

HISTORIC ENVIRONMENT SCOTLAND (HES)

ÀRAINNEACHD EACHDRAIDHEIL ALBA

Corporate Plan 2019-22

Business and Regulatory Impact Assessment (BRIA)

This BRIA considers whether the Historic Environment Scotland Corporate Plan 2019-22 impacts, either positively or negatively, on businesses in Scotland in different ways.

Title of Strategy	Historic Environment Scotland Corporate Plan 2019-2022	
Historic Environment Scotland Chief Executive Officer	Alex Paterson	
Lead Official	Alison Turnbull	
Officials involved in this BRIA	Name	Team
	Russell Whyte Economist	Corporate Analysis & Performance
Is this new policy or revision to an existing policy?	This is the second 3-year Corporate Plan for Historic Environment Scotland	

1. Introduction

Historic Environment Scotland (HES) is an executive NDPB with charitable status. It was established on 1 October 2015 by bringing together two organisations that have helped to look after our nation's past for over a century: Historic Scotland (HS) and the Royal Commission on the Ancient and Historical Monuments of Scotland (RCAHMS).

[The Historic Environment Scotland Act 2014](#) gives Historic Environment Scotland the following functions:

- (a) Identifying and recording the historic environment;
- (b) Understanding and interpreting the historic environment;
- (c) Learning about, and educating others about, the historic environment;
- (d) Protecting and managing the historic environment;
- (e) Conserving and enhancing the historic environment.

Historic Environment Scotland also has the function of managing its collections as a national resource for reference, study and research. In particular—

- (a) Preserving, conserving and developing its collections;
- (b) Making the collections accessible to the public and to persons wishing to carry out study and research;
- (c) Exhibiting and interpreting objects in the collections.

[The 2014 Act](#) states that “Historic Environment Scotland must, before the beginning of each planning period, prepare a corporate plan and submit it for approval to the Scottish Ministers. The corporate plan must set out:

- (a) Historic Environment Scotland's main objectives for the planning period,
- (b) The outcomes by reference to which the achievement of the main objectives may be measured, and
- (c) The activities which Historic Environment Scotland expects to undertake during the planning period”.

The Corporate Plan (“the Plan”) is the top tier of the organisation's strategic planning framework and sets out HES's vision for the historic environment, its strategic priorities over the 3-year period 2019 to 2022 (and onwards) and the resources allocated to deliver them. It explains the outcomes HES wants to achieve to deliver its vision that “the historic environment is cherished, understood, shared and enjoyed with pride, by everyone” and how HES will achieve them.

The work will be delivered through Annual Operating Plans, which will be published each year and will provide the detail of specific activities, resources and performance indicators. There are also a suite of supporting strategies and plans to deliver elements of the agenda, including the Historic Environment Policy (planning), Research Strategy, Visitor Strategy, Internationalisation Strategy and Gaelic Language Plan which have been developed in tandem.

2. Objective

The key aim of the Plan is to set out Historic Environment Scotland's (HES's) strategic direction for 2019 to 2022 onwards. The Plan identifies key outcomes and priorities to ensure that HES is focussed on delivering the agreed mission, vision and values. There were five priority outcomes in the consultation draft:

- The historic environment makes a real difference to people's lives.
- This 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 successful Scotland.
- The historic environment is cared for and championed by a high-performing organisation.

The Plan is also intended to ensure that Historic Environment Scotland's activities and outcomes address HES's statutory functions and are well aligned to support the Government's strategic priorities and those of the historic environment sector as set out in [Our Place in Time: The Historic Environment Strategy for Scotland](#) (OPiT). As the lead public body responsible for implementing OPiT, the Corporate Plan will contribute to the shared vision that:

Scotland's historic environment is understood and valued, cared for and protected, enjoyed and enhanced. It is at the heart of a flourishing and sustainable Scotland and will be passed on with pride to benefit future generations.

The Plan does not seek to make changes to the overarching regulatory framework set out in the Act. The Plan does however detail how the organisation will conduct itself in the delivery of the statutory functions and in meeting the objectives set in OPiT. HES is currently developing (and out to public consultation for) a new Historic Environment Policy (HEP) which will address the wider suite of existing regulations which relate to the historic environment in more detail.

The Plan also accounts for the policy directions set out in the Scottish Government's Spending Review; the Programme for Government; Scottish Government's Economic Action Plan (2018-2020); the Cabinet Secretary for Culture and External Affairs' statement of priorities for her portfolio; and the HES Board's review of priorities.

The new [National Performance Framework](#) provides a means to measure the Government's success in achieving its priorities. It sets out the Government's Purpose and describes the kind of Scotland we want to live in – 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 – and eleven National Outcomes which provide a performance framework for measuring success against the Government's strategic priorities. The Plan demonstrates how HES will contribute to the purpose through direct alignment of all HES activities with these intended outcomes.

3. Rationale for Historic Environment Scotland's intervention

This section seeks to highlight what the HES Corporate Plan is aiming to achieve in this area; and how and to what extent the HES Corporate Plan may impact on business, charity or the voluntary sector and on Scotland's competitiveness; and the estimated costs and benefits of the proposed measures in the plan.

HES is an executive NDPB with charitable status and performs a regulatory function. Although the BRIA is not mandatory, it is expected to be part of the process of introducing any new policy or plan that may have an impact on business. Once published, the BRIA allows those with an interest in the Plan to contribute as appropriate, having a fuller understanding of its impacts.

A range of individuals, businesses, charities, industries and activities make use of and rely on Scotland's historic environment. In some cases, there are multiple and potentially competing uses of the same areas. Scotland's historic environment contains a wide variety of important, unique and irreplaceable features, and provides a range of valuable goods and services.

However, ownership, decision-making and funding in relation to Scotland's historic environment is diffuse, meaning that management of the historic environment is complex. There is a risk that decisions may be made in isolation from one another and that the historic environment may be mismanaged and damaged, with consequences for the goods and services it provides. This could also increase costs and uncertainty for businesses, developers and other historic environment activities, undermining the efficient use of Scotland's historic environment.

The Plan (linked to the Historic Environment Strategy for Scotland - Our Place in Time) aims to provide strategic direction to Historic Environment Scotland and make clear to other key partners and historic environment decision-makers, the priorities for the historic environment.

The Plan aims to ensure that protection of the historic environment is a part of the decision-making process, and that a balance is struck between economic development and environmental protection. The Plan also aims to create greater transparency and increase certainty in terms of the vision, values, outcomes and objectives of HES.

The following specific areas are explored in more detail below:

- A) To ensure historic environment activities align with the National Performance Framework
- B) To address possible market failure
- C) To maximise public good from the historic environment
- D) To support consistency in regulatory decision making
- E) To support equity of access to the historic environment

A: To ensure historic environment activities align with the National Performance Framework

The work of Historic Environment Scotland, as dictated by the Corporate Plan, is aligned across the full range of indicators in the [National Performance Framework](#) (NPF). Core examples include:

National indicators	Relevant Corporate Plan activities in the consultation draft
Participation in cultural activity	We will create heritage without boundaries, widening opportunities for everyone to understand, enjoy and connect with the historic environment, making it a part of our everyday lives. We will promote knowledge about the historic environment, sharing it through interpretation, engagement and education.
Growth in cultural economy	We will promote sustainable tourism. We will encourage ethical enterprise and investment in the historic environment. We will increase the quality, availability and demand for skills and materials.
Sustainable cities and communities & influence over local decisions	We will enable sustainable change in the historic environment, working with people, communities, government and developers to ensure decision-making across all aspects of our heritage which is inclusive, informed, open and forward-thinking
State of Scotland's historic sites	We will look after the historic environment assets in our care. We will encourage everyone to work together and drive support and innovation in caring for our heritage.
A positive experience for people coming to Scotland / international networks	We will share our heritage with the world, developing innovative and creative international partnerships by opening up our historic environment to a global audience and exploring its worldwide impact and legacy.
Sustainable development goals	We will celebrate the cultural value of heritage, using the historic environment to champion diversity and inclusiveness, and strengthen communities. We will tackle the consequences of climate change, making it central to our policy and practice, and better understanding, managing and mitigating its impact.

Through these actions, HES contributes to a number of national outcomes. In particular, HES's conservation work, visitor operations and statutory planning duties is critical to the delivery of the National Outcome: "We value, enjoy, protect and enhance our environment". HES's partnership and planning are also directly linked to the Outcome: "We live in communities that are inclusive, empowered, resilient and safe", and through our construction and tourism sector links and research agenda, the Outcome: "We have thriving and innovative businesses, with quality jobs and fair work for everyone". HES supports these outcomes as the lead public body for delivery of OPiT.

B: To address possible market failure

As the lead public body and grant funder, HES can intervene to prevent market failure. Market failures occur when freely-functioning markets, operating without government intervention, fail to deliver an efficient or optimal allocation of resources. A consequence of market failure is that economic and social welfare may not be maximised. The HM-Treasury's Green Book describes a range of market failures which justify government intervention in the sector. A number of these market failures can apply to the protection and promotion of the historic environment, three of which are detailed below: public good, externalities and equity.

B1: To maximise public good from the historic environment

HES has a role to promote and deliver public benefit from the historic environment. The historic environment can be considered to be a (quasi) **public good**; some elements of the historic environment are public goods (i.e. they are owned and/or managed by public bodies). Some elements are also owned and/or managed by charitable or voluntary sector organisations for public benefit. Some of the public benefits derived from the historic environment are symbolic or aesthetic and cannot be restricted or captured through charging. Symbolic benefits (and aesthetic benefits) are non-rival and non-excludable. In other words, one person's pride in their historic environment does not diminish another person's ability to take pride in it as well (non-rival) and it is impossible to exclude anybody from benefitting from the pride and enjoyment given by the historic environment (non-excludable). Thus, there is less incentive for some individuals to bear the full cost of maintaining the historic environment, when others who have not paid can still share in the benefits. Physical access is the only benefit that could be restricted by the private sector to make profit, so the sector could be incentivised to under-invest in maintaining the elements which are non-chargeable i.e. they would not have the incentive to maintain certain sites and collections and would therefore not adequately protect assets of historic importance and/or provide comprehensive historic coverage.

B2: To support consistency in regulation and decision making

Externalities - decision-making around designation and planning permission lends itself to a centrally supervised regulatory framework to ensure consistency across Scotland. Without a common and transparent, accessible public standard, any owners or developers might take lower cost options which damage the heritage aesthetic of the building/site for the wider community. Private owners of monuments might also damage external public benefits through commercial choices e.g. selection of overseas suppliers to minimise cost, rather than supporting local businesses and skills-sets in the supply chain.

B3: To promote equality of access

Equity – maintaining equality of access. Public bodies with charitable status (such as HES) and other charitable organisations (such as NTS) must deliver public benefit and are inherently not for profit – as such they have a key role to play in promoting equality of access.

Private sector operating models rely on income, a significant proportion of which comes via non-Scottish visitors to the sites. Pricing to maximise profit and accommodate tourists would restrict (or even remove) access from many Scottish people, for whom the sites are predominantly being protected. However, the requirements of external funders such as the Heritage Lottery Fund may have a direct impact on access provisions. Private operators may also be less likely to promote sites to target groups for equality impact assessments, which are a specific requirement for public organisations (but again may be impacted by external funder's conditions). The Plan promotes the importance of promoting equality and diversity of access and participation, while recognising the need to generate income.

4. Consultation

4.1 Within Government

In-house consultations for the corporate plan have taken place with HES directorates and staff across Scotland. The Plan has drawn from the policy and strategic direction documents published by the Scottish Government including: the Programme for Government; the Economic Strategy and Economic Action Plan (2018-2020); the regulations in the Historic Environment Scotland Act; the Cabinet Secretary for Culture and External Affairs' statement of priorities for her portfolio; and the HES Board's review of priorities. The latest drafts of the Plan have been shared with HES's sponsor in government, the Culture & Historic Environment Division (CHED), to enable them to review and ensure consistency with these overarching strategic documents.

4.2 Public Consultation

The public consultation programme took place throughout 2018, informing the development of the draft for the formal consultation. It included a mixture of individual face-to-face consultations, focus groups, public briefing sessions and open public announcement to gather feedback.

The 12-week statutory consultation was launched in August with a press release and email to the stakeholders in HES's client relationship management system encouraging feedback. The draft corporate plan was available via the website from August to November 2018. A series of events, focus groups, seminars and public meetings were planned during this period to target stakeholder groups, including policy representations, Historic Environment Forum's working group members, regulators, equalities groups and the general public.

4.3 Business

The business consultations for the Scottish Firm Impact Test took place between September and November 2018 as part of the wider external consultation programme. Further details of sampling and results are included in the Scottish Firm Impact Test section (9).

5. Options

Provisionally there are two main options available:

A - Do nothing (no corporate plan in place)

This implies that HES will try to deliver its agreed functions without a formal declaration of our approach. In practice this is not a viable option as production of a Plan is a statutory requirement of the 2014 Act and HES's framework agreement with Scottish Ministers. The existing corporate plan expires in 2018/19 and do not capture the full responsibilities targeted by the Scottish Government's new National Performance Framework, launched in 2017/18.

B – Produce a new Corporate Plan

This is the legally required option, so must be delivered. The draft Plan offered for consultation delivers this option.

In practice, there are a number of variables which will determine HES's ability to deliver the Plan, and will require prioritisation of some objectives and activities over others. This will partly depend on external funding opportunities, and HES ability to realise these, given that HES does not currently have a set budget for the full 3-year period.

Any change in core funding from the Scottish Government, as well as the level of commercial income and external fundraising achieved during the delivery period 2019 – 2022 will therefore impact on whether the strategic outcomes and objectives in the plan can be met. In turn, the availability of funding (core, commercial or external) will influence the level of expenditure the organisation can incur, while any change in the staffing structure may affect how activities are delivered (in-house or via contractors). These choices will affect businesses in different ways, depending on which area of the strategy they are linked to.

6. Sectors and groups affected

The following baseline information summarises the groups of businesses that are currently affected by HES's investment, expenditure and regulatory activities. It also highlights potential areas of risk or opportunity for these business groups in relation to the delivery options for the new Corporate Plan 2019 to 2022.

6.1 Existing HES suppliers

- HES spent £39.1 million with suppliers in 2017/18, of which 78% was with suppliers based locally in Scotland (or non-Scottish companies delivering the service from their Scottish distribution centre). This expenditure directly supported nearly 3,000 separate businesses and an estimated 490 FTE jobs (Full Time Equivalents). HES also spends £5.5m through Scottish Government contracts.
- £25.8 million of the £39.1 million total was with SMEs (small to medium enterprises), a key target group in Scotland's Economic Strategy. HES is also the sole or major source of income for a number of micro-businesses and sole traders with sector-specific niche and traditional skills, without which they would likely go out of business. Preservation of these traditional skills is central to the economic and cultural objectives in the Plan. In turn, HES's expenditure with these suppliers requires them to increase their purchases of materials and services from their suppliers in order to meet HES's demand. In other words HES's expenditure has a positive impact on the supply chain.
- Including the subsequent supply chain effects, HES's total supplier impact is estimated at £59.8 million, of which £46.6 million is based in Scotland. This impact supports an estimated 742 FTE jobs across the UK, of which 580 are based in Scotland.
- The introduction of the Plan is expected to safeguard and grow this activity through increasing commercial income and fundraising available for expenditure (under the economic objectives of the Plan).
- The main risk to this group is any reduction in HES expenditure through either a reduction in core grant, or failure to achieve the projected levels of commercial income.

6.2 Directly funded businesses / organisations

- HES distributes £14.5m in grant funding per annum across a range of businesses and other sector stakeholders. In particular, the Built Environment Forum for Scotland, Archaeology Scotland and the Scottish Civic Trust receive the majority of their income from HES grants.
- Grant recipients support local businesses through their expenditure. In 2017/18 HES made £8.2m of awards across 94 new projects with a total development cost, including other funders, of £51 million. HES funds the full multi-year

development of projects, so HES also awarded £6.3m to on-going projects approved for funding in previous financial years.

- This grant level is ring-fenced funding, so these businesses should experience little or no change following introduction of the Plan. However, there may be some redistribution in the composition of grant recipient businesses based on their fit with the Plan’s strategic objectives, emphasis on community engagement in decision making and sustainable inclusion agenda.

6.3 Construction businesses

Year	Direct construction industry output supported by HE investment		Construction industry HE output incl. supply chain multiplier effects	
	Economic Impact, £m	Jobs supported	Economic Impact, £m	Jobs supported
2011	£1,161	9,049	£2,315	18,841
2012	£1,145	8,926	£2,283	18,584
2013	£1,020	7,948	£2,033	16,549
2014	£1,004	7,828	£2,003	16,299
2015	£1,144	8,915	£2,280	18,561
2016	£1,245	9,703	£2,482	20,204
2017	£1,259	9,814	£2,511	20,434

- The Scottish Historic Environment Audit (SHEA) estimates that total spend on repair and maintenance of the historic environment was £1.3 billion in 2017, including residential properties and non-residential infrastructure. This spend supports an estimated 9,800 FTE jobs in the industry.
- The private sector accounts for the majority (76%) of spend on historic housing, supporting businesses in the construction and affiliated industries. HES’s planning role and guidance, together with HES’s technical research documents and advice on conservation, materials and energy efficiency, have a direct influence on this level of expenditure in order to meet statutory standards (however the exact scale of their influence has not been estimated to date).
- Introduction of the Plan is intended to ensure efficient delivery of HES’s statutory duties around planning, including the objective to enable sustainable change for historic buildings, which should safeguard these construction sector businesses and increase the rate at which expenditure can take place.
- The potential risks to this group of businesses relate to any difficulties in the implementation of the strategy or rate at which HES can process applications, particularly given the focus on empowering local communities in discussions about (and decisions for) their local environment.

6.4 Tourism businesses

Year	Directly attributable spend with tourism businesses generated through historic attractions		Heritage tourism spend, including supply chain multiplier effects	
	Economic Impact, £m	Jobs supported	Economic Impact, £m	Jobs supported
2011/12	£812	24,097	£1,401	37,112
2012/13	£717	21,280	£1,237	32,774
2013/14	£787	23,341	£1,357	35,947
2014/15	£842	24,980	£1,452	38,471
2015/16	£780	23,142	£1,345	35,641
2016/17	£842	24,963	£1,451	38,446
2017/18	£1,001	29,703	£1,727	45,745

- HES estimates that heritage tourism in 2017/18 was worth over £1 billion to Scotland, increasing to £1.7 billion when supply chain effects are added. Within this total, over £600 million (direct) is estimated to be attributable to the properties in the care of Scottish Ministers that are managed by HES. This benefit accrued as Scotland's historic environments attracts international and domestic visitors into areas they would otherwise not visit, generating new spend for the local economies.
- This expenditure supports an estimated 29,700 FTEs across Scotland, spanning a range of businesses including hotels, shops, restaurants, transport providers and other non-heritage attractions. Given the industry has a high proportion of part-time and seasonal workers, the number of individual jobs attributable to the historic environment will be significantly higher than this figure.
- The Plan provides scope for targeted promotion and investment activities that will increase this tourism business impact, in particular seeking to generate distributed economic growth across the country, and working with local communities to ensure they have the infrastructure in place to benefit from this influx of tourism spend.
- The risks to this group of indirectly supported businesses relate to HES's ability to keep the properties in the care in condition which allows them to be open to the public, with the appropriate level of interpretation, facilities and promotion. This will be dictated by the level of income that HES achieves.

7. Benefits

The introduction of the Plan (option 2) is anticipated to: safeguard the existing supplier profile identified above through HES's on-going operations; generate new business opportunities through efficient delivery of the Plan's strategic outcomes, particularly

the sustainable economic growth objective; and promote the sector as a whole through collaboration with partner organisations and stakeholders. In addition, it demonstrates a transparent link between HES's activities and the Government's strategic priorities as encapsulated in Scotland's Economic Strategy and Action Plan, the Programme for Government and OPiT.

Direct grants recipients, construction and tourism sector businesses are generally expected to experience little change or positive effects through the introduction of the Plan. However, the level of business benefits will be sensitive to the level of funding available to HES. There are no apparent areas where the introduction of the Plan will reduce current business impacts.

In contrast, option 1 (no Plan) would have an uncertain profile of benefits as there would not be a clear and transparent profile of HES activities, and no determined route through to high level outcomes. Business benefits could still be achieved, but potentially in a less efficient manner, and lacking the formal monitoring and collaboration introduced through the plan. Option 1 is therefore considered to be far higher risk to businesses.

[NB – further non-business benefits have been highlighted in HES's Strategic Environmental and Equalities Impact Assessments].

8. Costs

The total estimated cost of implementing the plan, based on the 2018-19 budget as a baseline, is approximately £100 million p.a. of which c. 40% is via the core grant and the remainder through commercial income and other fundraising. The amount spent delivering the Plan will however vary according to the level of grant received during the government's annual spending reviews over the next 3 years and the level of commercial income and fundraising achieved over the planning period.

9. Scottish Firms Impact Test

In line with the Scottish Government's guidance, we aimed to achieve face-to-face or telephone consultations with 6-8 businesses spanning the full range of sectors and industries which are linked to the operation of HES. A random sample of 20 suppliers was selected from our procurement database, then supplemented with selected industry bodies to represent the wider interests of the archaeology, construction and tourism sectors. The one-to-one consultations were scheduled between October and November 2018.

We achieved a sample of 8 suppliers/sector businesses, plus 3 of the industry bodies which already responded to the open public consultation and were happy that their submissions also addressed the scope of the BRIA. This response rate falls within the Scottish Government's recommended sample for the exercise. The consultations lasted around half an hour and were conducted in a semi-structured manner following

the topic guide attached in Annex A. The supplier consultations included the following spread:

Sector	Size	Reliance on HES activity	Overall view of Plan (score ¹)
Archaeology	SME	Medium (20% turnover)	Positive (4)
Conservation	Large	Low (<10% of turnover)	Neutral (3)
Manufacturing / Retail	SME	Low (<10% of turnover)	Negative (1/2)
Retail	SME	Medium	Neutral (3)
Tourism	Micro	Medium (20% of turnover)	Positive (4)
Construction	SME	Low	Neutral (3)
Support services	Micro	High (>50% of turnover)	Neutral (3)
Support services	SME	Medium	Positive (4)
A score of 1 indicates the Plan is strongly negative for the business, introducing notable risk. A score of 3 indicates the plan is neutral and the company expect to continue their current level of engagement. A score of 5 indicates the Plan is strongly positive for the business, creating new opportunities.			

In addition, the public consultation included 20 businesses and organisations who responded to the general question about how the plan would impact on their operations. A further 23 respondents (including Local Authorities, individuals and others) also made comments about the potential business and organisational impacts across Scotland. Their feedback has been incorporated with the specific Scottish firm impact sample.

Overview – It’s clear that the Corporate Plan is not a key planning document for the respondents, but all of the consultees saw a strong overlap between their activities and the strategic priorities set out in the Plan. The length, language and tone were welcome, as they sat well with industry priorities for tourism, construction and support services, particularly the strong emphasis on sustainability and inclusion.

The respondents were asked to rate the plan in terms of its likely impact on their business and on-going activities: the majority of respondents rated the Plan as either neutral or marginally positive for them, suggesting at worst that they’d expect their current level of engagement and operations to continue largely unchanged. However, SMEs in particular were concerned that the heavy emphasis on equalities and sustainability could feed through into statutory procurement requirements, which can be very difficult for small and medium businesses to comply with and could potentially damage their competitiveness for particular HES tenders in favour of larger companies with more established infrastructure.

While recognising that it was well-written, many of the businesses from the Scottish firm impact test also noted that the plan was very high-level, “warm and fluffy”, but

lacking in any real detail about its implementation - which is where any business risks could be introduced. A number of businesses mentioned that inclusion of financial information and details of specific investments would help them with their individual business planning, but also recognised that this information would be at odd odds with the wider tone of the Plan and its accessibility, and is better addressed through annual plans, or via individual direct contacts with HES.

Overall, HES has no reason to believe that the Plan will have a negative effect on any current suppliers or sector partners (beyond the funding risks introduced earlier in this paper), and that the Plan is not introducing significant new risks to suppliers or operators in the sector. The consultations did, however, raise some specific issues and points of clarity which we will have to be aware of in implementing the Plan to insure we do not introduce new risks and indirect requirements of businesses.

Advantages and opportunities

- Specific advantages raised during the Scottish firm impact test included:
 - It's an easily accessible document. It has a logical layout and appropriate priorities for the sector, and has avoided the "management-speak" of the previous 3-year Corporate Plan. All of the suppliers saw a strong overlap between their activities and the strategic priorities included in the Plan. The range of priorities is comprehensive, and there were no strategic areas which were overlooked. The Plan's clear commitment to leadership in the sector, investment in training and developing an expert network were notably well received by the respondents.
 - Existing suppliers and potential sector partners noted that the tone of the paper, the values and particularly the organisational priorities gave the impression of a positive organisation working to conserve and engage, and one that all sectors would like to work with.
 - The priorities strongly reflect sector research, particularly the social and cultural outcomes, which demonstrate an organisation that has a good understanding before making decisions. Specific examples noted included research completed across the tourism sector about how to achieve sustainable growth and inclusiveness, with one respondent noting the inclusion of "sharing stories" and others the specific references to new technologies.
 - The economic objectives are welcomed, as anything which generates a more vibrant economy feeds through to a larger customer base for businesses to engage with, so new opportunities.
 - The emphasis on sharing technology and methods across the sector is welcome, particularly on the asset management front where collaboration with HES avoided the needs for additional costs and contractors. This aids the sustainability of particularly smaller businesses.

- The Economic outcomes are the most directly relevant to business opportunities. Across the full public consultation, 9 of the 12 businesses/organisations to respond agreed or strongly agreed with the proposed Economic Outcome: the historic environment makes a broader contribution to the economy of Scotland and its people. Particular advantages that businesses/organisations highlighted included:
 - The emphasis on partnership and collaboration in the plan;
 - The high profile of Castles / PICs in the plan to support the tourism sector;
 - The emphasis on skills development in the sector;
 - HES's interest in exploring and developing new business operating models for investment to support the tourism sector;
 - The profile of the archives.

Risks and suggested areas for enhancement

- **Prioritisation:** While the priorities are appropriate, the suppliers were interested to know if they carry an equal weighting. Suppliers in each sector could find a priority linked to their activity, but wanted to ensure that it would have sufficient emphasis when the Plan is implemented. In particular, the suppliers wanted to verify that the grants, customer-facing side of the organisation, tourism and environmental compliance would be given sufficient weight and resource. In addition, two respondents suggested that it would aid business planning to know how the organisation would react to a cut in core budget (or commercial income), and whether this would affect the relative priorities, particularly in relation to upcoming risks around Brexit.
- **More clarity on implementation:** While the plan sets a clear direction, none of the consultees felt it would be a fundamental work planning tool for them, helping to project their likely work-steam. In each case, the consultees relied on further internal HES contacts to judge their likely level of engagement with the organisation and sector. A number of the consultees mentioned that it would aid their own work planning if the Corporate Plan included further specific details about key projects to be delivered in-year, or the proposed split of grants funding (if not the full budget allocation) against each priority to give them some further reassurance when resource planning. Further clarity around planning and designation regulations would also inform the implementation of the sustainable communities' objective. The urban regeneration objective also needs more prominence to emphasise the new options and opportunities that may be available to developers and the construction industry. This is being addressed through the new Historic Environment Policy, which is currently going through an open public consultation.
- **Risk of bias against SMEs in procurement** – the heavy emphasis on sustainability and equalities was a concern to micro businesses and SMEs, if these objectives are implemented in a certain manner. Some noted that there

is an increasing trend in public sector and agency procurement to introduce statutory requirements to tenders in these areas, for example the requirement for bidders to hold the environmental standard ISO14001, or to demonstrate the sustainability of their supply chains. This adds an administrative burden and standard which smaller businesses find more challenging to achieve, and could therefore limit their ability to bid. It was recognised that this may not be the intention of the plan, but that it could be an indirect consequence of implementation.

- While noting the positive tone, some business respondents noted that the emphasis on visitor experience and inclusion did not necessarily equate to growth of the sector and new income for businesses.
- In the public consultation, the 3 businesses/organisations that disagreed with the Economic objective noted that the outcome did not clearly reflect anything unique about the historic environment, with one noting that preserving historic sites is currently detrimental to the economy when sufficient support and funding is not made available.
- Respondents to the public consultation made a number of recommendations where the range of business impacts and opportunities could be enhanced through changes in the Plan:
 - The need for HES to have a more prominent advocacy role, particularly around the removal of VAT on repair works to stimulate the construction industry;
 - Greater recognition of LA financial difficulties and the role they are expected to play in the partnership model, and the fact that they may struggle to enact some of the implied duties which will stimulate local economic activity;
 - A greater emphasis on the place-making agenda, and a direct and broader contribution to places and sites, including an approach to manage Scotland's high streets;
 - A need for increased funding and grant schemes, with more emphasis on funding to smaller-scale works, rather than grand collaborative projects;
 - More prominent focus on barriers to business development, particularly around the planning and development side. (NB this is being considered through the Historic Environment Policy consultation, currently ongoing).
- The diagram at the end of the Plan aligning Scottish Government indicators with HES priorities is complicated and somewhat at loggerheads with the more accessible tone of the rest of the plan. The principles are explained adequately within the main body of the Plan, so there is little disadvantage to removing this.

Overall, the Scottish Firms impact test did not raise any major areas of concern necessitating fundamental change in the Plan. However, there are a number of areas for HES to be aware of in implementing the Plan, and in our communication strategy.

10. Competition Assessment

Two groups of businesses have previously been considered as potential competition issues for HES:

- HES and the heritage sector, through increased collaboration with the intention of growing investment in the historic environment, will potentially be competing with other charitable organisations for private fundraising and grants. The intention in OPiT and the Corporate Plan is to work collaboratively with partners to increase the total pot of funding available across the entire sector, rather than competing directly with each other. This improved coordination is intended to attract new investment, rather than displacing from existing charities in other sectors, and this risk is somewhat mitigated via the social objectives in the Plan, particularly the intention to build stronger and more sustainable communities, integrating the historic environment with wider policy agendas in the best manner.
- There is also a risk of increased competition with other heritage and non-heritage visitor attractions in the tourism market, or in any new commercial areas entered. Again, the Plan proposes a collaborative approach to grow the tourism sector as a whole, benefitting all partners and minimising any displacement achieved through growth of visitor numbers at the properties that HES manages.

These initial concerns have, however, not been borne out by the public consultation and the Scottish firms impact test.

11. Test run of business forms

No new business forms are anticipated as a result of the Plan. However, the existing planning application processes (through the Historic Environment Policy consultation) and grant application forms may be reviewed during the course of the delivery period 2019 – 2022 to ensure the strategic objectives identified in the Plan can be monitored. The forms would be tested with businesses if any changes are deemed necessary during the delivery period. It is anticipated that some additional information may be required from businesses to ensure that their bids are consistent with the intended outcomes outlined in the strategy (particularly around employment created, volunteers and community outcomes), but that the level of information required will be proportionate to the scale of development proposed or grant requested. This may result in some additional submission time or cost for businesses submitting larger scale development plans and grant applications.

12. Legal Aid Impact Test

The Scottish Government's Legal Aid team were consulted when the 2014 Act was proposed and confirmed there were no implications for the legal aid fund. The Plan

outlines how HES's functions will be delivered, but does not seek to change the scope of HES's remit. It is therefore assumed that the Plan will not introduce any new implications for the legal aid fund.

13. Enforcement, sanctions and monitoring

The 2014 Act requires HES to report annually to the Scottish Government against the range of Key Performance Indicators (KPIs) which are currently being developed for the Annual Operating Plan.

As noted in the BRIA for the Historic Environment Scotland Bill (2014), Ministers will have power to guide and direct HES, and have sufficiently flexible powers to move rapidly to address any unforeseen consequences of the Bill. The same principle will apply for any unforeseen consequences relating to the implementation of the Plan.

14. Implementation and delivery plan

The Plan will be implemented through a series of Annual Operating Plans, which will set out the budget available and Key Performance Indicators for the corresponding period. The first of the 3 Annual Operating Plans which cover the 3-year period 2019-2022 will be published simultaneously with the final Corporate Plan. The on-going annual monitoring and reporting against the outcomes identified in the Plan will also allow intervention by the Scottish Government before 2022 should it be required.

The Plan will be delivered by Historic Environment Scotland, and is premised on securing both funding from the Scottish Government over the period 2019-2022 (the 2019/20 Spending Review is still on-going at this time) and achieving the projected levels of commercial income and partnership engagement in order to deliver the identified priorities. HES's total income will determine the extent to which the Plan's objectives can be met.

The Plan will last until 2022, at which point the final outcomes will be evaluated using the published set of Key Performance Indicators. HES will be responsible for reporting against these indicators the Scottish Government in accordance with the Act.

15. Summary and recommendation

Option 2 – production of a new Corporate Plan – is the preferred and indeed only legal option available, as it is a statutory requirement of the Historic Environment Scotland Act 2014. Production of the Plan also helps to safeguard businesses supported both directly and indirectly through HES's activity by offering a transparent and measurable series of activities, objectives and outcomes which are directly aligned to the overarching sector strategy (OPiT) and the Scottish Government's National Outcomes.

To address issues raised by the Scottish Business Impact Test, it is also recommended that HES publishes appropriate contact details on the website for

stakeholders who seek more detailed engagement relating to the implementation of the Plan, and that HES's procurement strategy is mindful of the potential issues that new statutory (or weighting) requirements raise for smaller-scale suppliers.

Declaration

I am satisfied that this Final Business Regulatory Impact Assessment has been undertaken for Historic Environment Scotland's Corporate Plan 2019-22 and give my authorisation for the results of this assessment to be issued for publication on the Historic Environment Scotland website, together with the Final Corporate Plan.

Signature: *Alison Turnbull (e)*

Name: Alison Turnbull

Position: Director Development and Partnerships, Historic Environment Scotland

Authorisation date: Wednesday 3rd April 2019

Contact point:

Martin Ross
Historic Environment Scotland
Longmore House,
Edinburgh, EH9 1SH
martin.ross@hes.scot

Annex A – Firm Consultation Topic Guide (semi-structured one-to-one interviews)

Company / organisation name

Respondent Name / role

Size – employees / turnover / # businesses represented

Quick overview of activities / skills of business / link to sector

Nature of relationship with HES – supplier / contractor / umbrella organisation

- Duration – on-going, one-off, specific site, multi-site specific discipline
- Expectation of future engagement / sales
- Value – per annum
- Share of total turnover / exposure – is HES main purchaser?

Aware of plan? Something you'd look at if not prompted?

– HES to provide an overview of the plan and key areas.

Views of plan:

Overall impression rating (sliding scale e.g. 1 = bad for business, 3 = neutral, 5 = good for business)

- Of plan itself
- From business perspective

Overlap / relevance of key priorities in plan – fit with business areas and priorities

- In terms of skills / services / products offered by business
- In terms of target areas of their business – are HES actively targeted / assumed to be in income forecast

Positives – and opportunities for business / other benefits (monetary / other)

Negatives – and perceived risks for business or other costs (increased costs of engagement, monetary and other)

Particular areas of concern or where would like to see further clarification / details?

Do you think it will have any effect on your suppliers – spend or choice of which ones?

Anything in the Plan which will affect competitiveness of business – e.g. HES entering areas you compete in, or opening market to other competing suppliers

Suggestions for improvement