

## **CEEAC CALL FOR VIEWS: BUDGET SCRUTINY – 2023 2024**

### **Introduction**

Historic Environment Scotland (HES) welcomes the opportunity to respond to the Constitution, Europe, External Affairs and Culture Committee's Call for Views on 'Budget Scrutiny 2023 – 2024: Funding for Culture'.

Scotland's historic environment is a part of our everyday lives. It can be a castle or a stone circle but it's more than that. It's our homes and high streets, schools and hospitals. It's also transport infrastructure like canals and bridges. The historic environment is central to our lives and our sense of place, identity and to our wellbeing. It inspires us and is part of the fabric of our culture: the songs, the stories and the traditions that shape how the world sees us and informs how we forge our future. Investment in the historic environment has the power to catalyse economic recovery and the transition to a low carbon wellbeing economy.

In 2019, the historic environment generated £4.4 billion for Scotland's economy and supported 68,000 full time-equivalent jobs, mainly in the heritage, tourism and construction sectors. It has a significant part to play in our recovery from the pandemic, and in building a stronger, fairer, greener future for Scotland. We know it can contribute to the revitalisation of our villages, towns and cities, and support good, green job creation, skills development, health and wellbeing, and Scotland's transition to net zero.

This potential is central to the current review of Scotland's historic environment strategy, *Our Place in Time*, that HES has been commissioned to lead by the Minister for Culture, Europe and International Development, and Minister with special responsibility for Refugees from Ukraine, Neil Gray MSP. Working with government, the heritage sector and other relevant sectors, a refreshed strategy will be published in Spring 2023 that aims to unlock the potential of the historic environment to strengthen the resilience of the sector and in doing so deliver transformative change for Scotland.

A whole systems approach that involves working together across government portfolios and sectors is essential to maintaining our historic environment ensuring the ongoing flow of benefits which support the achievement of the government's ambitions. Equally important is the budgetary decisions that are taken to ensure that the sector is resilient, sustainable and has the skilled workforce needed to deliver an economic transformation, support the transition, and care for the historic environment for future generations.

### **About Historic Environment Scotland**

HES is the lead public body established under the Historic Environment Scotland Act 2014 to investigate, care for and promote Scotland's historic environment. We are Scotland's largest visitor attraction operator, managing over 300 culturally significant properties of national importance of which 70 are staffed, including Edinburgh Castle, Skara Brae and Fort George. HES is also responsible for an internationally significant collection of drawings, photographs, manuscripts and aerial photographs.

We have a statutory role in the planning system, designating buildings and monuments, overseeing scheduled monument consents, advising on planning and development proposals, and undertaking environmental impact assessments. We work nationally and internationally to advance education, skills, and research in heritage. Through our Grants programme, we invest around £14million a year to support building repairs, ancient monuments, archaeological work and conservation. We also have a lead role in the delivery of Our Place in Time – the national strategy for the historic environment.

### **Our budget and financial context**

HES's funding comprises grant-in-aid and a significant level of income derived from commercial and charitable activities.

Under the Resource Spending Review (RSR), the indicative grant-in-aid budget for HES is £63m in 2023-2024, reducing to £48m in 2026-2027. We employ over 1,000 people across Scotland, maintain an estate of 336 properties, spend over £22million per year with Scottish SMEs, and give grants totalling £14m a year on average. How we spend our budget to deliver against the identified priorities of the review can be found as Annex A.

Following two difficult years, with heritage tourism falling by 80% in 2020, we are seeing tourist demand returning. However, we anticipate that the cost-of-living crisis will impact on demand as consumers deprioritise leisure spending. Our ability to generate commercial income is being impacted to an extent by our high-level masonry inspection programme and the associated access restrictions at certain sites. We are exploring paths to support the Resource Spending Review's ambitions for an innovative and reformed public sector through a review of our business model.

The published RSR has helped to inform our multi-year planning scenarios, both for our own operations and those we fund through our grants' programmes. This is appreciated by us and the sector but is not without risk as funding is indicative. Offering even long-term commitments to organisations and projects in the context of considerable economic uncertainty and growing public sector funding challenges leaves HES exposed if RSR funding does not materialise as published.

We estimate that only around 15% of investment in Scotland's built heritage funding comes directly from the heritage sector, which includes our own grants programme. The majority (around 60%) is private spend by residential owners or business owners, with a further 25% from other public/third sector departments managing their estate (e.g., health/education/justice), meaning the heritage-led benefits from this spend are incidental. HES's budget allows us to carry out our statutory role in the planning system, produce technical research and guidance, and demonstrate innovation and best practice in the management of cultural assets. This shapes our engagement with asset owners and guides their investment sympathetically towards broader NPF objectives. Increased partnership delivery is at the heart of HES's approach, working with non-heritage partners to increase the benefits from their existing spend. We leverage our public funding to have wider impact, ensuring it sets the direction for the far larger private and commercial investment to be aligned with

the priorities set out in the National Performance Framework, and work towards national outcomes.

### **Beyond culture: how the historic environment contributes to wider policy objectives**

The historic environment has a huge role to play in achieving Scottish Government's strategic priorities for the country and public funding for the historic environment has a significant impact in key policy areas. The historic environment is an important part of Scotland's ambitions to:

- deliver economic transformation
- reduce Scotland's contribution to climate change.
- create a wellbeing economy

We discuss these in more detail, below:

#### ***Economic transformation***

The historic environment **generated £4.4 billion for Scotland's economy in 2019 and supported 68,000 full time-equivalent jobs**, mainly in the heritage, tourism and construction sectors.

#### ***Tourism***

Every year, more than £3 billion is contributed to Scotland's economy by tourism generated by the historic environment sector. Tourist footfall at heritage attractions was over 18 million, with half of all international visitors reporting heritage as the key motivation for visiting Scotland.

Visitors who included a heritage attraction as part of their trip spent over £3.2 billion in 2019 (pre-pandemic). This contribution is comparable to the turnover of Scotland's shipbuilding (£1billion) and aerospace (£2.2 billion) industries combined, or other key growth sectors including life sciences (£3.1billion), digital industries (£3.2billion), or visual and performing arts combined (£3.8billion). (Comparators from Scottish Annual Business Statistics, 2019)

Properties cared for by HES, on behalf of Scottish ministers, account for an estimated 60% of overall heritage tourism visits, and play a key role encouraging tourists to visit destinations across Scotland. They are a catalyst for tourism recovery, and the growing shift to responsible tourism models. This is particularly important in the Scottish context, where more than half of all local authorities have a higher-than-average reliance on tourism to support local employment and GDP. The historic environment sector supports jobs and spending through tourism in areas where there are fewer opportunities for alternative employment.

The historic environment sector is well positioned to implement responsible tourism models, improve job prospects, and sustain local economies. We are now seeing tourist demand returning and in time commercial income from the PICs will once again offset some of HES's GIA requirement. However, as noted above, a number of sites remain closed or with access restrictions and will need investment. Creative solutions and funding options will be required to meet investment requirements and unlock commercial income potential. HES's asset management plan is prioritising sites based on need and investing as budget permits.

### *Construction*

In Scotland, one in five residential buildings were built before 1919 using traditional materials and building skills. A similar proportion of industrial buildings, retail units and office stock is also traditionally constructed. The historic built environment makes up an estimated £1 billion share of Scotland's total spend (£4.4bn in 2019) on property maintenance and repair.

Scotland's Infrastructure Investment Plan and other government documents prioritise the re-use of existing built environment assets and the embedding of circular economy principles. We therefore anticipate an increase in the contribution that the historic environment makes to construction, its associated industries and supply chain as re-use increases.

Historic buildings also require adaptation to help them become energy efficient. In April 2022, HES published its [Green Recovery Statement](#), outlining how the historic environment can make a vital contribution to Scotland's green recovery from the COVID-19 pandemic and its transition to net zero and a climate resilient society. A nationwide renovation wave, like that proposed in the EU (See: [Renovation Wave](#)), will be required to decarbonise our built heritage and improve its energy efficiency. The requirement for labour and materials to deliver mass retrofitting and adaptation, along with skills training, will see the repair and maintenance market grow. Historic buildings also require adaptation to help them become energy efficient. HES's Green Recovery Statement outlines how Scotland can use the sector, its assets, people, skills, and knowledge, to achieve a green recovery and a sustainable future.

The environmental impact of the historic environment is considered further in the following section.

### *Net zero*

Scotland has set out its ambitions to reach net-zero by 2045, and the historic environment is vital to achieving key Government targets in relation to resource and energy efficiency, repair, maintenance and re-use. A key consideration for the budget is the provision of funding to attract and develop the skilled workforce that is needed. HES currently provides traditional skills training, but we are concerned that skills provision is at risk of being cut elsewhere in the education and skills system, exacerbating an existing skills deficit.

Energy efficiency and carbon management of the existing built environment is needed to reduce the country's carbon emissions in line with the Scottish Government's emissions reduction targets. Given the proportion of traditionally constructed buildings in Scotland built before 1919 (see above), addressing the historic environment is crucial in achieving key government targets in terms of energy efficiency, repair and maintenance. Public funding supports HES's lead role in providing the technical adaptation solutions, industry training and planning support that is essential to achieving the transition to net zero.

HES has already been identified under the Scottish Government's Energy Efficiency Action Plan for Scotland to take the lead in researching and promoting energy efficiency in traditional buildings and is a research and delivery stakeholder in the Heat and Buildings Strategy. One key consideration for the budget is funding to develop a suitably skilled workforce. Analysis has identified skills gaps and shortages in key trades such as stone masonry. HES chairs the cross-sector Skills Investment Planning group and actively supports training in this area, but more investment is needed. We also need an education and skills ecosystem that improves access, attracts talent, and provides sufficient infrastructure and capacity to deliver training. While Historic Environment Scotland currently supports training in this area, we consider that continued investment is needed to make sure Scotland has the workforce needed to carry out the work.

### ***Creating a wellbeing economy***

The condition and quality of the historic environment has an impact on wellbeing both positive and negative. Poorly maintained and in need of repair buildings, or cold, draughty and expensive to heat homes, clearly have a negative impact on people's quality of life. While investment in maintenance and repair, in retrofitting homes and offices to reduce carbon emissions, or in repurposing historic buildings and place-making, can deliver tangible and lasting benefits for local communities and businesses.

Heritage participation and engagement have a demonstrably positive impact on people's reporting of wellbeing. We have seen this linkage become more embedded in national thought and perception following the pandemic with many people using heritage locations as places of reunion, sociality and escape during and after lockdowns. (See [Cambridge Heritage Research Centre: Places of Joy: The Role of Heritage After Lockdown](#)).

In 2020, HES published research that showed 86% of respondents reported a wellbeing benefit from local heritage engagement. People cited improvements in at least one of the following areas: happiness, life satisfaction, feeling healthier, a sense of being worthwhile or less anxious. All of these are criteria on Scottish Government's Wellbeing Monitor. Many of the wellbeing benefits reported are derived from simply being aware of the heritage around us. Contingent valuation research completed for HES by St Andrews University demonstrated that the current level of public funding is well within the public's tolerance based on their own perceived benefits.

As we move towards a wellbeing economy, we hope to see the benefits of heritage being better realised and their provision properly resourced through public funding for the outcomes they produce. Being more outcomes focused, is aligned to a “whole systems” approach, and blurs the distinction between responsible agents, which the public sector and government tend to reinforce, such as the distinction between the natural and cultural environment. A move towards a wellbeing economy should mainstream the historic environment sector, and HES, into the policy and decision-making of Scottish Government departments beyond CEEAC, reflecting its broader contribution to the National Performance Framework.

## **Conclusion**

The historic environment makes a significant contribution to Scotland’s economy. It has great potential to deliver government priorities, support the achievement national outcomes, and advance a whole system approach.

Budgetary decisions are important to support the long-term resilience and sustainability in the sector, and to maximise the contribution that Scotland’s historic environment makes to our economy, environment and wellbeing.

A joined up approach across government and key sectors is needed to ensure the required maintenance, repair and retrofitting of Scotland’s traditional buildings in public and private ownership is undertaken, in a timeframe to enable Scotland to meet its net zero targets.

Investment in skills, jobs and training is needed to ensure Scotland has the workforce it needs to maintain, repair, and decarbonise our historic built environment and heritage tourism and the benefits that flow from them.

The Resource Spending Review has helped to inform HES’s multi-year planning scenarios. As a grant funder, it helps us to pass on multi-year funding commitments to the organisations and projects we fund. This is welcomed by the sector but is not without risk.

With a small share of the sector’s total investment, HES’s Grant-in-Aid allocation ensures that the far larger private and commercial investment in the historic environment is aligned with the priorities set out in the National Performance Framework, through delivery of statutory functions (planning policy) and the management of key heritage assets (the Properties in Care and collections). Shaping this wider funding context is critical to catalysing economic recovery and transitioning to a low carbon wellbeing economy.

Annex A – Evidence of alignment with the Resource Spending Review

Theme	Overall HES assessment against key criteria	HES evidence	Key enablers / partnerships
Addressing Climate Change	<p><b>Leading national role:</b> Critical to delivery of:</p> <ol style="list-style-type: none"> <li>1. Decarbonising homes and industries</li> <li>2. Adaptation, climate resilience</li> </ol>	<p>The <b>Scottish Government's Energy Efficiency Action Plan for Scotland</b>: Conserve &amp; Save, Action 2.5: Historic (Environment) Scotland will take the lead in researching and promoting energy efficiency in traditional buildings. This named role carries through subsequent associated climate policy and covers:</p> <ul style="list-style-type: none"> <li>• 19% of Scotland's housing stock is pre-1919 (Scottish House Condition Survey). These properties account for a higher share of total residential carbon emissions due to their nature.</li> <li>• 33% of Scotland's retail space, 24% of office space and up to 41% of space used by the public sector is based in traditionally constructed buildings (Geomni estimate).</li> </ul> <p>Net zero cannot be achieved in Scotland if this traditional infrastructure is not addressed. The scale of change required will shape the construction industry and provide new, green jobs.</p>	<p><b>HES work</b> Delivery of HES Climate Action Plan 2020-25. Technical research and guidance to industry and planning authorities, and skills plan. HES's statutory planning role in relation to changes to historic infrastructure. HES repair grants and CARS.</p> <p><b>Key partners</b> Alignment with construction industry on methods, skills and materials pipeline. Established Climate Heritage Network.</p>
Securing a stronger, fairer, greener economy	<p><b>Significant contributor:</b> 3. Green recovery opportunities 4. Fair work</p>	<p>Heritage, led by HES properties, is a main contributor to Tourism: a priority in the <b>National Strategy for Economic Transformation</b>.</p> <ul style="list-style-type: none"> <li>• Half (50%) of Scotland's international visitors engage with heritage. 34% list heritage as their main reason for visiting, 16% visit heritage while here for other reasons.</li> <li>• £3.2bn was spent by visitors who included heritage as part of their trip in 2019. This fell 80% in 2020 (COVID).</li> <li>• &gt;£1bn will be lost to Scotland if HES's properties close.</li> </ul> <p>The shift to sustainable and responsible tourism will create the new jobs of the future. The sector provides jobs in remote and rural areas where few alternative opportunities exist.</p>	<p><b>HES work</b> HES PIC Investment Programme. Repair and maintenance to keep PICs open. Visitor Service operations.</p> <p><b>Key partners</b> VisitScotland. OPIT Heritage Tourism Group. Local Council and business linkages.</p>
Supporting progress towards meeting child poverty targets	<p>Long-term positive contributor, but <b>limited immediate effect</b> on household incomes and direct cost reduction</p>	<ul style="list-style-type: none"> <li>• HES contributes to addressing childhood poverty by providing targeted access, learning opportunities and skills development, aimed at supporting a longer-term structural shift away from poverty.</li> <li>• Research to drive energy efficiency in traditional housing should indirectly support a reduction in cost of living for residents, and employment supported through tourism and construction creates opportunities for income.</li> </ul>	<p><b>HES work</b> Targeted education and learning programme. Energy efficiency and adaptation guidance. Generating local employment through investment in PICs and sector promotion.</p>