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Summary of Response to the Scottish Government Budget 2025/26 - CEEAC

Historic Environment Scotland

9 January 2025

About Historic Environment Scotland (HES)

We are the lead 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. 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 £13.5 million a year to support building repairs, ancient monuments, archaeological work, and conservation. We also have a lead role in the delivery of Our Past, Our Future (OPOF) – the national strategy for the historic environment which was launched in June 2023.

HES's funding comprises grant-in-aid and a significant level of income derived from commercial and charitable activities. We employ over 1,600 people across Scotland, maintain an estate of 336 properties and spend over £22 million per year with Scottish SMEs.

Views on budget:

The draft budget for 2025-26 is in line with our expectations.

We have a clear indication of future resource funding given by Scottish Government, which is very helpful from a planning perspective. It would also be useful to have a similar indication of capital funding. We are planning based on the assumption that this remains constant at 2025-26 levels.

HES has recently agreed a new financial model with Scottish Government, the details of which will be announced shortly. We are pleased that this new model will give us as an organisation both stability for the years to come, and the flexibility to be

able to respond to any new challenges as they arise and invest in the properties in our care.

In terms of challenges, there is a lack of clarity about whether any additional funding will be available to fund increased employer national insurance contributions. For HES this equates to an additional £1.6 million of cost. In addition, the pay award recommendation of above inflation 9% over three years puts greater pressure on staffing budgets.

We also welcome the increase of £34 million for the culture budget and the promise that the budget will be increased by a further £20 million in the next budget, understanding that this will be subject to the usual budgetary process and circumstances at the time.

However, we were disappointed that the increase in funding, along with the increase last year, has almost exclusively been allocated to Creative Scotland, Screen Scotland and funding which supports activity within the arts, screen and creative industries.

HES distributes around £13.5 million in funding to the historic environment sector per year. This level of funding has stayed roughly the same for the past six years, excepting emergency Covid funding.

The key findings from our recently published 2023-4 [Grants Funding Report](#) stated that:

- We spent £13.76 million on grant funded projects that year, meaning for each person in Scotland we have invested £2.53 in heritage.
- We were asked for £23.74 million for future projects, almost twice the amount we were able to award.
- Over the past six years, every pound we've committed has attracted a further £3.92 investment into Scotland's historic environment.

As can be seen, there is a far higher demand for funding than HES can fulfil and the funding that we award leverages a significant amount of match funding. An increase in our grant funding would have significant impact by increasing not just the volume of work that can be undertaken, but also the amount of additional funding invested into the sector as a whole and in turn the difference this makes to people's lives.

The historic environment sector continues to suffer from a number of challenges and issues relating to funding and financial resilience; heritage tourism and commercial income; increasing costs for maintenance and adaptation and a skills shortage, including an acute shortage in traditional skills.

The detail of these challenges are set out in our Pre-Budget Scrutiny response, which we have included here, but the summary of challenges in each section are as follows:

- Inflationary pressures on costs for maintenance and building mean that these costs are around 34% higher than pre-Covid
- Organisations are facing reduction in capacity as increasing costs and/or shortfall in revenue due to visitor numbers not having recovered, leading to restructuring or redundancies
- Organisations are seeking to reduce services to cut costs, scaling back activity, cancelling events, reducing opening hours and delaying or cancelling capital projects
- Organisations are experiencing constraints on their ability to plan for the future and to respond to rising costs and reduced visitor spend, leading to a lack of stability across the sector
- It is estimated that £6.6bn is needed to convert Scotland's historic living accommodation to meet low carbon heating standards
- It is estimated that the adaptation of traditionally built buildings will need an additional 10,000 skilled jobs
- There is a skills shortage, with 68% of employers surveyed for the 2024 Skills Investment Plan for the historic environment anticipating skills shortages in the next five years
- Some 200 skills needs or deficits were identified, ranging from digital literacy, application and solutions to project management and traditional skills, such as stonemasonry, stained glass and stone conservation
- There are significant gaps in training provision for a number of these skills, including stonemasonry.

Added to this will be the increase in National Insurance employer's contribution, as announced in the Westminster budget earlier this year.

If the amount of grant funding that HES administers were to increase, the increased support and match funding it leverages would better enable the sector to deliver on OPOF's three priorities of: Delivering the transition to net zero; Empowering resilient and inclusive communities and places and Building a wellbeing economy, enabling delivery of Scottish Government priorities. Not supporting the historic environment further would run the risk of the combined impact of the above leading to a diminished historic environment and a reduction in the social, economic, cultural and environmental benefits that it delivers for the people and places of Scotland.

We would therefore encourage the Scottish Government to consider how any further increases in the Culture portfolio budget can be used to benefit delivery across the portfolio and to deliver each Strategy contained therein.