 31 March 2020 the carrying value of financial instruments totalled:

	2019-20	2019-20	2018-19	2018-19
	Group	Charity	Group	Charity
	£000	£000	£000	£000
Assets measured at amortised costs	5,978	8,377	3,691	6,083
Liabilities measured at amortised costs	42,199	43,145	41,276	42,272

30. CONTINGENCY LIABILITIES– GROUP AND CHARITY

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

There were no contingent liabilities that required to be disclosed as at 31 March 2019.

31. POST BALANCE SHEET EVENTS – GROUP AND CHARITY

The COVID-19 pandemic began prior to 31 March 2020 and continued to escalate post the balance sheet date. Further information on the impact on HES's finances is disclosed on page 38 within the Financial Review. The impact on the valuation of our properties is set out in note 2b.

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

32. CHANGES IN ACCOUNTING POLICY – GROUP AND CHARITY

Staff numbers – group and charity

In the prior year to 31 March 2019, the accounting policy was to estimate staff headcount on the basis of average between 1 April 2018 and 31 March 2019. This accounting policy resulted in an understatement in reported headcount as it did not reflect the increase in seasonal staff during the tourist high season. The prior year comparatives have been restated to reflect this voluntary change in accounting policy.

The impact on each account line item affected is as follows:

	As previously reported 2018-19 Headcount	Adjustment Headcount	Restated 2018-19 Headcount
Average number of staff employed			
Full time	1,081	73	1,154
Part time	365	29	394
	1,446	102	1,548
Average number of staff by band and gender			
Band F male	23	1	24
Band A-E male	780	48	828
Band A-E female	619	53	672
Other lines not affected by the change	24	-	24
	1,446	102	1,548

If the accounting policy had not been changed, the impact on each account line item affected would have been as follows:

	As previously reported 2019-20 Headcount	Adjustment Headcount	If stated without change in accounting policy 2019-20 Headcount
Average number of staff employed			
Full time	1,135	(54)	1,081
Part time	398	17	415
	1,533	(37)	1,496
Average number of staff by band and gender			
Band A-E male	803	(18)	785
Band F female	16	1	17
Band A-E female	680	(20)	660
Other lines not affected by the change	34	-	34
	1,533	(37)	1,496



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 (FReM) and the Charities SORP which is in force for the year for which the statement of accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
3. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers

Deputy Director, Culture and Historic Environment Division

Dated: 29 September 2015

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

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