

Written submission from Historic Environment Scotland, 29 September 2026

Pre-budget scrutiny 2027-28

Europe, External Affairs and Culture Committee

Historic Environment Scotland (HES), is the lead public body for the historic environment sector in Scotland. We are Scotland's largest visitor attraction operator, managing over 300 culturally significant properties of national importance, including Edinburgh Castle, Skara Brae, and Fort George. This estate represents a unique national network of heritage assets, which are central to Scotland's heritage offer and integral to tourism, education, and community engagement across the country. We are 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. Through our Grants programme, we target investment of around £13.5 million a year to support building repairs, ancient monuments, archaeological work, and conservation. We also lead the delivery of *Our Past, Our Future* (OPOF), the national strategy for the historic environment, which has a Steering Group made up of senior leadership from across the sector and beyond, and Scotland's Historic Environment Forum.

Our funding comprises grant-in-aid and a significant level of income derived from commercial and charitable activities (57% as per 2026/27 budget). We employ over 1,600 people across Scotland, maintain an estate of 336 properties and spend over £22 million per year with Scottish SMEs. HES properties generated an estimated £935 million for the Scottish economy from heritage tourism in 2024. The historic environment sector contributed £6.1 billion to Scotland's economy and supports around 84,700 jobs in 2024.

Challenges

The Scottish Government's programme of Public Service Reform (PSR), alongside the refreshed National Outcomes of the National Performance Framework, provide an opportunity to consider how public investment can deliver stronger long-term outcomes. Against this backdrop, HES and the historic environment sector face a significant number of challenges in 2027-28.

Challenges for HES

Transforming HES

A major challenge for HES is delivering organisational recovery and transformation while fulfilling our statutory and operational responsibilities. We are addressing recommendations from recent governance, financial, equality, cultural and organisational reviews through an implementation plan for a multi-year

transformation programme designed to deliver meaningful organisational and cultural change.

Our immediate focus is recovery, through stability, leadership and change. This includes recruiting a permanent Chief Executive Officer, supporting the appointment of a new Chair and Board members, establishing a new organisational structure, and laying the foundations for longer-term transformation.

Financial sustainability

From 2024-25, HES implemented a new business model, whereby we can retain a greater proportion of our commercial income, whilst receiving a reduction in our grant-in-aid income from Scottish Government. The 2025-26 Annual Report and Financial Statements showed HES ending the year in stable financial position. Total consolidated income was £151.6m, comprising £69.3m Grant-in-Aid, £60.1m from charitable activities, £21.3m from trading activities and £0.9m from donations and other income. Our challenge in the next financial year will be to build upon this and ensure that the financial model continues to deliver for HES and the properties, collections and archives in our care.

While HES welcomes the additional flexibility provided by the new business model, significant restrictions remain compared with parts of Scotland's wider Public Sector and similar UK bodies. HES has no mechanism to retain commercial surpluses within the organisation, limiting effective long-term planning. Restricted access to capital funding and no mechanism to raise finance also constrain investment in the Properties in Care and further commercial income growth.

Caring for our assets

HES has a significant challenge in terms of scale of investment that is needed to maintain the fabric of, and access to, Properties in Care. Alongside the challenges of maintaining Properties in Care, HES also manages nationally significant collections, archives and digital assets. Sustaining these resources presents growing challenges in relation to storage, environmental conditions, preservation requirements and long-term asset management. Housing our Archives and Collections requires a long-term solution, and work is underway to identify how this can be resolved, including the potential of working with partners in the creative cluster.

Addressing the climate emergency

The climate emergency continues to pose specific challenges including the properties in HES's care, the wider historic environment and the sector that cares for it with increasing risks from more intense rainfall, coastal erosion, and temperature fluctuations. Continued investment is required to ensure the accessibility, resilience and long-term stewardship of these nationally important assets.

HES is leading by example on operational emissions and embedding sustainability across its estate, operations, and funding. We have set out our climate objectives in our Corporate Plan and are drafting an updated Climate Action Plan. We are also developing a sustainable asset management strategy for our collections and properties in care to ensure these sites are managed and operated in ways that maximise their environmental performance while preserving their cultural value.

Challenges for the Historic Environment Sector

Research and feedback from across the sector highlights a number of interconnected pressures which continue to affect organisations and communities working in the historic environment:

- Lack of financial resilience, including persistent income volatility and the continuing effects of inflation and cost pressures
- Acute skills shortages, particularly in traditional buildings skills and crafts that are vital to maintaining and adapting Scotland's historic building stock
- Limited organisational capacity and uncertain funding, constraining the ability of organisations to respond to pressures and to innovate
- Rising construction and material costs affecting the viability of capital projects
- Reliance on volunteers and seasonal workers
- Workforce shortages continue to affect recruitment and retention
- Growing pressures associated with climate adaptation and managing historic assets

The heritage sector can support a just transition by reducing its carbon footprint and enabling change across buildings, skills, and community infrastructure. Reusing and retrofitting traditional buildings avoids demolition emissions while supporting circular economy practices, local supply chains and low-impact development. Scaling this contribution to net zero requires investment in skills, technical capacity, and community-led engagement.

In addition, investment in the historic environment has not kept pace with increasing demand and costs. While we welcome the furthered commitment from the Scottish Government to increasing overall investment in culture, the historic environment has not directly benefited from recent uplifts. The Grants budget, which we administer on behalf of Scottish Government to support projects and organisations delivering outcomes across the sector, has not increased since before the pandemic. In real terms, this represents a significant decline, compounded by inflation, rising operational costs, and increasing pressures felt across the broader sector. It has constrained the ability of the historic environment to meet growing public demand and expectations, invest in properties in care, address climate resilience challenges, and maximise its cultural, social and economic contribution.

We also note the recently closed call for views from UK Government's Department for Culture, Media and Sport (DCMS) regarding the distribution of funding for the National Lotteries Good Causes. We understand that further consultation will be undertaken in 2027, but there is concern that any changes could affect National Lottery funding as administered through the National Lottery Heritage Fund, a key player in the Scottish heritage funding landscape. Any loss of lottery funding could have a sizeable impact on the historic environment sector in Scotland.

Priorities

In response to these challenges, our priorities for the 2027-28 Budget are set out below.

Public Service Reform (PSR) and transformation

HES is committed to supporting PSR and delivering the refreshed National Outcomes. Our new business model, commercial focus and Transformation Programme already contribute to PSR, and we look forward to working with Scottish Government on further opportunities, including shared storage solutions. We would encourage the 2027-28 budget to adequately resource PSR and that support public bodies to deliver it.

Prioritise Preventative Investment

Investment in the historic environment is preventative spend. Age, climate impacts and deferred maintenance are accelerating deterioration; in 2024, 68% of pre-1919 homes experienced critical disrepair. Early intervention reduces future costs, prevents irreversible loss—as highlighted by this summer’s high-profile fires in central Glasgow and Edinburgh—and protects national assets. It also supports net zero: nearly one fifth of Scotland’s homes, and many public and civic buildings, pre-date 1919, so decarbonisation depends on adapting and reusing traditional buildings. The 2027-28 Budget should treat maintenance, repair and adaptation as long-term investment in Scotland’s resilience.

Enable Cross-portfolio Investment

We welcome further exploration of cross-portfolio funding that recognises the historic environment’s contribution to health and wellbeing, learning, climate resilience, tourism, economic growth, placemaking and community empowerment. Greater budget alignment would unlock additional value and support joined-up delivery of government priorities.

Recognise the historic environment in culture funding

Within the culture budget, we would ask that the Scottish Government considers the unique needs, strengths and challenges of the full cultural landscape, ensuring that the historic environment sector is adequately resourced to deliver against strategic ambitions. While we welcome the Scottish Government’s ongoing commitment to increase investment in culture by an additional £100 million by 2028–29, we note that in last year’s budget, as previously, this uplift has not been evenly distributed across the culture portfolio and the historic environment has not been a direct beneficiary of additional investment.

Investment in Skills, Capacity and Resilience

We encourage the Scottish Government to invest in the enabling conditions that support long-term success. This includes investing in workforce skills, strengthening organisational resilience and supporting the capacity required to respond to climate, economic and demographic challenges. Investment of this kind provides the foundation necessary to sustain delivery and maximise the impact of public funding.

Strengthen Grant Investment

We ask that the Budget recognises the catalytic role of HES grant funding. In 2025-26, demand totalled £49.4 million, £10.82 million spent on live projects and every pound invested through HES grant programmes leveraged a further £5.94 for historic

environment projects and activities. HES can target funding where it can have the greatest impact, for example, our development of the pilot Places of Worship fund, which will fill a gap left by the withdrawal of the Listed Places of Worship Grant Scheme by the UK Government. Whilst this pilot is being funded from our current resources, we would contrast this with the situation in England, where the Places of Worship Renewal Fund is funded by DCMS and delivered by Historic England, administering £92 million over a four year period. A modest increase in our grant-making capacity would support community-led projects, strengthen resilience across the sector and help attract further investment from a range of sources.

Conclusion

Investment in the historic environment drives economic growth, supports communities and net zero, protects nationally significant assets, and improves health and wellbeing. Sustained, strategic investment will maximise these benefits for Scotland and should be reflected in the Scottish Government's upcoming budget.