



ENGLISH HERITAGE

ANNUAL REPORT & ACCOUNTS  
2004/05

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# English Heritage

## Annual Report and Accounts 2004/05

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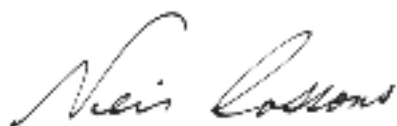
# INTRODUCTION

I am pleased to present English Heritage's Annual Report and Accounts. This report contains our statement of accounts for 2004/05 and highlights our performance against the targets we agreed with our sponsoring department, the Department for Culture, Media and Sport (DCMS), the Office of the Deputy Prime Minister (ODPM) and the Department for Environment, Food and Rural Affairs (Defra). The analysis is enhanced by our key facts section, which highlights a selection of our achievements in the past year.

This year saw the concluding phase of our challenging modernisation programme. The last two years have been very demanding and I would like to express my thanks to the Chief Executive, Dr Simon Thurley, and his senior team for driving the programme to its successful conclusion. Great thanks are also owed to all English Heritage's staff for their hard work, dedication and commitment, and for the support we have received from our friends, which has made possible the creation of a refocused organisation, ready for the challenges ahead.

If you would like more information about English Heritage, or additional copies of this Annual Report, please visit our website at [www.english-heritage.org.uk](http://www.english-heritage.org.uk) or contact our customer services team on 0870 333 1181.

Sir Neil Cossons



Chairman

# Annual Report 2004/05

This is English Heritage's 21st year. We have come a long way since we were established in 1984. It has been a journey marked with many successes, some failures and much change, but we are proud of what we have achieved in caring for the historic environment and in engaging public support for it. There is, however, no room for relaxation and for the last two years we have been modernising the way we work to ensure we are focused on the needs of our customers and clients and on addressing the key issues affecting the historic environment.

In 2004/05 we further strengthened our internal management structure. We have new arrangements for our regional operations which give greater cohesion between national and regional policy. Our Research and Standards Group is now organised to improve customer focus and to support a holistic approach to the study and conservation of the historic environment. An increased proportion of our research budget is spent on the historic built environment. We have also created an Estates Department to manage maintenance, conservation and development works to our properties more effectively.

Taken together with the changes made in 2003/04, I am confident that English Heritage now has the right skills, the right management and systems, and the right attitude to meet the challenges of the next 21 years. I am pleased to report below on some of the impressive results from 2004/05.

Enthusiasm for the historic environment is at an all time high. We nurtured and built on this through education and training, through outreach and the development of our properties. Major improvements at our sites were completed at Scarborough, Pendennis, Pevensey and Pevensey Castles this year and a programme of ten further projects were undertaken across the country to improve site presentation, mostly involving new exhibitions and the display of original objects from our collections. 2004/05 also saw exciting additions to our list of properties when we accepted responsibility for the highly popular Birdoswald Roman Fort and Apsley House, the London residence of the first Duke of Wellington. We also have two new Designated Historic Wreck Sites - an early 17th century site near Poole and the Holland V, a very early submarine located off Beachy Head. The number of diver visits to the Designated Historic Wreck Sites, for both recreation and survey, increased by nearly 50% in the last year.

All our sites have been assessed for the provision of access to disabled people and we continue to chair the cross-sectoral steering group which shares good practice on this challenging issue. We are leading on the delivery of regional seminars looking at the provision of disabled access to the historic environment as a whole.

We know from the numbers visiting our sites and engaging in our activities that people enjoy and value what we offer. We see this in the growth of our membership which has reached nearly 555,000 and in visitor figures of approximately 11.3 million. We have also built on our policy of free access to our sites for under 19 year olds accompanying members, with the result that the proportion of members' groups containing children increased from 39% in 2003 to 43% in 2004. Member visits themselves grew to over 926,000 this year. These successes were also reflected in a growth in trading income to over £33 million. Our hospitality business grew to nearly £900,000. We secured £435,000 from legacies and increased the number of legacy pledgers to over 300.

To take the important work of engaging young visitors further, we are investing more in services, including the introduction of educational volunteering and the expansion of our publishing business.

As a mark of our broader commitment to access, the National Monuments Record (NMR) launched PastScape ([www.pastscape.org](http://www.pastscape.org)) in November 2004, an internet-based summary of over 400,000 sites, buildings, finds and excavations. And in March, the Images of England Learning Zone web pages were formally launched at the Education Show; the project now has over 160,000 images on the website making it one of the world's largest free on-line image libraries ([www.imagesofengland.org.uk](http://www.imagesofengland.org.uk)). The NMR also played a key role in the success of a local community based project, 'Rodbourne Living Story', where the residents of Rodbourne, Swindon, rediscovered the 150 year history of their community.

The Outreach team created in 2003 has had a highly successful year. They completed the first 32 of a rolling programme of projects being delivered in partnership with local organisations across the country. Each project tackles national issues such as social inclusion, community cohesion and rural poverty. Examples this year ranged from creating a community heritage garden in Great Yarmouth to working with young offenders at Bolsover Castle. 2004's Heritage Open Days had 10% more properties open than the previous year and involved over 200 new organisers for the first time. Ten times the number of non-Christian faith buildings opened as in 2003. A good example of taking Heritage Open Days into new areas was the Chattri Trail in Brighton, a series of walks and tours to Hindu and Muslim sites commemorating the contribution of Indian soldiers in the World Wars. Visitors were also attracted by a lively events programme which saw over 400 events mounted across the country. The largest historical event in the country was the English Heritage Festival of History sponsored by Discovery Networks Europe which took place on 11 and 12 August and attracted 14,000 visitors.

The popular Blue Plaques programme was extended through pilots in several parts of the country. We erected 13 plaques in pilot areas and 17 in London, including those to Henry Moore, Jomo Kenyatta and Herbert Chapman.

Working with others is the best way to achieve our aims. We have performed a key role in the Department for Culture, Media and Sport's review of heritage protection legislation. We played a significant part in the Department's public consultation for the marine review, drafting and launching the document, then hosting six seminars around the country. We are running a series of pilot projects to test the reforms proposed in the general review and the ecclesiastical exemption. The transfer of the administration of the current designation process from DCMS to English Heritage took place successfully on 1 April. To support a smooth transition, we published a user's guide, *Listing is Changing*. We also launched a Charter for owners of historic sites, local planning authorities and the development industry. The Charter sets out our commitment to undertake exemplary advisory services for planning and development. The new systems and procedures we put in place to handle statutory case work have clearly paid off. We have had a dramatic improvement in casework response times from approximately 80% being turned around in 28 days in the year to April 2004 to between 93% and 98% within 21 days at the end of April this year. We have also seen good results with buildings at risk; we have now removed 36% from the 1999 Register.

A different kind of rescue package was found when English Heritage assumed responsibility for the management of Apethorpe Hall, a Grade I listed country house in Northamptonshire, following compulsory purchase action by DCMS. We have carried out essential repairs; a comprehensive site management regime has been established and marketing agents appointed to prepare a strategy for its future return to the private sector.

We continue to support the Department for Environment, Food and Rural Affairs on agricultural, rural and sustainable development initiatives. We welcomed the appointment of their Rural Development Service historic environment experts and were actively involved in the launch of their Environmental Stewardship scheme which gives far greater emphasis to the historic environment than previous schemes.

Working with others is also key to our aim of helping local communities to care for their historic environment. English Heritage is continuing to work with county councils and other local partners on our expanding range of characterisation programmes. Most of the rural English landscape has now been surveyed plus many of our county and market towns, and we expect the remaining local authorities to join the process within the next three years. We have also extended characterisation to our territorial seabed through a research project supported by the Aggregates Levy Sustainability Fund. We published *Using Historic Landscape Characterisation*, a collection of case studies showing how this technique is in active use for spatial planning and other purposes. Characterisation has also been extremely useful in drawing us and our partners into constructive dialogue with decision makers in the Growth Areas and Housing Market Renewal Areas.

The Historic Environment Local Management (HELM) programme launched last year has proved effective in drawing together the historic environment sector as a whole with other partners to build capacity within local authorities. Its website ([www.helm.org.uk](http://www.helm.org.uk)) attracts over 7,000 visits every month and a CD-ROM produced this year was circulated to 21,000 elected members. Twelve new policy documents were produced under the HELM banner covering a range of issues from low demand housing and regeneration to farming the historic landscape. We are also delighted that 142 local authorities appointed elected Members to act as Historic Environment Champions.


An important part of our education work this year has been with partners, for example, working with the Commission for Architecture and the Built Environment (CABE) to investigate the value of a 'one stop shop' for built environment education. This was one of the recommendations arising from the Joint Advisory Committee on Built Environment Education (JACBEE), which was set up in 2003 by Ministers in DCMS and the Department for Education and Skills to examine the potential of the contemporary and historic built environment as a learning resource for schools and the wider community. The joint CABE/English Heritage Urban Panel has continued its work on improving approaches to regeneration, bringing together respected experts in the built environment professions with local authorities facing complex and challenging regeneration issues across England. We have also been working to promote vocational training to address the issue of skills shortages in the construction industry. Research with the National Heritage Training Group is nearing completion to establish an accurate assessment of needs so a coherent national action plan can be produced.

*Heritage Counts 2004* was published by us on behalf of the historic environment sector on 16 December. Its theme was the value of investment and in particular, the impact of ten years of funding for heritage from the Heritage Lottery Fund. The report highlighted the role of the HLF in stimulating a revolution in heritage in the UK, with £3 billion of new investment since 1994; it also focused on the social and economic significance of cathedrals, as demonstrated by the 5,500 jobs they support and the £150 million they are estimated to contribute to local economies. Work on *Heritage Counts 2005* is underway and will address the issue of rural and maritime heritage.

This has been another year of strong campaigning. English Heritage's nation-wide campaign, Save Our Streets, was launched with Women's Institutes across the country to draw attention to the damage being done to our streetscapes. It generated a tremendous response and we will follow this up by publishing eight regional streetscape manuals, endorsed by the Department of Transport, which will provide a valuable tool in encouraging more sympathetic street management.

This year we provided £35 million in grants, including approximately £4 million from the Aggregates Levy Sustainability Fund. The programme through which English Heritage and the Heritage Lottery Fund have made £25 million available for repairs to places of worship this year has been extended until 2007.

This year we have reaped the benefits of an intensive period of change. We will now enter a new phase with the launch of our Strategy for 2005-2010 entitled *Making the Past Part of Our Future*. It sets an ambitious agenda to support our overarching aim of sustaining the historic environment as a vibrant part of cities, towns, villages and of the landscape of England.



**Simon Thurley**  
Chief Executive

# Performance against Targets 2004/05

## DCMS Objective 1 Research and Advice

To provide national and local Government with high quality, timely and evidence based advice on the historic environment, including in support of rural and urban development, reform of the heritage protection system and the planning system.

In order to improve the quality of the advice it gives, English Heritage will:

- 1a publish the annual report *Heritage Counts* and develop rural issues as a major theme of *Heritage Counts 2005*

### Target achieved

*Heritage Counts* is the annual state of the historic environment report, produced by English Heritage on behalf of the wider heritage sector. We published *Heritage Counts 2004* in December and the theme of the report was the value of investment and in particular the impact of ten years of funding for heritage from the Heritage Lottery Fund. Nine separate regional *Heritage Counts* documents were produced alongside the two national editions and are available via the website, [www.heritagecounts.org.uk](http://www.heritagecounts.org.uk). The report demonstrated:

- the role of the Heritage Lottery Fund in stimulating a revolution in heritage in the UK, with £3 billion of new investment since 1994
- the social and economic significance of cathedrals, as demonstrated by the 5,500 jobs they support and the £150 million they contribute to local economies
- the scale of the continuing needs facing historic buildings and landscapes. At least 17,000 listed buildings of all grades are estimated to be 'at risk' across the country, while a pilot study of cemeteries in Yorkshire demonstrated that 35% contained historic chapels and lodges that are falling down through lack of maintenance

For the first time, *Heritage Counts 2004* featured a definitive list of indicator measures which will form the basis of future editions. This set of indicators was agreed through extensive consultation with sectoral partners. Work is now underway to deliver a special themed edition of *Heritage Counts* in 2005, addressing the issue of rural and maritime heritage.

- 1b develop a new English Heritage research strategy linked to Government and Research Council strategies

### Target largely achieved

A draft strategy was prepared internally in 2004 and discussed by English Heritage's independent expert *Research Advisory Panel*. A consultation has taken place with the Department for Culture, Media and Sport (DCMS), the Office of the Deputy Prime Minister (OPDM) and the Department for Environment, Food and Rural Affairs (Defra) and we expect to launch the document later this year.

- 1c develop a sector-wide research strategy, defining the role of English Heritage in co-ordinating and supporting research related to the historic environment at a national level and publish by April 2006

### On target

We now propose a UK-wide strategy, inclusive of peripheral interests, ie, those outside the historic environment sector; such as the wider construction industry, tourism and the field of academic research where the historic environment forms the subject of study, not an end in itself. The consultations about research needs are progressing well. The UK Historic Environment Research Group (UKHERG) resolved in December that a UK-wide research strategy for the historic environment was an important need and that all parties would work towards it with English Heritage.

In order to support key Government initiatives and to modernise the way in which change is managed in the historic environment, English Heritage will:

- 1d support DCMS's review of heritage protection legislation (the Designation Review)

### On target

Work continues on the design of the new heritage protection system, for which DCMS will publish a White Paper in 2006. The preliminary stages of the 15 pilot projects we established to test key proposals of the review are nearing completion. Further pilots are in negotiation to look at the particular problems of ecclesiastical and marine sites.

English Heritage took over responsibility for listing administration from DCMS on 1 April and will introduce consultation procedures in the summer.



# Performance against Targets 2004/05 (continued)

le support the ODPM review of the planning system

## On target

ODPM has postponed the revision of Planning Policy Guidance Notes I5 (Planning and the Historic Environment) and I6 (Archaeology and Planning) but our views have been incorporated into the new amalgamated Planning Policy Statement I, which provides a much improved starting point for these revisions. The revised principles for selection of listed buildings, which we prepared jointly with DCMS to replace PPG I5, are being considered across Government with a view to publication by DCMS later in the year.

We continue to work with DCMS and ODPM on all relevant policy developments, for example this year, the review of statutory consultations, the unification of consent regimes and the review of permitted development rights. A particularly significant area has been the development of Best Value Performance Indicators. English Heritage has contributed to the process to ensure future indicators are robust and useful and, as a result, a heritage related indicator (BV2I9) has, for the first time, been added to the Best Value indicator set.

If support appropriate Defra agricultural, rural development and sustainable development initiatives

## On target

We continue to advise Defra on all aspects of their work where it impacts on the historic environment. They have appointed historic environment leads in the Rural Development Service in nearly all regions; these posts will transfer to Natural England in due course. This year we worked closely with Defra on the design, launch and implementation of the new Environmental Stewardship scheme which gives the historic environment a far higher profile than the old schemes.

We have begun two joint research projects with Defra on arable impacts on archaeology and the socio-economic value of Defra's historic building conservation work. We are also undertaking joint research with the Countryside Agency into traditional farm buildings and historic park landscape which should report in September 2005. The existing joint research project on plough damage to scheduled monuments will be completed this summer.

Last July, in conjunction with the Countryside Agency, Cadw and the Countryside Council for Wales, we renewed our joint Memorandum of Understanding with the English and Welsh National Parks. Then in December, jointly with Cadw, we signed a new accord with the National Association for Areas of Outstanding Natural Beauty (AONB) and in May published *Outstanding Beauty: Outstanding Heritage, AONBs and the Historic Environment*. We will also ensure that National Park and AONB designation is fully reflected in our corporate Geographic Information Systems and casework management systems.

## DCMS Objective 2 Access

To make the historic environment accessible to everyone.

In order to ensure that the historic environment is seen as something with which the whole of society can identify and engage, English Heritage will:

2a attract 100,000 visits to heritage attractions by new users aged 20 years and above from DCMS priority groups by March 2006, through increased attendance and participation at our properties, Heritage Open Days, outreach and education projects and events at sites

### Target exceeded

The total number of visitors and participants meeting the criteria reached 323,478 this year, exceeding the target more than three times. Whilst monitoring revealed that the majority of those meeting the target were from social grades C2DE as opposed to ethnic minorities, we have had considerable success this year in engaging black and ethnic minority groups. Our research also showed that specific interventions encourage new users from different social backgrounds and so we are developing these. We are sharing good practice with the Historic Environment Review Executive Committee's Broadening Access Group.

English Heritage continues to support the Black Environment Network (BEN) on a range of initiatives to attract and facilitate visits from ethnic communities. This year, BEN has run seminars for key English Heritage staff, developed a project in the West Midlands for accessing historic gardens and worked with the Ramblers Association on historic walks in urban areas.

# Performance against Targets 2004/05 (continued)

Our nine Outreach officers led on the development of 46 projects this year of which 32 have now been completed. Every project has actively engaged hard-to-reach audiences, defined as people from black and minority ethnic (BME) communities, those on lower incomes, young people and people with disabilities. In total, 26,000 people have participated either directly in outreach projects or indirectly through exhibitions, performances, publications or websites. We have tackled national issues such as social exclusion, community cohesion and rural poverty through local projects which use the historic environment to promote a sense of place and identity and encourage a greater understanding of our diverse histories. A range of methodologies have been developed and each project is produced collaboratively with local organisations.

A key objective of the Outreach Department this year was to produce exemplars of partnership working and this has been successfully achieved. The Department also secured £365,000 in match funding for projects and has received commitments worth £465,000 so far for 2005/06.

Examples of projects include:

- *Middlegate Garden, Great Yarmouth*  
Working in partnership with Great Yarmouth Borough Council and Seachange, a local community arts organisation, an area of derelict land between two English Heritage properties was re-landscaped to create a community heritage garden. Designed by residents from the neighbouring estate, the garden was soft-landscaped by offenders working on Community Punishment Orders and site-specific public art and street furniture was created by the local Youth Offending Team.
- *South Acton Stories, London*  
This oral history project was a collaboration between the Outreach Department and the Building and Landscape Survey and Investigation Department, working with over 180 residents of the South Acton Estate. The aim was to add a human layer to the historic character assessment we carried out prior to a major regeneration of the estate.
- *Witley Court Revisited, Worcestershire*  
Two parallel projects were run at Witley Court to address issues of cultural, intellectual and physical access at the site and produce a more socially inclusive interpretation. 'Access at Witley Court' explored intellectual and physical access on site by working with people with a range of disabilities and learning abilities; an interactive CD-ROM was produced using this work as a case study for best practice consultation with people with disabilities. 'Reinterpreting Witley' explored

issues of cultural access. Focus groups from different communities visited the site and fed back their experiences on interpretation and accessibility and the cultural reinterpretation of the site. This has led to the development of tours in different community languages covering the history of the site and its wider cultural context.

- *Housing Market Renewal, Oldham*  
This long term project facilitates community participation in the housing market renewal process in Werneth and Derker in Oldham. It is building capacity and fostering a sense of ownership in the process of change through a two year programme of arts and cultural activities.

Heritage Open Days are a good example of reaching into new areas. This year 10% more properties opened than in 2003 and over 200 new organisers took part for the first time. Our goal of opening more faith buildings was successfully achieved, with approximately 10 times the number of non-Christian faith buildings opening this year than last.

- 2b use its properties to develop community engagement and involvement through outreach strategies for Chiswick House and Grounds and for Groundwell Ridge

#### On target

The Chiswick Community Festival is scheduled to take place at Chiswick House in September. Planning is underway with artists and diverse community groups to produce a festival showcasing performances and art inspired by the history of Chiswick House and Grounds. The Groundwell Ridge project in Swindon, to widen participation and interest in the seven week excavation of a Roman building, was completed this year. The project involved over 300 local school children and a total of 1700 participants in a range of activities on and off the site. A community focused website and an education pack for use by local groups were developed to sustain interest in the site.

- 2c develop its analysis of schools visiting our properties from socially deprived areas in order to develop a strategy for increasing future engagement, giving particular attention to increasing the number of Creative Partnership projects by 2006

#### On target

Research has been done at a number of sites to establish audience profile and needs. This work will be developed further in 2005. English Heritage was involved in six Creative Partnership projects in the first phase of the scheme, ranging from an education programme based around the Chintz exhibition at Brodsworth Hall to a project for Key Stage 2 pupils using dance to interpret the history of Bolsover Castle.

# Performance against Targets 2004/05 (continued)

- 2d build on its policy of free access for under 19 year olds accompanying members by monitoring the proportion of member groups containing at least one child through the annual MORI site survey and target an annual increase of 1%

**On target**

Last summer's MORI survey showed the proportion of member groups containing at least one child grew from 39% to 43% between 2003 and 2004.

- 2e promote access and sustainable development in the domestic and overseas tourism markets

**On target**

This year we were represented in all the meetings of the British Tourism Development Committee, took part in both VisitBritain domestic marketing campaigns and contributed to England Net, Visit Britain's central portal supplying online tourism information.

- 2f meet the provisions of the Disability Discrimination Act and develop good practice within the sector

**On target**

All sites have been audited and we are implementing a strategy to bring them up to an agreed standard. Physical works have been undertaken at 75% of staffed sites and many other modifications have been completed, for example, the fitting of induction loops at all points of contact with staff. The cross-sectoral steering group chaired by English Heritage continues to meet and has brought significant benefit by sharing good practice, providing a coordinated input into guidance and advice notes and by acting as a sounding board for identifying sectoral need. Our publication last summer, *Easy Access to Historic Buildings*, gives guidance on how to reconcile the interests of conservation and access in the light of the reasonable adjustment provisions of the Act. The guidance is being widely used in casework in which English Heritage is not directly involved.

## DCMS Objective 3 Education and Training

To realise the full potential of English Heritage properties as a learning resource for curriculum based activities, for out of school activities and for lifelong learning.

As a follow up to the Quinquennial Review recommendation that English Heritage should review its education and learning strategy and develop programmes of activity that match strategic intent, English Heritage will:

- 3a publish the results of a new Education, Events and Outreach strategy in 2005

**On target**

A key part of the Education, Events and Outreach strategy this year was to enhance the range of education resources and activities at our sites. We have achieved this through having family learning resources such as backpacks and story boxes at our top 30 education sites, enhancing the educational potential of our existing events and by developing new events for specific learners. These include a range of hands-on 'experience days' for adult learners, children's festivals and a new programme of tours in association with the University of the Third Age.

In September we completed a one year education project with the Historic Houses Association (HHA), funded by the Heritage Lottery Fund. The results of the project were published in a joint booklet to help other historic house owners develop similar programmes.

We are also developing the educational potential of Heritage Open Days with the Civic Trust. A new teacher's pack was launched in December and further resources will be rolled out during 2005.

We have recently reviewed our education and outreach activity to assess how far it is delivering the strategy agreed by the Commission in March 2003. While substantial progress has been made in outreach and events, the pace of delivery has been slower in education. The current allocation of resources has restricted the enhancement of our on-site education provision, so we are now refocusing our budgets and resources. This will enable us to invest more in front-line services, including the introduction of facilitated education sessions, as well as to enhance our publishing business and develop a new programme of educational volunteering. We plan to have a volunteering policy in place by the end of 2005/06.

# Performance against Targets 2004/05 (continued)

- 3b increase understanding and knowledge of the historic environment by increasing the number of educational visits to its sites from 478,500 in 2002/03 to 508,000 by 2005/06

## Target not achieved

The total number of educational visits for the year was 475,886, down 6.14% on the 2004/05 target of 506,969 and a 4.25% decline on last year's total of 497,028. Teachers' concerns over health and safety and pressures of the curriculum have led to a general decline in educational visits, but others in the sector have been able to off-set this by providing more staff on site to facilitate visits. There is an increasing demand for this from teachers as time pressures reduce their capacity to undertake the necessary preparation for self-led visits. English Heritage does not currently offer facilitated education visits. Our education policy has traditionally been to provide teachers with the resources to lead visits themselves, including free publications and training days. We will continue to provide this core service, but there is scope to introduce a broader range of activities for schools and other educational groups. English Heritage has therefore refocused its education resources. See 3a for details.

- 3c increase the resources available to schools and to independent learners

## On target

The Images of England Learning Zone, launched at the Education Show in March, encourages teachers to use England's listed buildings in a wide range of National Curriculum subjects. We are working with CABE to develop a pilot website for schools to draw together resources across the built environment education sector. If successful, this will be extended to a nationwide website aimed at schools and other educators, as well as owners of properties wishing to develop education resources.

The acquisition of Apsley House and Birdoswald Roman Fort, both of which offer facilitated education visits, has presented an excellent opportunity for us to use these as pilots for other sites. Facilitated education visits, including workshops led by freelancers, will be extended to more sites during the next two years.

In November we launched a new Citizenship book, with accompanying CD-ROM and video, as an important part of our commitment to building a sense of place and purpose in young people and helping them to make decisions for themselves about their local environment. The book presents teachers with an easily accessible resource that is based on looking at real issues which affect their local community. It contains case studies and project outlines, as well as downloadable information and activity sheets.

- 3d work with CABE and sector partners to take forward the JACBEE and Attingham Trust report recommendations regarding the built environment as a resource for learning

## On target

English Heritage and CABE led a joint research project this year to determine the need for and potential scope of a 'one stop shop' for built environment education. The first phase involved consultation with key organisations within the built environment education sector and also considered the wider policy framework. Recommendations for potential 'one stop shop' models were presented to DCMS and DfES at the end of February. One of the key elements was a website that draws together resources from across the built environment education sector and a pilot is in development. We established a Heritage Education Group this year to raise awareness of the historic built environment and encourage partnership working with other providers. Membership of the group includes the National Trust, Historic Houses Association, Churches Conservation Trust, Heritage Education Trust, Civic Trust, Historic Royal Palaces and BBC History Magazine.

- 3e Assess the extent of informal learning currently achieved through events

## On target

We conducted a survey of visitors at the Festival of History in August which included research with families, a key part of our 'informal education' audience. They welcomed our range of curriculum-specific activities developed for the Festival and we are planning more for this year's Festival. This summer our research will cover a wider range of events.

# Performance against Targets 2004/05 (continued)

- 3f initiate with others the national co-ordination of traditional building skills training and commence detailed research to deliver a DfES approved Foresight plan for future skills needs and their delivery

#### On target

A research project to establish a needs baseline for heritage building skills was funded by English Heritage, CITB-Construction Skills and the Sector Skills Development Agency. An English Heritage/CITB Craft Summit was held in January to determine the action plan to respond to the labour and skills shortages described in the research. The research, accompanied by a national action plan for workforce development, will be published in June. As the report includes separate regional summaries, regional seminars will also take place to foster partnerships between Regional Development Agencies, local Learning and Skills Councils, Historic Environment Fora, Cultural Consortia and others to address funding and ownership issues for craft skills provision and training needs within their own regions.

- 4b improve the delivery of timely and expert advice to Local Planning Authorities, Government Offices, developers and others on applications for works likely to impact on the historic environment

#### Target exceeded

The results of our Transforming Casework programme have been impressive. The figures to April show performance on the three key statutory casework indicators as being between 93% and 98% response within 21 days. This is a very substantial improvement on the figures to April 2004 of around 80% in 28 days. This has been a particularly good result considering the restructuring that was taking place at the time of implementation, with the inevitable uncertainties this brought to staff.

- 4c work with others to help breathe new life into communities

#### On target

English Heritage works with ODPM, Pathfinder Partnerships and other partners such as CABI to ensure this work is informed by a constructive understanding of the opportunities and strengths of its historic environment. Our national programmes of enabling local authorities to carry out Historic Landscape Characterisation and Urban Characterisation continue successfully. This technique provides information about the historic character of landscape and townscape throughout England and the projects we have been involved in both strengthen local authority capacity and support informed decision making in spatial planning, agri-environmental action and conservation. This year we published *Using Historic Landscape Characterisation (HLC)*, case studies of how HLC is in active use for spatial planning and other purposes and updated our guidance notes on *Conservation Area Practice (1995)* and *Conservation Area Appraisals (1997)*.

## DCMS Objective 4 Sustainable Communities

To contribute effectively to the development of thriving, inclusive and sustainable communities.

In order to ensure that the best of our historic environment is preserved for the benefit of communities and that the role of the historic environment is recognised and reflected in stakeholder policy, English Heritage will:

- 4a work with the Countryside Agency, Environment Agency and English Nature on revising and re-issuing the joint guidance, *Conservation Issues in Strategic/Local Plans* by 2005

#### Target achieved

The new guidance, *Environmental Quality in Spatial Planning*, was published and training events are being arranged for local authority strategic planners this year. We continue to comment on all ODPM consultations relating to relevant planning documents.

In Growth Areas this year, we completed the Thames Gateway characterisation and the promotion of its results is well underway with ODPM and other Thames Gateway bodies. The Milton Keynes project also finished and was published as a case study in *Planning Sustainable Communities; Advocacy Guide for the Green Infrastructure Grid for Milton Keynes and the South Midlands*. This guide was produced on behalf of all the parties in the Growth Area from across the whole environmental sector. In Housing Market growth areas, urban characterisation in Lancashire is approaching completion and we have full scale characterisation projects underway in Merseyside, South Yorkshire and the Black Country.

# Performance against Targets 2004/05 (continued)

- 4d produce guidance and policy statements, with partners where appropriate, on key issues affecting the historic environment

## On target

This year we have published and disseminated policy statements on *Low Demand Housing and the Historic Environment, Regeneration and the Historic Environment and Local Strategic Partnerships and the Historic Environment, Farming the Historic Landscape: An Introduction for Farm Advisers* and three related guidance notes for farmers and farm advisers were published by a partnership led by English Heritage. In addition, *A Guidance Note on Historic Environment Champions*, a summary of the regional *Streets for All* documents and *The Future of Historic School Buildings* have also been published, while work is underway on *Retail Development in Historic Areas*. A new note on *Strategic Environment Assessment* has been produced in conjunction with the Countryside Agency, English Nature and the Environment Agency which describes the services and standards that responsible authorities can expect when consulting English Heritage in relation to European Directive 2001/42/EC. Finally, we published three editions of *Conservation Bulletin* during the year, featuring characterisation, places of worship and maritime and coastal heritage.

- 4e ensure communities have access to the most significant sites and buildings inherited from the past by removing 40% of Buildings at Risk entries from the baseline 1999 Register by 2006

## On target

This year 4.2% of the entries were removed from the Register, bringing the total to 36.4%, in line with the target and on track to achieve the 40% target set for 2006

- 4f help local authorities embed consideration of historic environment issues in their policy and practice

## On target

142 local authorities have now appointed elected members to act as Historic Environment Champions. English Heritage, with CABE, is providing regionally tailored training for both Historic Environment and Design Champions and training seminars have also been held regionally for senior local authority officers including chief executives. The Historic Environment Local Management (HELM) project produced a CD-ROM this year which has been circulated to 21,000 elected members. The HELM website ([www.helm.org.uk](http://www.helm.org.uk)) attracts over 7,000 visits a month and training seminars for planners and other officers have been run in all nine regions. Twelve new policy documents have been produced under the HELM banner (see 4d) and Oxford Brookes University was commissioned through HELM to collate a searchable database of local authority publications on the historic environment, in which 155 authorities participated.

As part of our commitment to support local authority advisory posts, a total of 14 posts have now been grant-aided. We have reviewed the achievements of the Historic Environment Countryside Adviser programme and are discussing the findings with stakeholders to consider future directions for the programme.

- 4g support Defra in maximising the benefits for the rural environment of initiatives designed to support sustainability

## On target

English Heritage continues to work with Defra and its agencies including the emerging integrated agency, Natural England, on delivery of their initiatives and other matters of common interest. We will continue to distribute grants from the Aggregates Levy Sustainability Fund (ALSF), as the scheme has been extended under a new Memorandum of Understanding to March 2007. The new agreement will give English Heritage a total of over £4.5 million per year to disburse in 2005/06 and 2006/07.

Work is nearing completion on the project to upgrade the Register of Parks and Gardens. Each entry will have a more comprehensive description including a location map. The Web version will be launched in early summer.

# Performance against Targets 2004/05 (continued)

- 4h support the Government's commitment to sustainable development and increase organisational awareness and commitment to sustainable development issues through training and dedicated research and policy development

**On target**

We expect to publish our sustainable development strategy over the summer. It was delayed in order to fully reflect the outcome of the DCMS review of sustainable development within non-departmental public bodies and the Government's sustainability strategy, *Securing the Future*, published this year. A key part of our strategy is training for the organisation, which we have started with specific training for Gardens and Landscapes teams on ecology issues.

In parallel with this, we are developing policy statements and guidance on renewable energy, climate change and on wind farms and have completed a study of the implications of renewable energy for the historic environment. Policies on climate change and wind energy will be in place by the summer and others are in development.

- 4i provide an enhanced experience of English Heritage properties that will raise visitor enjoyment and appreciation, and encourage repeat visits

**On target**

As part of the Property Prioritisation Programme, we completed four improvement projects during this year costing a total of £1.7 million - at Scarborough, Pendennis, Pevensey and Pevensey castles - along with some phase or part completion in other projects. In addition, we undertook ten interpretation and presentation projects (Annual Site Projects) at sites across the country; all are now complete and open to the public.

- 4j assume responsibility for the management of Apethorpe Hall estate from 16 September 2004

**On target**

English Heritage took possession of Apethorpe Hall in September on behalf of DCMS and the schedule of urgent works was completed by November. A comprehensive site management regime has been set up and marketing agents were appointed in December to prepare a strategy for its future return to the private sector.

- 4k put in place the necessary preconditions for improving access to Stonehenge

**On target**

The planning application for the visitor centre and access arrangements was submitted in early September and has been progressed with the planning authority and statutory consultees. Progress is now dependent on the outcome of the A303 Inquiry, funding for the road and planning permission being granted for the Visitor Centre.

## DCMS Objective 5 Modernisation

To deliver an organisation fit for purpose and focused on strategic priorities and the delivery of front line services.

In order to increase the effectiveness of its internal management systems and the organisation's capability to deliver against the modernisation agenda, English Heritage will:

- 5a complete the recruitment of four new Territory Directors and nine new Regional Directors as part of a comprehensive restructuring of the Planning and Development group

### Target achieved

Four Territory Directors and eight of the nine regional directors were in post by November. Recognising the greater density of activity and the different statutory context, a different approach has been adopted in London, where regional leadership is shared between a Head of Advisory Services and a Head of Partnerships.

- 5b implement the recommendations of the Reviews of the National Monuments Record (NMR), Archaeology, and Historic Buildings & Areas Departments by April 2005

### On target

Responsibility for the management and dissemination of the statutory (Historic Protection) datasets and the corporate Geographic Information Systems transferred to the NMR on 1 November. A new structure has been put in place to support the new and enhanced projects developed this year and a new Head of NMR Programme Development has been appointed. The old Archaeology and Historic Buildings and Areas Research Departments have been reformed into two new departments, Strategy, to develop and guide responsiveness to the needs of the historic environment sector and Research, to consolidate English Heritage's research and standard-setting capacity for the above and below ground historic environment into a single unit.

- 5c increase the level of income generated by our sites to support English Heritage's underlying financial position

### On target

The number of English Heritage members grew from 485,000 in 2003/04 to over 555,000 during this year and we also had 38,000 more visits from our members, an increase of 5% on last year.

The level of income from trading grew to over £33 million this year; an increase of £2 million on the previous year and well on track to achieve the target of £35 million set for 2005/06. We have increased two-fold the number of legacy pledgers which now stand at over 300 and have secured £435,000 from legacies this year.

English Heritage's hospitality business has also grown impressively this year from £562,000 in 2003/04 to nearly £900,000 and is projected to rise to £1.1 million in 2005/06.

- 5d increase the number of visitors to EH properties\* from 5,540,000 in 2002/03 to 5,762,000 by the end of the 2005/6 season

\* properties include all English Heritage's Local Management Agreement properties

### Target partly achieved

English Heritage is increasing its market share within the heritage sector; but with mounting competition from other leisure activities, the heritage sector is not growing as a proportion of the leisure industry. This affected our visitor figures which reached 5.3 million to staffed sites and a further estimated 6 million to unstaffed sites this year. We anticipate this increasing to 5.4 million next year but without a significant shift in market conditions, it is unlikely that the target of 5.76 million will be achieved.



# Key Facts for 2004/05

## Broadening Access and Appreciation of the Historic Environment

- 5.3 million people visited English Heritage staffed properties during 2004/05, plus an estimated 6 million to our unstaffed sites.
- 46 outreach projects were developed across the country engaging 26,000 new participants.
- New family learning resources were introduced at our top 30 education sites.
- The number of English Heritage members grew from 485,000 in 2003/04 to over 555,000 during 2004/05. We also had 38,000 more visits from our members during this year, an increase of 5% on the previous year.
- The English Heritage visitor satisfaction rating again achieved 8.9 out of 10.
- Heritage Open Days in 2004 attracted more than 800,000 visitors and 200 new properties took part.
- Major projects at Scarborough, Pevensey, Pendennis, and Peveril were completed during 2004/05 to improve site presentation and visitor experience. 10 smaller site presentation projects were completed.

## Conserving and Enhancing the Historic Environment

- We advised on 16,058 applications for planning, listed building and scheduled monument consent, a rise of 835 on 2003/04.
- We managed 70 licence applications on behalf of the Secretary of State for diver visits and survey investigations of English Designated Historic Wrecks, an increase of almost 50% on 2003/04.
- We advised on and managed the protection of two new Designated Historic Wrecks in English Territorial Waters, bringing the total to 41.

- This year 4.2% of the entries were removed from the Buildings at Risk baseline 1999 Register. This brings the percentage of buildings and scheduled ancient monuments removed from the 1999 Register to 36.4%.
- The Historic Environment Local Management (HELM) project website receives over 7,000 hits a month and the CD-ROM produced this year has been circulated to over 21,000 elected members.
- We are the Government's principal advisor on the implementation of the World Heritage Convention in England. This year we took over from Government responsibility for funding the UK Committee of the International Council on Monuments and Sites (ICOMOS UK) to provide specialist advice on World Heritage matters. We advised Government on the preparation of the UK part of the European Periodic Report on the implementation of the World Heritage Convention required by the UNESCO World Heritage Committee.
- Our Conservation Department produced nine technical publications during the year and contributed ten articles for specialist technical journals.
- We invested just under £35m in grants for archaeology and the conservation of historic buildings and monuments. These included:

|  |       |
|--|-------|
| Secular Buildings and Monuments grants   | £6.0m |
| Places of Worship grants                 | £6.5m |
| Conservation Area grants                 | £8.3m |
| Cathedral grants                         | £2.0m |
| Historic Environment Enabling Programme* | £4.7m |
| Maritime Archaeology                     | £0.1m |
| Aggregates Levy Historic Environment     | £3.9m |
| Other grants                             | £3.5m |

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**Total** **£35m**

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\* formerly Archaeology Commissions Programme

# Key Facts for 2004/05 (continued)

## Valuing and Understanding the Past

- We launched the national Blue Plaques programme, starting with the East of England and will be extending it to one new region every year: 34 nominations were short-listed for the East of England and 17 plaques were erected in London, including those to Henry Moore, Edvard Grieg, Jomo Kenyatta and Herbert Chapman.
- We made 491 recommendations to the Government to spot-list buildings of historical or architectural interest; 218 recommendations were made to upgrade or amend buildings already on the statutory list and 64 recommendations to de-list. Eight additions were made to the list of postwar buildings including the E. Pellicci Café on Bethnal Green Road, London.
- The total number of National Monuments Record Centre records available to the public electronically was increased this year from 991,500 to 1,074,500.
- We produced 34 commercial publications aimed at the popular market, eight academic and professional titles and 11 new guidebooks in 2004/05. We also co-published 15 titles with outside partners, produced nine policy statements, ten policy guidance and 11 technical publications. In addition, we produced two national and nine regional *Heritage Counts* reports on behalf of the historic environment sector.

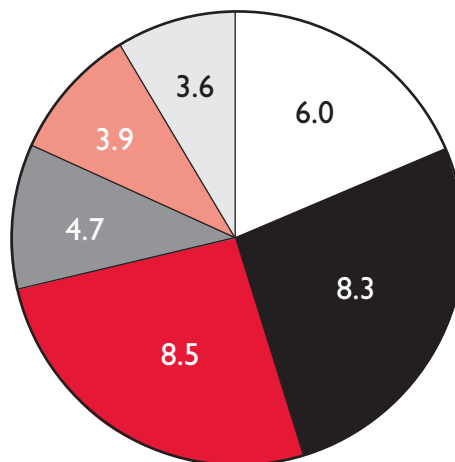
## Enhancing our Resources

- We implemented to time and budget our technology refresh project to replace, upgrade and modernise all our computer hardware, software and data communications network. It has enabled us to identify IT service delivery savings of some £600,000 per annum.
- We implemented a Management Development Programme this year and over 90% of our senior managers have received training.
- We increased income from trading by £2m to over £33m during 2004/05.
- We secured £435,000 in income from legacies, and have increased two-fold the number of legacy pledgers to over 300.

# Key Facts for 2004/05 (continued)

## Grant Expenditure (£m)

|                                      |             |
|--------------------------------------|-------------|
| Secular Buildings and Monuments      | 6.0         |
| Conservation Areas                   | 8.3         |
| Cathedrals and Places of Worship     | 8.5         |
| Archaeology                          | 4.7         |
| Aggregates Levy Historic Environment | 3.9         |
| Other                                | 3.6         |
| <b>Total</b>                         | <b>35.0</b> |



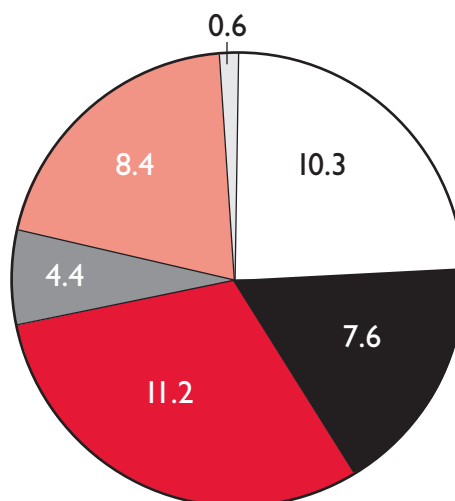
## Total Expenditure (£m) (Notional cost of capital excluded)

| Year             | Conservation | Historic Properties | Education and Outreach | Resources | Restructuring and Modernisation | Total |
|------------------|--------------|---------------------|------------------------|-----------|---------------------------------|-------|
| 00/01            | 67.4         | 53.7                | 11.6                   | 9.9       | 1.4                             | 144.0 |
| 01/02 (restated) | 65.2         | 51.9                | 11.5                   | 10.4      | 0.8                             | 139.8 |
| 02/03            | 72.7         | 55.5                | 13.1                   | 11.0      | 5.5                             | 157.8 |
| 03/04 (restated) | 69.6         | 61.3                | 13.4                   | 12.0      | 3.9                             | 160.2 |
| 04/05            | 73.0         | 62.1                | 14.2                   | 12.7      | 3.4                             | 165.4 |



## Earned, Operating and Investment Income (£m)

|  |             |
|--|-------------|
| Admissions                                   | 10.3        |
| Retail and Catering                          | 7.6         |
| Membership                                   | 11.2        |
| Other Earned Income                          | 4.4         |
| Donations, Grants and Other Operating Income | 8.4         |
| Interest                                     | 0.6         |
| <b>Total</b>                                 | <b>42.5</b> |



## Total Income (£m)

| Year             | Govt Grant in Aid | Other Income | Total |
|------------------|-------------------|--------------|-------|
| 00/01            | 115.2             | 30.6         | 145.8 |
| 01/02 (restated) | 107.9             | 31.8         | 139.7 |
| 02/03            | 115.2             | 38.4         | 153.6 |
| 03/04            | 119.6             | 38.5         | 158.1 |
| 04/05            | 125.3             | 42.5         | 167.8 |



# Foreword to the Accounts

## Background Information

The Historic Buildings and Monuments Commission for England (HBMCE) is a body corporate established on 1 April 1984 by the National Heritage Act 1983. HBMCE consists of up to 17 Commissioners appointed by the Secretary of State for Culture, Media and Sport. HBMCE is an Executive Non-Departmental Public Body (NDPB) sponsored by the Department for Culture, Media and Sport (DCMS). 'English Heritage' is the name of the consolidation of HBMCE and English Heritage Trading Limited.

English Heritage is the lead body in England concerned with the conservation of England's built environment. Its principal activities include the management and conservation of over 400 ancient monuments and historic properties in its direct care, the awarding of conservation grants to assist owners of ancient monuments and historic properties and the provision of advisory and education services, including statutory advice to Government.

In June 2002, in response to a Quinquennial Review published in May 2002, the Commission approved a Modernisation Programme formulated by the new Chief Executive and driven by the needs of its external clients including Government. Key to this was the restructuring of English Heritage's operations between 5 customer focused business groups each led by an Executive Director.

2004/05 saw the concluding phase of English Heritage's Modernisation Programme. In 2004/05 English Heritage further strengthened its internal management structure. There are new arrangements for regional operations which give greater cohesion between national and regional policy. The Research and Standards Group is now organised to improve customer focus and to support a holistic approach to the study and conservation of the historic environment. An increased proportion of the enabling budget is spent on research on the historic built environment. An Estates Department has also been created to manage works to our properties more effectively.

## Organisational Structure

English Heritage's strategic direction is overseen by its Board of Commissioners who delegate operational management to a Chief Executive appointed by themselves. The Chief Executive also serves as Accounting Officer on behalf of the DCMS. The Chief Executive is supported by an Executive Board comprised of the Group Directors.

Following the implementation of the restructuring under the Modernisation Programme, for operational purposes, English Heritage is divided into 5 groups; Research and Standards, Properties and Outreach, Planning and Development, Policy and Communications and Resource Management (note 10).

## Commissioners and Senior Employees

The persons who served as Commissioners between 1 April 2004 and 10 November 2005 are detailed in note 13. Details of senior employees are given in note 16 c.

## Responsibilities of Commissioners

The key responsibilities of Commissioners are to ensure that the statutory responsibilities of English Heritage are undertaken; to provide expert advice and guidance on heritage matters; to establish the overall strategic direction of English Heritage; to oversee and monitor the planned performance against strategic objectives and targets; to ensure the highest standards of probity are used in the administration of funds and to maximise the economical, efficient and effective use of resources for the public good; to ensure the highest standards of corporate governance and to ensure the Commission acts within all statutory and regulatory requirements; to ensure, through the Chief Executive, that the Commission, as employer, acts in accordance with all relevant legislation and best practice; and to ensure that English Heritage conducts its dealings with the community in an open, responsive and accountable manner.

## Register of Interests

English Heritage maintains a record of declarations of interest made by Commissioners. A copy of the Register of Interests is available from the Commission Secretariat Manager, English Heritage, 23 Savile Row, London, W1S 2ET.

## Result for the Year

The result for the year ended 31 March 2005, after the transfer to the Development and Restricted Funds of £1,353,000 (2004: £835,000 transfer from Development and Restricted Funds) was a surplus of £1,079,000 (2004 restated: £1,215,000 deficit), decreasing the accumulated deficit to £12,302,000 (2004 restated: £13,381,000).

## Pensions

English Heritage is a member of the Principal Civil Service Pension Scheme (PCSPS), (note 17).

## Fixed Assets

The movements in fixed assets are set out in notes 18 and 19.

# Foreword to the Accounts (continued)

## Audit Arrangements

PricewaterhouseCoopers LLP were replaced by the National Audit Office from 1 April 2004 in accordance with the changes introduced by the Sharman Report. Mazars LLP have been appointed as auditors for English Heritage Trading Limited as the National Audit Office are currently unable to audit limited companies.

## Equal Opportunities and Diversity

As part of its ongoing commitment to equality and diversity, English Heritage continues to promote the importance of this area, when all staff attend the organisation's induction programme, as well as reinforcing the theme in the Management Development Programme and in particular within the Human Resources module, Managing People and Performance. We are always considering ways to promote improvements and assist employees with disabilities, such as through a Disability Issues Group which meets regularly to consider relevant issues. We also continue to use the Employment Service's disability user symbol 'Double Tick' for recruitment and other purposes.

In its policy on inclusion and diversity English Heritage aims to:

- Provide and encourage opportunities for all to access, understand and enjoy the historic environment;
- Value and share an inclusive interpretation of England's heritage;
- Use the historic environment to contribute to positive change in the lives of individuals and communities;
- Adopt good practice in providing access to the historic environment and actively engage with partners to encourage others to do likewise;
- Ensure all our activities as an organisation take into account the widest possible range of needs.

## Race Equality

English Heritage remains committed to promoting equality and good relations between racial groups in our policies, services provision and in employment. This year we have taken a significant step towards engaging new audiences and increasing the dialogue with different communities through the work of our outreach team. This is helping us to interpret our sites with increasing appeal and to reflect the diverse contributions that have created our rich and varied historic environment. This work continues and will extend further in future years. Redressing the balance in the makeup of our staff remains a challenge, and we continue to explore ways of making it more representative of the nation as a whole.

## Performance Against Targets

Performance against Funding Agreement targets is published in the Annual Report section of this report.

## Communications with Employees

English Heritage recognises the importance of employee involvement and participation in our activities. Formal consultation with employees takes place through meetings of the English Heritage Whitley Council.

## Health and Safety

Management of health and safety issues is led by a Director at Board level, with a small team to set policy, provide guidance and audit standards and statistics. A Safety Council of Directors, Managers and Advisors meets three times a year to consider incidents and developments and prepares an Annual Report for Audit Committee to review on behalf of Commission.

The Properties and Outreach Group now has responsibility for health and safety at all of the historic estate, with advice and management of health and safety works by the Planning and Development Group Estates team.

Territorial Health and Safety co-ordinators are being recruited by the Estates Director to ensure compliance with all health and safety requirements. Health and safety training for Management across the organisation has been improved with regular courses run by safety consultants.

The accident rates for English Heritage staff are relatively low compared to the national average. There were 71 staff accidents in 2004/05, 10 less than the previous year's final total. Most were very minor and only 3 were reportable to the Health and Safety Executive.

There were 184 visitor accidents, 59 fewer than last year and a rate of 3.37 accidents per 100,000 visits compared to last year's figure of 4.45. The number of visitor accidents reportable to the Health and Safety Executive was 20, 1 fewer than last year. The marked drop last year has therefore been sustained, which is testimony to the considerable investment in safety features at our sites over recent years. Individuals' actions contributed to the majority of accidents. Remedial measures to reduce minor accidents are not always reasonably practicable in an historic environment.

# Foreword to the Accounts (continued)

## Access for People with Disabilities

English Heritage is committed to improving and encouraging access to the historic environment for people with disabilities, whether managed by English Heritage or others. This is being achieved by working with and learning from other agencies, organisations and individuals who adopt creative and sensitive solutions in the adaptation and presentation of their properties and other activities and by adopting best practice itself.

Guidance for the sector, "Easy Access to Historic Buildings" was reissued and further guidance, "Easy Access to Historic Landscapes" is in production, both following extensive consultation and with assistance from other organisations in the sector. An implementation strategy for our own properties is in place and being delivered.

On behalf of the Regional Historic Fora and in conjunction with the National Trust and the Disability Rights Commission, English Heritage is leading on a series of public and sectoral seminars in each region to consult users and share best practice across a wide group of people in the sector. English Heritage also chairs a cross-sectoral group considering disabled access issues.

## Environmental Policy and Sustainability

The completion of our own sustainable development strategy has been delayed to take account of our new 5 year corporate plan, the outcome of the DCMS review of sustainable development within NDPBs and the UK government 2005 sustainability strategy "securing the future". The strategy is now planned to be published in the first half of financial year 2005/06.

Work has now started on updating our existing guidance on building regulations and historic buildings. The new document is to be published in time to coincide with the introduction of the new part L - "Conservation of fuel and power" of the building regulations later this year.

The review of energy use being undertaken under the framework agreement with the Carbon Trust has now been completed. An implementation strategy taking account of recommendations and actions is currently being reviewed, including how to assess and benchmark energy use for the remainder of our estate.

Our 100kw and below electricity supplies are now sourced from green electricity and investigations are ongoing to extend this to our larger sites and supplies. Work on our policy and guidance relating to timber procurement in historic buildings is in its final draft and nearing completion.

The Commission has recently agreed to the principles of our developing a policy on the implications of climate change. This policy will now be developed and issued during 2005/06.

We continue to be part of the DCMS Sustainability Forum and are working with other DCMS NDPBs and sponsored bodies on issues of sustainable development.

## Open Government and Freedom of Information

The Code of Practice on Access to Government Information has now been completely superseded by the Freedom of Information Act 2000, and has no effect after 1 January 2005.

The Freedom of Information Act establishes a general statutory right of access to information. English Heritage recognises that this Act plays an important role in serving the public interest by promoting open discussion of public affairs and enhancing government accountability.

English Heritage is committed to making a large volume of information proactively available through the Information Publication Scheme and the English Heritage website, including minutes of the Commission and major Advisory Committees.

## Confederation of British Industry Better Payment Practice Code

English Heritage is a member of the Confederation of British Industry scheme and has established a payment policy which complies with the principles of the Confederation of British Industry Better Payment Practice Code. Invoices received but not paid at 31 March 2005 equated to 8 creditor days (2004: 15 days).

## Corporate Governance

English Heritage complies with all the relevant requirements of HM Treasury guidance relating to corporate governance.

**Dr Simon Thurley**  
Chief Executive  
10 November 2005

# Statement of Commissioners' and Chief Executive's Responsibilities

Under paragraph 12(2) of Schedule 3 of the National Heritage Act 1983, the Commissioners are required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the consent of HM Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of English Heritage's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Commissioners are required to:

- observe the Accounts Direction issued by the Secretary of State, 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 have been followed, and disclose and explain any material departures from these in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Commission will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport designated the Chief Executive of the Historic Buildings and Monuments Commission for England as the Accounting Officer for English Heritage. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by HM Treasury and published in Government Accounting.

A copy of the Accounts Direction is available from English Heritage, 23 Savile Row, London, W1S 2ET.

**Sir Neil Cossons**  
Chairman  
10 November 2005

**Dr Simon Thurley**  
Chief Executive

# Statement on Internal Control

## Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of English Heritage's policies, aims and objectives, as set out in statute and by Ministers from the Department for Culture, Media and Sport (DCMS), whilst safeguarding the public funds and departmental assets for which I am personally responsible, and ensuring compliance with the requirements of our Financial Memorandum and the Funding Agreement, in accordance with the responsibilities assigned to me in Government Accounting.

Accountability within English Heritage is exercised through:

- a governing body, the Commission, as explained in the Foreword to the Accounts;
- an Executive Board, comprising 5 group directors and myself, as the Accounting Officer. Each group director is personally accountable to me for the management of the risks pertaining to their group. Within each group there are delegated authorities to make decisions and incur costs as specified in the Financial Memorandum;
- the Audit Committee, which is an advisory body with no executive authority. The Committee comprises a Chairman who is an independent appointee, and 2 members, who are non-executive Commissioners, appointed to the Committee by the Chairman of the Commission. The Committee has included in its terms of reference, responsibility for advising on and monitoring the adequacy of risk management in English Heritage and has since March 2002 received reports on progress and outputs at each of their meetings. The Committee carries out its work by testing and challenging the assurances that are available to me, the way in which these assurances are developed, and the management priorities and approaches on which the assurances are premised. The Committee may also seek contributions from others when it considers that its work can be enhanced by other specialist support.

## The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system is maintained through an established framework of corporate direction and management, organisational structures incorporating planning, review, monitoring and performance reporting, delegated authority and accountabilities, staff development and communication frameworks, defined policies and procedures.

The system of internal control has continued in place in English Heritage for the financial year ended 31 March 2005 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

## Capacity to Handle Risk

Responsibility for managing risk is assigned by the group directors to managers in their areas at operational level. All staff must understand and accept responsibility for the recognised risks associated with their area of authority.

The Executive Board is committed to providing staff with support and assistance to enable them to manage their risks effectively. During the financial year ended 31 March 2005 the assistance provided has included regular review and dissemination of the corporate risk register. Further refinements have been made to the methodology for recording and presenting information on risk so that managers are given clearer information to aid effective risk management. In addition a review of Group Risk Registers was carried out with a view to ensuring a consistent approach across the organisation.

Responsibility for risk management policy and coordination lies with the Head of Corporate Governance to ensure that risk management is linked to the corporate planning process.

Comprehensive risk management guidance is available and it includes a statement of English Heritage's Risk Management Policy (see below) procedures to be followed and supporting guidance to aid the understanding of risk management principles. The guidance is being embedded through practical application and regular reporting to the Audit Committee and Executive Board.



# Statement on Internal Control (continued)

## Capacity to Handle Risk (continued)

English Heritage has a financial management training module which contributes to the overall approach to risk management. In addition work has begun to develop a dedicated risk management training programme for staff.

Examples of developments in best practice in the management of risk are sought through liaison and networking with HM Treasury and other government departments, leading private sector organisations and our external auditors.

## The Risk Environment

In English Heritage the main processes which we have in place for identifying, evaluating, and managing risk are:

- A risk management policy based on a risk appetite for taking only carefully calculated risks, where the potential benefits are judged to outweigh any negative impact(s) that may occur if the risks were to materialise. Risk has been defined as the threat or possibility that an action or event will adversely or beneficially affect the organisation's ability to achieve its objectives.

The policy defines our risk management objectives, which are to:

- manage risk in accordance with best practice and encourage a culture of risk management across English Heritage;
- anticipate and meet changing social, environmental and legislative requirements that enable us to champion England's historic environment;
- safeguard our assets and minimise opportunities for injury and damage and promote awareness of the need for risk management.

In managing risk we seek to adopt best practices in the identification, evaluation, and control of risks to ensure that risks are well managed and either eliminated or reduced to an acceptable level, recognising that some risks will always exist and can never be eliminated.

- A corporate risk register and 5 supporting individual group risk registers, which provide comprehensive information on significant risks and the relevant owners, the risk management control arrangements and opinions on their current effectiveness and a reporting framework that provides regular assurances on the control arrangements for the risks identified. In 2004/05 the risk registers continued to be updated to reflect the final phase of English Heritage's Modernisation Programme.
- Risk monitoring through the Audit Committee, which at each meeting has received reports on the development and implementation of English Heritage's risk management arrangements. Following completion of the implementation of the risk management arrangements during the year ended 31 March 2005, the Committee received updated details on the corporate risks, ownership and management controls for the year.

A cycle of risk and control identification, ownership recognition and reports on the effectiveness of the control arrangements, which starts at Executive Board level and progresses through the group directors to the appropriate operational levels in each of the 5 groups and feeds back into the Executive Board reports.

In addition to the regular reporting to the Executive Board, the Board also meets quarterly for the purpose of monitoring all mission-critical projects and initiatives and their associated risks.

Each group director's risk reporting framework provides for periodic in-year monitoring of risk registers to seek assurances on the management of risks identified and to identify any new risks to be included in the group and/or corporate risk registers as appropriate. The Risk Co-ordinator ensures that group and corporate risk registers are kept up to date and I will receive quarterly reports from group directors on the management of the corporate risks.

# Statement on Internal Control (continued)

## The Risk Environment (continued)

In addition to the internal audit opinion on internal control, stewardship reporting has been adopted as part of our risk management procedures. Designated managers at various levels of the organisation are required to report on the work they have done to keep risk and control procedures up to date and appropriate to the circumstances within their particular area of responsibility, providing an upward and downward exchange of assurances between operational managers and the Executive Board.

- Designated managers accountable for the ownership and management of risk with levels of reporting between me, group directors and operational management.

The most significant risks during 2004/05 were those arising from the final stage of our Modernisation Programme. In particular we recognised the risk of a lack of clarity about strategic direction whilst our new Strategic Plan was being developed.

Our management of risk is embedded in policy making, planning and delivery. Line managers are involved in the identification of our significant risks, through the corporate planning and project planning process, and risks are delegated to a senior owner who remains accountable for monitoring, management and reporting. There are sub-delegations to allocate executive responsibility for day to day management of the risk and for provision of assurance to the risk owner.

## Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the managers within English Heritage who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

The effectiveness review process comprises; the assurances gained from an annual programme of internal audit reviews and advice which is agreed with myself, Executive Board and the Audit Committee; the assurances provided to me by each Executive Board member through the risk management reporting framework and their individual accountability reports; assurances gained from the work of specific committees including Finance Committee and the Safety Council.

The results from my ongoing review of effectiveness are discussed by me with Executive Board and the Audit Committee, and the Chairman of the Audit Committee provides assurances based on these reports to the Commission and arrangements exist to address weaknesses and ensure continuous improvement of the systems.

I am satisfied from the results of my review of the effectiveness of the system of internal control, including the assurances provided by managers, that the risk management processes and corresponding controls systems are in place and give me reasonable assurance of their effectiveness. Members of the Commission support this statement.

Risk management is an ongoing process and will continue to be integral to strategic and operational planning, and to the delivery of the objectives and targets set out in our Funding Agreement. Risk management procedure and practice will also continue to be reviewed and developed in order to ensure effective control, good management and accountability.

**Dr Simon Thurley**  
Chief Executive  
10 November 2005

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 26 to 51 under article 14 of the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 30 to 33.

## Respective Responsibilities of the Commissioners, the Chief Executive and Auditor

As described on page 20, the Commissioners and Chief Executive are responsible for the preparation of the financial statements in accordance with the National Heritage Act 1983 and directions made thereunder by the Secretary of State and for ensuring the regularity of financial transactions. The Commissioners and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Heritage Act 1983 and directions made thereunder by the Secretary of State, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if English Heritage has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 21 to 23 reflects English Heritage's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of English Heritage's corporate governance procedures or its risk and control procedures.

## Basis of Audit Opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Commissioners and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to English Heritage's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament (continued)

## Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of English Heritage at 31 March 2005 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Heritage Act 1983 and directions made thereunder by the Secretary of State.
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

**John Bourn**  
Comptroller and Auditor General  
21 November 2005

**National Audit Office**  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

The maintenance and integrity of English Heritage's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

# English Heritage Consolidated Income and Expenditure Account for the Year Ended 31 March 2005

|   | Note | 2005<br>£'000   | 2004<br>Restated<br>£'000 |
|---|------|-----------------|---------------------------|
| <b>Income</b>   |      |                 |                           |
| Earned Income   | 2    | 33,508          | 31,106                    |
| Other Operating Income  | 3    | 8,413           | 6,852                     |
| Investment Income   | 4    | 599             | 546                       |
| Government Grant in Aid   | 5    | 125,288         | 119,590                   |
| <b>Total Income</b>   |      | <b>167,808</b>  | 158,094                   |
| <b>Expenditure</b>  |      |                 |                           |
| Conservation  | 6    | 73,013          | 69,619                    |
| Managing our Historic Properties  | 7    | 62,085          | 61,317                    |
| Education and Outreach  | 8    | 14,201          | 13,371                    |
| Resources   | 9    | 12,670          | 11,960                    |
| Notional Cost of Capital  | l.g  | 677             | 627                       |
| <b>Total Expenditure</b>  |      | <b>162,646</b>  | 156,894                   |
| <b>Surplus for the Financial Year Before Exceptional Items</b>          |      | <b>5,162</b>    | 1,200                     |
| Restructuring and Modernisation   | 10   | (3,407)         | (3,877)                   |
| Government Grant in Aid received re Pension Scheme Bulk Transfer Value  | 17   | -               | 195,500                   |
| Pension Scheme Bulk Transfer Value payment                              | 17   | -               | (195,500)                 |
| <b>Surplus/(Deficit) for the Financial Year After Exceptional Items</b> |      | <b>1,755</b>    | (2,677)                   |
| Notional Cost of Capital  | l.g  | 677             | 627                       |
| <b>Adjusted Surplus/(Deficit) for the Financial Year</b>                |      | <b>2,432</b>    | (2,050)                   |
| Transfer (to)/from the Development and Restricted Funds                 | 32   | (1,353)         | 835                       |
| <b>Income and Expenditure Account Surplus/(Deficit)</b>                 |      | <b>1,079</b>    | (1,215)                   |
| Accumulated Deficit at 1 April  | 30   | (13,381)        | (12,166)                  |
| <b>Accumulated Deficit at 31 March</b>                                  | 30   | <b>(12,302)</b> | (13,381)                  |

# English Heritage Consolidated Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2005

|   | Note | 2005<br>£'000 | 2004<br>Restated<br>£'000 |
|---|------|---------------|---------------------------|
| Adjusted Surplus/(Deficit) for the Financial Year                 |      | 2,432         | (2,050)                   |
| Unrealised Surplus on the Revaluation of Tangible Fixed Assets    | 19   | 733           | 458                       |
| <b>Total Recognised Gains and Losses Relating to the Year</b>     |      | <b>3,165</b>  | (1,592)                   |
| Prior Year Adjustment (as explained in note 40)                   | 40   | (3,252)       |                           |
| <b>Total Gains and Losses Recognised since last Annual Report</b> |      | <b>(87)</b>   |                           |

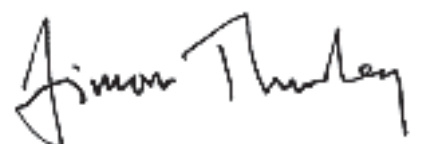
# English Heritage Consolidated Balance Sheet as at 31 March 2005

|  | Note | 2005<br>£'000   | 2004<br>Restated<br>£'000 |
|--|------|-----------------|---------------------------|
| <b>Fixed Assets</b>  |      |                 |                           |
| Intangible Assets  | 18   | 164             | 157                       |
| Tangible Assets  | 19   | 36,132          | 32,844                    |
|  |      | <b>36,296</b>   | 33,001                    |
| <b>Current Assets</b>  |      |                 |                           |
| Stocks   | 24   | 3,104           | 3,004                     |
| Debtors  | 25   | 12,677          | 8,602                     |
| Short Term Investments   | 26   | 13,000          | 8,404                     |
| Cash at Bank and in Hand                                       | 34   | 543             | 196                       |
|  |      | <b>29,324</b>   | 20,206                    |
| <b>Creditors: Amounts Falling Due Within One Year</b>          |      |                 |                           |
| Bank Overdraft   | 34   | (5,852)         | (951)                     |
| Creditors  | 27   | (22,034)        | (22,111)                  |
|  |      | <b>(27,886)</b> | (23,062)                  |
| <b>Net Current Assets/(Liabilities)</b>                        |      | <b>1,438</b>    | (2,856)                   |
| <b>Creditors: Amounts Falling Due After More Than One Year</b> | 28   | <b>(2,045)</b>  | (1,903)                   |
| <b>Provisions</b>  | 29   | <b>(6,543)</b>  | (4,904)                   |
| <b>Total Assets Less Liabilities</b>                           |      | <b>29,146</b>   | 23,338                    |
| <b>Reserves</b>  |      |                 |                           |
| Capital Reserves   | 31   | 36,296          | 32,920                    |
| Development and Restricted Funds                               | 32   | 5,152           | 3,799                     |
| Income and Expenditure Account                                 | 30   | (12,302)        | (13,381)                  |
| <b>Total Reserves</b>  |      | <b>29,146</b>   | 23,338                    |

The financial statements, which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 41, were approved by the Commissioners of English Heritage and signed on their behalf by:



**Sir Neil Cossons**  
Chairman  
10 November 2005



**Dr Simon Thurley**  
Chief Executive

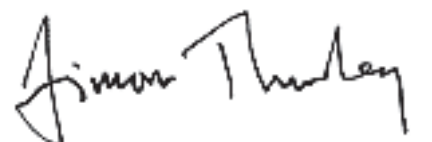
# HBMCE Balance Sheet as at 31 March 2005

|  | Note | 2005<br>£'000   | 2004<br>Restated<br>£'000 |
|--|------|-----------------|---------------------------|
| <b>Fixed Assets</b>  |      |                 |                           |
| Intangible Assets  | 18   | 164             | 157                       |
| Tangible Assets  | 19   | 36,132          | 32,844                    |
| Investments  | 23   | 2,028           | 2,028                     |
|  |      | <b>38,324</b>   | 35,029                    |
| <b>Current Assets</b>  |      |                 |                           |
| Stocks   | 24   | 363             | 535                       |
| Debtors  | 25   | 14,233          | 9,636                     |
| Short Term Investments   | 26   | 12,500          | 8,000                     |
| Cash at Bank and In Hand                                       | 34   | 543             | 196                       |
|  |      | <b>27,639</b>   | 18,367                    |
| <b>Creditors: Amounts Falling Due Within One Year</b>          |      |                 |                           |
| Bank Overdraft   | 34   | (5,852)         | (951)                     |
| Creditors  | 27   | (22,377)        | (22,300)                  |
|  |      | <b>(28,229)</b> | (23,251)                  |
| <b>Net Current Liabilities</b>                                 |      |                 |                           |
|  |      | (590)           | (4,884)                   |
| <b>Creditors: Amounts Falling Due After More Than One Year</b> |      |                 |                           |
|  | 28   | (2,045)         | (1,903)                   |
| <b>Provisions</b>  |      |                 |                           |
|  | 29   | (6,543)         | (4,904)                   |
| <b>Total Assets Less Liabilities</b>                           |      |                 |                           |
|  |      | <b>29,146</b>   | 23,338                    |
| <b>Reserves</b>  |      |                 |                           |
| Capital Reserves   | 31   | 36,296          | 32,920                    |
| Development and Restricted Funds                               | 32   | 5,152           | 3,799                     |
| Income and Expenditure Account                                 | 30   | (12,302)        | (13,381)                  |
| <b>Total Reserves</b>  |      |                 |                           |
|  |      | <b>29,146</b>   | 23,338                    |

The financial statements, which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 41, were approved by the Commissioners of English Heritage and signed on their behalf by:



**Sir Neil Cossons**  
Chairman  
10 November 2005



**Dr Simon Thurley**  
Chief Executive

# English Heritage Consolidated Cash Flow Statement for the Year Ended 31 March 2005

|  |      | 2005           | 2004              |
|--|------|----------------|-------------------|
|  |      | £'000          | Restated<br>£'000 |
| <b>Operating Activities</b>  | Note |                |                   |
| Government Grant in Aid  | 5    | 127,905        | 119,442           |
| Cash Outflow from Operating Activities                                 |      | (129,167)      | (122,113)         |
| <b>Net Cash Outflow from Operating Activities</b>                      | 33   | <b>(1,262)</b> | (2,671)           |
| <b>Pension Scheme Bulk Transfer Value</b>                              |      |                |                   |
| Government Grant in Aid received re Pension Scheme Bulk Transfer Value | 17   | -              | 195,500           |
| Pension Scheme Bulk Transfer Value payment                             | 17   | -              | (195,500)         |
|  |      | -              | -                 |
| <b>Returns on Investments and Servicing of Finance</b>                 |      |                |                   |
| Investment Income  |      | 594            | 541               |
| <b>Capital Expenditure</b>   |      |                |                   |
| Payments to Acquire Fixed Assets                                       |      | (4,987)        | (4,339)           |
| Proceeds from the Sale of Fixed Assets                                 |      | 833            | 1,485             |
|  |      | <b>(4,154)</b> | (2,854)           |
| <b>Management of Liquid Resources</b>                                  |      |                |                   |
| Payments into Short Term Investments                                   |      | (204,182)      | (224,378)         |
| Withdrawals from Short Term Investments                                |      | 199,586        | 228,817           |
|  | 34   | <b>(4,596)</b> | 4,439             |
| <b>Financing</b>   |      |                |                   |
| Grants received credited to the Capital Reserves                       |      | 4,864          | 4,809             |
| <b>(Decrease)/Increase in Cash</b>                                     | 34   | <b>(4,554)</b> | 4,264             |



# Notes to the Financial Statements

## I. Statement of Accounting Policies

### a) Accounting Convention

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention, as modified by the inclusion of land and buildings at current value (note I, i).

English Heritage Trading Limited, a subsidiary undertaking of HBMCE, continued trading throughout the year ended 31 March 2005 and hence the financial statements include a consolidation of HBMCE and English Heritage Trading Limited.

### b) Income

Income is shown net of Value Added Tax.

### c) Membership Income

Membership income is recognised in the Income and Expenditure Account in full as it is received, with the exception of life membership income which is released to the Income and Expenditure Account over 25 years.

### d) Government Grant in Aid Receivable

Parliamentary grant is voted to meet English Heritage's cash payments falling due during the financial year. English Heritage accounts for its expenditure on an accruals basis, thus incurring liabilities during a year which may not need to be satisfied by cash payments until future financial years.

Government Grant in Aid used to purchase, enhance or create fixed assets is held on the Balance Sheet as part of the Government Grant Reserve and is released to the Income and Expenditure Account as the assets are depreciated.

### e) Other Grants Receivable

Other Grants Receivable are recognised in the Income and Expenditure Account and Balance Sheet when the conditions of grant have been fulfilled and the grant is claimable.

Non Government Grants used to purchase, enhance or create Fixed Assets are held on the Balance Sheet as part of the Non Government Grant Reserve and are released to the Income and Expenditure Account as the assets are depreciated.

Lottery Grants used to purchase, enhance or create Fixed Assets are held on the Balance Sheet as part of the Donated Asset Reserve and are released to the Income and Expenditure Account as the assets are depreciated.

European Union Grants used to purchase, enhance or create Fixed Assets are held on the Balance Sheet as part of the European Union Grant Reserve and are released to the Income and Expenditure Account as the assets are depreciated.

### f) Grants Payable

Grants payable to individuals and bodies by English Heritage in accordance with its statutory powers and duties are accounted for when the grant recipient carries out the specific activity which forms the basis of entitlement. Grant offers made yet to become payable are quantified at note 35.

### g) Notional Costs

The Income and Expenditure Account result for the year is arrived at after charging a notional cost of capital calculated at 3.5% (2004: 3.5%) of the average total assets less liabilities during the year; excluding assets funded by non Government Grant, donations including lottery funding, and historic artefacts and archives.

### h) Intangible Fixed Assets

Licences to use software purchased from third parties with a life of more than one year are shown on the Balance Sheet as Intangible Fixed Assets and amortised over the life of the licence or the life of the related asset where there is no licence expiry date.

Annual licences to use software are charged to the Income and Expenditure Account as they are incurred.

Expenditure on developing the English Heritage brand is charged to the Income and Expenditure Account as it is incurred.

## I. Statement of Accounting Policies (continued)

### i) Land and Buildings

Land and buildings owned by, or in the guardianship of English Heritage are treated as Fixed Assets in accordance with the NDPB Annual Reports and Accounts Guidance and are classified as either:

- Pure heritage assets (non-operational heritage assets);
- Operational heritage assets; or
- Operational (non-heritage) assets.

In accordance with the NDPB Annual Reports and Accounts Guidance, pure heritage land and buildings held by English Heritage, in pursuit of its overall objectives in relation to the enjoyment and preservation of the heritage, are included as Fixed Assets on the Balance Sheet where a reliable valuation is possible, otherwise they are not treated as Fixed Assets. Expenditure on these assets, where it does not result in the creation of a new operational heritage asset, is charged to the Income and Expenditure Account as it is incurred.

Operational heritage land and buildings, which in addition to being held by English Heritage in pursuit of its overall objectives are also used for revenue generating or other non-heritage purposes, are professionally valued and held on the Balance Sheet. The valuation method used depends upon the type of the building, its use and any conditions attached to its disposal.

Operational (non-heritage) land and buildings are professionally valued and held on the Balance Sheet. The valuation method used depends upon the type of the building, its use and any conditions attached to its disposal.

Mixed use buildings are classified according to the majority use. Classification and valuations of vacant properties are informed by the type of the building and its intended future use.

All land and buildings held on the Balance Sheet are subject to a full professional valuation every five years. The date of the last full valuation was 31 March 2001 by professionally qualified internal valuers, and the following external valuers; DTZ Debenham Tie Leung, Edward Prentice, Bidwells and the Valuation Office Agency, in accordance with Royal Institute of Chartered Surveyors guidance. Interim valuations are carried out only where a material change in value is suspected. The values of the land and buildings held as Fixed Assets are reviewed annually using relevant indices published by the Office of National Statistics. Any change in value is reflected in the relevant Capital Reserve. None of the land and buildings held on the Balance Sheet are leasehold.

Any unrealised gain on revaluation at the Balance Sheet date is taken directly to the Capital Reserves, as follows:

- Assets funded by Government Grant in Aid: Government Grant Reserve
- Assets funded by European Union grant: European Union Grant Reserve
- Assets funded by lottery grants or donations: Donated Asset Reserve
- Assets funded by other grants: Non Government Grant Reserve
- Assets funded by restricted funds: Restricted Fund Asset Reserve

Unrealised losses at the Balance Sheet date are written off against the proportion of the credit balance on the relevant Capital Reserve which relates to the assets concerned. Any other unrealised losses are charged to the Income and Expenditure Account.

### j) Historic Artefacts and Archives

In accordance with the NDPB Annual Reports and Accounts Guidance, additions to historic collections and archives purchased after 1 April 2001 are recorded on the Balance Sheet at cost.

### k) Plant, Vehicles, Equipment and Fixtures

Plant, vehicles, equipment and fixtures are initially recorded on the Balance Sheet at cost. Subsequent expenditure is recorded on the Balance Sheet if the expenditure enhances the economic benefits of the asset.

These assets are reviewed annually to ensure that the carrying value remains appropriate. Revaluation and impairment adjustments are made where the adjustment is material.

# Notes to the Financial Statements (continued)

## I. Statement of Accounting Policies (continued)

### l) Assets Under Construction

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

### m) Donated Assets

Assets donated by third parties, either by gift of the asset or by way of funds for the asset, will be treated as Fixed Assets and held at current value on receipt.

Donated assets will only be treated as Fixed Assets if the asset would have been subject to this treatment had it been purchased by English Heritage from its own resources.

Donated assets are revalued in the same way as other Fixed Assets.

### n) Depreciation

Depreciation is provided on Tangible Fixed Assets, excluding land and assets under construction, in equal amounts each year in order to write down their cost to their estimated residual value over their anticipated useful economic lives. These are as follows:

|  |           |
|--|-----------|
| Non-heritage buildings   |           |
| - Dwellings  | 50 years  |
| - Other brick/stone buildings  | 50 years  |
| - Non brick/stone; visitor centres, shops, museums, exhibition buildings | 25 years  |
| - Other non brick/stone structures                                       | 20 years  |
| Refurbishments   | 10 years  |
| Plant and vehicles   | 5 years   |
| Equipment and fixtures   | 4-5 years |

When considering anticipated useful economic lives, regard is had to the Financial Reporting Standard 15 requirement to identify assets which have distinct major components with substantially different useful economic lives. Where such assets are identified, separate useful economic lives for component assets are considered.

Operational heritage buildings and historic artefacts and archives are not depreciated, as the length of their anticipated useful economic life is such that depreciation is not considered to be material.

### o) Fixed Asset Investments

Fixed Asset Investments, other than those in subsidiary undertakings are held at current market value. Any unrealised gain at the Balance Sheet date is taken directly to reserves.

Unrealised losses at the Balance Sheet date are written off against the proportion of credit balance on the Capital Reserve which relates to the investment concerned. Any other unrealised losses are charged to the Income and Expenditure Account.

Investments in subsidiary undertakings are held at cost.

### p) Stocks

Goods held for resale are stated at the lower of current replacement cost and net realisable value. Origination costs of internally produced publications for resale are written off over the first print run.

Land and buildings held for resale under the 'Revolving Fund' arrangements agreed with the Department for Culture, Media and Sport are treated as current assets. These are shown at the lower of cost and net realisable value. Properties purchased under the 'Revolving Fund' comprise buildings of architectural or historical interest otherwise at risk. These properties are held with the intention of resale once their future has been safeguarded.

# Notes to the Financial Statements (continued)

## 1. Statement of Accounting Policies (continued)

### q) Operating Leases

Operating lease costs are charged as incurred.

### r) Financial Instruments

Cash surplus to immediate cash flow requirements is placed on short term deposit at fixed rates of interest for periods of up to one month in accordance with English Heritage's treasury policy (note 26).

### s) Pension Costs

English Heritage is a member of the Principal Civil Service Pension Scheme (PCSPS). This is a multi employer defined benefit scheme. English Heritage also operates a by-analogy scheme to the PCSPS for the current and previous Chairmen. Both schemes satisfy the requirements of applicable accounting standards (note 17).

### t) Restricted Funds

Funds held by English Heritage that can only be applied for particular purposes imposed by donors and grant givers are held as restricted funds.

### u) Segmental Reporting

No segmental reporting disclosures have been made as all services are inter-related and contiguous and have the single objective to further the heritage aims stated in the National Heritage Act.

## 2. Earned Income

|                            | 2005<br>£'000 | 2004<br>£'000 |
|----------------------------|---------------|---------------|
| Admission Income           | 10,281        | 9,608         |
| Retail and Catering Income | 7,656         | 7,114         |
| Membership Income          | 11,174        | 10,351        |
| Other Earned Income        | 4,397         | 4,033         |
| <b>Total Earned Income</b> | <b>33,508</b> | 31,106        |

## 3. Other Operating Income

|                                     | 2005<br>Capital<br>£'000 | 2005<br>Revenue<br>£'000 | 2004<br>Capital<br>£'000 | 2004<br>Revenue<br>£'000 |
|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>Grants Receivable</b>            |                          |                          |                          |                          |
| European Community                  | 528                      | 156                      | 172                      | 204                      |
| Heritage Lottery Fund               | 716                      | 609                      | 582                      | 894                      |
| Aggregates Levy                     | -                        | 4,157                    | -                        | 4,189                    |
| Other                               | 25                       | 1,165                    | 351                      | 438                      |
| <b>Total Grants Receivable</b>      | <b>1,269</b>             | <b>6,087</b>             | 1,105                    | 5,725                    |
| Transfer (to)/from Capital Reserves | (1,269)                  | 567                      | (1,105)                  | 508                      |
| <b>Total Grants</b>                 | <b>-</b>                 | <b>6,654</b>             | -                        | 6,233                    |
| <b>Donations</b>                    |                          |                          |                          |                          |
| Donations                           | 1,966                    | 541                      | 249                      | 350                      |
| Transfer (to)/from Capital Reserves | (1,966)                  | 979                      | (249)                    | 115                      |
| Other Operating Income              | -                        | 239                      | -                        | 154                      |
| <b>Total Other Operating Income</b> | <b>-</b>                 | <b>8,413</b>             | -                        | 6,852                    |

The 2004 comparative figures have been reclassified in order to separately disclose revenue and capital grants and donations and to separately disclose the transfers to and from capital reserves.

# Notes to the Financial Statements (continued)

|  |                |                   |
|--|----------------|-------------------|
|  | 2005           | 2004              |
|  | £'000          | £'000             |
| <b>4. Investment Income</b>  |                |                   |
| Interest Receivable  | <b>599</b>     | 546               |
|  | 2005           | 2004              |
|  | £'000          | £'000             |
| <b>5. Government Grant in Aid</b>  |                |                   |
| Baseline Grant receivable from the Department for Culture, Media and Sport   | <b>122,942</b> | 117,942           |
| Specific Grants receivable from the Department for Culture, Media and Sport  | <b>2,663</b>   | 1,500             |
| 2003/04 End of Year Flexibility claim  | <b>2,300</b>   | -                 |
| <b>Total Grant received from the Department for Culture, Media and Sport</b> | <b>127,905</b> | 119,442           |
| Transfer to Capital  | (5,200)        | (3,700)           |
| Net transfer from Deferred Government Grant in Aid                           | -              | 133               |
| Release from the Government Grant Reserve                                    | <b>2,583</b>   | 3,715             |
| <b>Total Government Grant in Aid</b>   | <b>125,288</b> | 119,590           |
|  | 2005           | 2004              |
|  | £'000          | Restated<br>£'000 |
| <b>6. Conservation Expenditure</b>   |                |                   |
| <b>Grants Payable</b>  |                |                   |
| Buildings and Monuments  | <b>6,034</b>   | 6,748             |
| Conservation Areas   | <b>8,298</b>   | 8,506             |
| Cathedrals   | <b>1,981</b>   | 2,081             |
| Other Places of Worship  | <b>6,548</b>   | 6,409             |
| Archaeology  | <b>4,656</b>   | 4,839             |
| Aggregates Levy Historic Environment   | <b>3,894</b>   | 3,505             |
| Other  | <b>3,585</b>   | 3,579             |
| <b>Total Grants Payable</b>  | <b>34,996</b>  | 35,667            |
| Major Rescue Projects  | <b>3,797</b>   | 1,087             |
| Listing, Scheduling and Surveys  | <b>9,405</b>   | 9,415             |
| Archaeology  | <b>7,364</b>   | 7,125             |
| Regional Conservation and Administration of Grants                           | <b>10,926</b>  | 10,216            |
| Central Conservation Policy and Advisory Work                                | <b>6,525</b>   | 6,109             |
| <b>Total Conservation Expenditure</b>  | <b>73,013</b>  | 69,619            |
|  | 2005           | 2004              |
|  | £'000          | £'000             |
| <b>7. Managing Our Historic Properties Expenditure</b>                       |                |                   |
| Visitor Services   | <b>34,756</b>  | 34,186            |
| Property Management  | <b>16,639</b>  | 15,512            |
| Development and Preservation Projects  | <b>10,690</b>  | 11,619            |
| <b>Total Managing our Historic Properties Expenditure</b>                    | <b>62,085</b>  | 61,317            |

# Notes to the Financial Statements (continued)

|   | 2005<br>£'000 | 2004<br>£'000 |
|---|---------------|---------------|
| <b>8. Education and Outreach Expenditure</b>    |               |               |
| Public Affairs and Communications               | 2,722         | 2,614         |
| Membership Services                             | 2,329         | 2,833         |
| Education and Publications                      | 4,247         | 3,141         |
| National Monuments Record                       | 4,903         | 4,783         |
| <b>Total Education and Outreach Expenditure</b> | <b>14,201</b> | 13,371        |

|                                    | 2005<br>£'000 | 2004<br>£'000 |
|------------------------------------|---------------|---------------|
| <b>9. Resources Expenditure</b>    |               |               |
| Finance                            | 2,810         | 2,749         |
| Information Systems                | 4,966         | 4,851         |
| Legal and Secretariat              | 2,210         | 2,103         |
| Human Resources                    | 2,684         | 2,257         |
| <b>Total Resources Expenditure</b> | <b>12,670</b> | 11,960        |

## 10. Restructuring and Modernisation Costs

Total modernisation costs charged to the Income and Expenditure Account for the year were £3,407,000 (2004: £3,133,000). These costs mainly relate to redundancy and severance payments to staff leaving English Heritage as a result of the programme of initiatives formulated by the Chief Executive and announced in June 2002. There was no expenditure charged to Fixed Assets during the year (2004: nil).

The restructuring to integrate the Conservation and Historic Properties Departments and transfer functions from the Royal Commission on the Historical Monuments of England was completed at 31 March 2004. Total restructuring costs charged to the Income and Expenditure Account for 2003/04 were £744,000.

## 11. Taxation

HBMCE enjoys the status of a charity for taxation purposes. No taxation liability is expected on its operations for the year ended 31 March 2005 (2004: nil). English Heritage Trading Limited transferred all its profits for the year ended 31 March 2005 to HBMCE under the Gift Aid rules. Hence, it suffered no taxation charge as it had no taxable profits.

|   | 2005<br>£'000 | 2004<br>£'000 |
|---|---------------|---------------|
| <b>12. Auditors' Fees</b>                                     |               |               |
| Auditors' remuneration and expenses for statutory audit work: |               |               |
| English Heritage and HBMCE                                    | 51            | 54            |
| English Heritage Trading Limited                              | 6             | 5             |
| <b>Total Auditors' Fees</b>                                   | <b>57</b>     | 59            |

# Notes to the Financial Statements (continued)

## 13. Commissioners

Commissioners' emoluments totalled £152,000 (2004: £157,000) and wholly related to basic fees in respect of their duties as Commissioners and as members of Advisory Committees and Panels. No Commissioner received any performance related fees. The emoluments of the Chairman Sir Neil Cossons, the highest paid Commissioner, were £67,000 (2004: £65,000) and related wholly to basic fees. His annual accrued pension and retirement lump sum for his years' service with English Heritage as at 31 March 2005 totalled £17,000 (2004: £13,000). The cash equivalent transfer value (CETV) of his pension entitlement was £68,000 (2004: £54,000). The real increase in CETV in the year was £13,000 (2004: £12,000) and the real increase in pension and retirement lump sum at age 60 was £3,000 (2004: £3,000).

|   | 2005<br>£'000 | 2004<br>£'000 |
|---|---------------|---------------|
| <b>The emoluments of the other Commissioners were as follows:</b>       |               |               |
| Miss Maria Adebowale (appointed 1 September 2003)                       | 4             | 2             |
| Mrs Joyce Bridges (appointed 1 September 2003)                          | 7             | 3             |
| Mr Bill Bryson (appointed 1 September 2003)                             | 4             | 2             |
| Mr Michael Cairns   | 5             | 4             |
| Professor David Cannadine   | 5             | 5             |
| Mr Manish Chande (appointed 1 September 2003)                           | 4             | 2             |
| Lord Douro (appointed 1 September 2003)                                 | 4             | 2             |
| Mrs Gilly Drummond  | 6             | 5             |
| Mr Andrew Fane (Deputy Chairman, term of appointment ended 8 June 2004) | 4             | 21            |
| Mr Piers Gough  | 4             | 5             |
| Ms Jane Grenville   | 5             | 5             |
| Mr Loyd Grossman (term of appointment ended 15 September 2003)          | -             | 6             |
| Mr Michael Jolly  | 4             | 5             |
| The Earl of Leicester   | 5             | 5             |
| Mr Richard Morris (term of appointment ended 15th July 2005)            | 10            | 8             |
| Mr Les Sparks   | 10            | 8             |
| Miss Sue Underwood (term of appointment ended 15 September 2003)        | -             | 2             |
| Ms Elizabeth Williamson (appointed 1 September 2003)                    | 4             | 2             |

The emoluments shown above for Ms Jane Grenville are paid to the University of York and the emoluments for Miss Sue Underwood were paid to North East Museums Libraries and Archives Council, who are their employers, in lieu of their working time spent on English Heritage business. From 1 April 2005 the emoluments for Mr Richard Morris will be paid to the University of Leeds who are his employers, in lieu of his working time spent on English Heritage business.

Sir Neil Cossons' contract term was due to end on 31 March 2005, this has been renewed for a fixed term of 2 years until 31 March 2007.

All other current Commissioners have been appointed for fixed terms of 4 years.

Except for the Chairman, the appointments are non pensionable. Commissioners' emoluments are set by the Department for Culture, Media and Sport.

## 14. Advisory Committee and Panel Members

English Heritage has a number of Advisory Committees and Panels which report directly to Commission. Advisory Committee and Panel Members who were not Commissioners received no emoluments during the year (2004: nil).

## 15. Related Party Transactions and Connected Bodies

English Heritage is sponsored by the Department for Culture, Media and Sport (DCMS) which is regarded as a related party. The only material transactions with the DCMS were in respect of the receipt of Grant in Aid (note 5), and a payment of £863,000 in lieu of rent. In addition, English Heritage provided staff on secondment to the DCMS and provided financial services for the DCMS in respect of the Regional Cultural Consortia.

There were also material transactions with the following entities for which the DCMS is regarded as the parent Department:

- Arts Council England
- British Library
- Commission for Architecture and the Built Environment
- Heritage Lottery Fund
- Museums, Libraries and Archives Council
- National Gallery
- National Museums Liverpool
- New Opportunities Fund
- Royal Armouries Museum
- Sport England
- Visit Britain

During the year English Heritage had material transactions with the following Government Departments and Central Government Bodies:

- Advantage West Midlands
- Construction Industry Training Board
- Countryside Agency
- Department for Environment, Food and Rural Affairs
- Department for Transport
- East Midlands Development Agency
- Environment Agency
- Government News Network
- House of Commons
- Northwest Regional Development Agency
- Office of the Deputy Prime Minister
- One North East
- Valuation Office Agency

The Department for Environment, Food and Rural Affairs was the only Central Government Body with which English Heritage had a material year end debtor or creditor balance. The debtor balance at the year end was £3,316,000 consisting of £3,306,000 aggregates levy grants and £10,000 other grants, payable to English Heritage.

During the year English Heritage had the following material transactions in which there was a related interest:

- Sir Neil Cossons, the Chairman, is a trustee of the National Museums Liverpool which received conservation grant payments of £64,000.
- Sir Neil Cossons, the Chairman, is a Fellow of the Society of Antiquaries and Dr Adrian Olivier, Strategy Director, is a Council member and member of the Executive Board of the Society of Antiquaries. The Society of Antiquaries received archaeology grant payments of £8,000.
- The son of Mrs Joyce Bridges, a Commissioner, is an Associate of Arup Economics and Planning Consultancy which received fee payments of £20,000.
- Mrs Joyce Bridges, a Commissioner, is a member of the enabling panel of the Commission for Architecture and the Built Environment (CABE) and Mr Les Sparks, a Commissioner, is a Commissioner with CABE. CABE received payments totalling £20,000 in respect of regeneration and design studies. English Heritage also received income of £14,000 from CABE in respect of shared costs for the Urban Panel visits.



# Notes to the Financial Statements (continued)

## 15. Related Party Transactions and Connected Bodies (continued)

- Mr Bill Bryson, a Commissioner, has been Chancellor of the University of Durham from 4 April 2005. The University of Durham received payments of £110,000 including a grant payment of £8,000 and £60,000 in respect of a Regional Archaeological Advisor.
- Professor David Cannadine, a Commissioner, is a Professor of British History and Ms Elizabeth Williamson, a Commissioner, is an Architectural Editor, at the Institute of Historical Research, University of London. English Heritage had numerous transactions with the University of London including; the payment of conservation grants totalling £185,000 and other payments totalling £127,000, which included payments of £88,000 in respect of Regional Science Advisors.
- Mr Manish Chande, a Commissioner, is a Non-Executive Director of MITIE Group plc which received payments of £91,000 for maintenance at Apsley House. He is also a shareholder in National Car Parks Ltd which received a payment of £7,000.
- Lord Douro, a Commissioner, resides in private apartments in Apsley House, a property managed by English Heritage. Apsley House was transferred to the Crown in 1947 under the terms of the Wellington Museum Act and the Duke and his family retained the right to occupy private apartments within the house. Under the Act the cost of maintaining the external fabric of the whole building is met by public funds. The part of the house open to the public is maintained as the Wellington Museum. Lady Douro is a member of the Apsley House Panel whose role is to oversee the development of the Museum. The total cost of operating the museum and maintaining the fabric of Apsley House in 2004/05 was £908,000, net of income received. Lord Douro is also Chairman of the Textile Conservation Centre Foundation which is a charitable trust assisting the Textile Conservation Centre. The Textile Conservation Centre received payments for conservation services totalling £22,000.
- Mrs Gilly Drummond, a Commissioner, is the President of the Association of Gardens Trusts which received a conservation grant payment of £10,000. Mrs Gilly Drummond's husband is the Chairman of the Hampshire and Isle of Wight Trust for Maritime Archaeology which received archaeology grant payments of £45,000.
- Mr Andrew Fane, the Deputy Chairman until 8 June 2004, is a member of the Executive Committee of the National Trust. English Heritage had numerous transactions with the National Trust during the year including; the payment of the annual National Trust maintenance deficit grant of £1,117,000, other conservation grant payments of £490,000 and various other payments totalling £157,000, net of income received.
- Mr Piers Gough, a Commissioner, is a partner of CZWG Architects, who are architects for various projects with a relationship to English Heritage. He is also a Trustee of the Architectural Association which received a payment of £5,000.
- Ms Jane Grenville, a Commissioner, is the Head of the Archaeology Department at the University of York, which received archaeology grant payments of £71,000 and payments for archaeological services of £163,000. She is also Chair of the Casework Committee of the Council for British Archaeology. The Council for British Archaeology received payments of £281,000, including archaeology grant payments totalling £170,000 and other grant payments totalling £75,000.
- Mr Richard Morris, a Commissioner, is the Chairman and a Director of the Trustees of Jarrow 700 AD Limited, trading as Bede's World, which is an educational charity operating as a museum that has a Local Management Agreement with English Heritage. Payments under this Management Agreement during the year totalled £14,000. He is also a trustee of York Archaeological Trust which received conservation grant payments totalling £124,000.
- Mr Les Sparks, a Commissioner, is an advisor to Nottingham City Council which received conservation grant payments totalling £71,000 and an advisor to the Crown Estate which received rental payments totalling £7,000.
- Dr Martin Cherry, the Director of Research, is a trustee of the Victorian Society which received conservation grant payments totalling £61,000.

# Notes to the Financial Statements (continued)

## 15. Related Party Transactions and Connected Bodies (continued)

- Mr Philip Davies, the Planning and Development Director, South Territory, is a Board Member of the Central London Partnership which received a payment of £5,000.
- Dr Edward Impey, the Director of Research and Standards, is a Trustee of the Ancient Monuments Society which received conservation grant payments of £35,000.
- Dr Adrian Olivier, Strategy Director, is Chair of the Bradford Advisory Board at the University of Bradford. The University of Bradford received archaeology grant payments of £30,000.
- Mr Mark Pemberton, the Director of Properties and Outreach, is a Director of the Association of Leading Visitor Attractions (ALVA) and Mr Michael Jolly, a Commissioner, is a consultant to ALVA which received payments of £6,000.

No other Commissioners, key managerial staff or other related party has undertaken any material transactions with English Heritage during the year.

The Iveagh Bequest is a body connected with English Heritage. The Commissioners of English Heritage are also the Trustees of the Iveagh Bequest. At the 31 March 2005 the Iveagh Bequest had net assets of £503,000 (2004: £448,000) consisting of Fixed Asset Investments. All income earned by the Iveagh Bequest is transferred to English Heritage for the benefit of Kenwood House. During the year £24,000 (2004: £20,000) was transferred.

## 16. Employees

| a) Employee Numbers  | 2005         | 2004  |
|--|--------------|-------|
| The average number of persons employed during the year expressed as full-time equivalents was: |              |       |
| Conservation   | 607          | 603   |
| Managing our Historic Properties   | 845          | 858   |
| Education and Outreach   | 222          | 210   |
| Resources  | 206          | 201   |
| <b>Total Average Employee Numbers</b>  | <b>1,880</b> | 1,872 |

Employee numbers include 45 agency staff (2004: 52) and 20 staff working on projects shown as Fixed Assets (2004: 15), (note 19).

| b) Employee Costs              | 2005<br>£'000 | 2004<br>£'000 |
|--------------------------------|---------------|---------------|
| Salaries                       | 47,625        | 45,452        |
| Social Security Costs          | 3,761         | 3,594         |
| Pension Costs                  | 5,918         | 5,702         |
| Redundancy and Severance Costs | 3,380         | 3,271         |
| Agency Staff Costs             | 1,289         | 1,339         |
| <b>Total Employee Costs</b>    | <b>61,973</b> | 59,358        |

Those Redundancy and Severance costs related to restructuring and modernisation included within the above are shown within the exceptional item in the Income and Expenditure Account.

Included within the above costs are £640,000 salaries costs (2004: £605,000), £59,000 social security costs (2004: £50,000) and £62,000 pension costs (2004: £68,000) that have been capitalised within Fixed Assets (note 19). There are no redundancy and severance costs (2004: nil) and no agency staff costs (2004: £50,000) that have been capitalised.

# Notes to the Financial Statements (continued)

## 16. Employees (continued)

### c) Emoluments of Senior Employees

|   | Emoluments    |               | Total accrued pension at age 60 | Total lump sum at age 60 | Real annual increase in pension | Real annual increase in lump sum | CETV          |               | Real annual increase in CETV |
|---|---------------|---------------|---------------------------------|--------------------------|---------------------------------|----------------------------------|---------------|---------------|------------------------------|
|   | 2005<br>£'000 | 2004<br>£'000 | 2005<br>£'000                   | 2005<br>£'000            | £'000                           | £'000                            | 2005<br>£'000 | 2004<br>£'000 | £'000                        |
| <b>Simon Thurley</b><br>Chief Executive   | 126           | 123           | 23                              | 69                       | 1                               | 4                                | 284           | 254*          | 14                           |
| <b>Steven Bee</b><br>Director of Planning and Development<br>(from 4 August 2003) | 88            | 57            | 2                               | -                        | 2                               | -                                | 32            | 8*            | 20                           |
| <b>Michael Crich</b><br>Director of Resources                                     | 99            | 97            | 14                              | 42                       | 12                              | 36                               | 206           | 29            | 26                           |
| <b>Edward Impey</b><br>Director of Research and Standards                         | 75            | 71            | 3                               | -                        | 1                               | -                                | 29            | 16            | 9                            |
| <b>Deborah Lamb</b><br>Director of Policy and Communications                      | 78            | 76            | 17                              | 42                       | 1                               | -                                | 208           | 185*          | 9                            |
| <b>Mark Pemberton</b><br>Director of Properties and Outreach                      | 100           | 97            | 33                              | 100                      | 1                               | 3                                | 528           | 492*          | 14                           |

\* These individuals' CETV figures for 2004 have been amended from those previously published as a result of a recalculation by Paymaster, English Heritage's pension administrator.

Emoluments includes gross salary, bonuses and market pay supplement. The contractual performance bonus payments for the Chief Executive (maximum 15% of basic salary) and Director of Properties and Outreach (maximum 10% of basic salary) are payable for achievement of specific performance objectives. None of the remaining employees shown above have contractual bonus arrangements.

The Chief Executive was the highest paid employee. His total emoluments for the year of £126,000 (2004: £123,000) comprise; basic salary of £109,000 (2004: £107,000) and a performance related bonus of £17,000, 15% of basic salary (2004: £16,000, 15%).

The Director of Properties and Outreach, was engaged on a fixed term employment contract until 4 January 2005 after which he transferred to a continuous contract. The Chief Executive and the remaining employees shown above are on continuous contracts.

## 16. Employees (continued)

Pension benefits to English Heritage staff are provided through the PCSPS. The value of the annual pension and lump sum at 60 and the real increases there on and the cash equivalent transfer values (CETV) shown above, include accumulated pension benefits from English Heritage service, plus benefits resulting from any additional contributions and any sums transferred in from other pension schemes in respect of previous employment. The real annual increase in CETV excludes the cash value of accumulated pension benefits transferred from previous employment but does include the benefits resulting from such transfers. During the year ended 31 March 2005, Michael Crich transferred accumulated pension benefits from previous employment into the scheme.

The total annual pension is calculated as either one-sixtieth or one-eightieth of pensionable pay for every year of service, depending on the pension option chosen by the employee. Employer's contributions into the PCSPS in respect of the above employees totalled £100,000 (2004: £92,000).

## 17. Pension Costs

English Heritage gained admission to the PCSPS on 30 September 2002. The bulk transfer value payment of £195,500,000, required to gain admission, was paid during the year ended 31 March 2004, this was funded entirely by additional Government Grant in Aid. Both the payment and funding are shown as exceptional items in the Income and Expenditure Account for the year ended 31 March 2004. As the PCSPS is an unfunded multi-employer defined benefit scheme, English Heritage is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For the year ended 31 March 2005, employer contributions were payable to the PCSPS at 1 of 4 rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands (2004: 12 to 18.5 per cent). Rates for next year have been increased to between 16.2 and 24.6 per cent and the salary bands revalorised. Employer contributions are to be reviewed every 4 years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Total employer contributions to the PCSPS were £5,836,000 (2004: £5,602,000).

Employees joining English Heritage after 1 October 2002 can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £133,000 were paid to a panel of 4 appointed stakeholder pension providers (2004: £93,000). Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £9,000 (2004: £7,000), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were nil (2004: nil). Contributions prepaid at that date were nil (2004: nil).

English Heritage operates a by-analogy scheme to the PCSPS for the current and previous 2 chairmen. The scheme liability at 31 March 2005 was £187,000 (2004: £154,000). This scheme has been valued by the Government Actuary's Department in accordance with Treasury guidelines and Financial Reporting Standard 17 principles.

# Notes to the Financial Statements (continued)

## 18. Intangible Fixed Assets

| English Heritage and HBMCE | Software Licences<br>£'000 |
|----------------------------|----------------------------|
| <b>Cost or Valuation</b>   |                            |
| At 1 April 2004            | 561                        |
| Additions                  | 102                        |
| Disposals                  | (170)                      |
| <b>At 31 March 2005</b>    | <b>493</b>                 |
| <b>Amortisation</b>        |                            |
| At 1 April 2004            | 404                        |
| Charge for the Year        | 95                         |
| Eliminated on Disposals    | (170)                      |
| <b>At 31 March 2005</b>    | <b>329</b>                 |
| <b>Net Book Value</b>      |                            |
| <b>At 31 March 2005</b>    | <b>164</b>                 |
| At 31 March 2004           | 157                        |

## 19. Tangible Fixed Assets

| English Heritage and HBMCE          | Land & Buildings<br>£'000 | Artefacts & Archives<br>£'000 | Plant & Vehicles<br>£'000 | Equipment & Fixtures<br>£'000 | Assets under Construction<br>£'000 | Total<br>£'000 |
|-------------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|------------------------------------|----------------|
| <b>Cost or Valuation</b>            |                           |                               |                           |                               |                                    |                |
| At 1 April 2004                     | 25,694                    | 2,005                         | 2,864                     | 9,150                         | 2,848                              | 42,561         |
| Revaluations                        | 733                       | -                             | -                         | -                             | -                                  | 733            |
| Additions                           | 1,764                     | 343                           | 36                        | 87                            | 4,418                              | 6,648          |
| Disposals                           | (1,014)                   | -                             | (58)                      | (923)                         | -                                  | (1,995)        |
| Transfer of assets brought into use | 2,555                     | 871                           | 439                       | 1,285                         | (5,150)                            | -              |
| <b>At 31 March 2005</b>             | <b>29,732</b>             | <b>3,219</b>                  | <b>3,281</b>              | <b>9,599</b>                  | <b>2,116</b>                       | <b>47,947</b>  |
| <b>Depreciation</b>                 |                           |                               |                           |                               |                                    |                |
| At 1 April 2004                     | 2,482                     | -                             | 2,047                     | 5,188                         | -                                  | 9,717          |
| Charge for the Year                 | 838                       | -                             | 323                       | 1,998                         | -                                  | 3,159          |
| Backlog Depreciation                | 59                        | -                             | -                         | -                             | -                                  | 59             |
| Eliminated on Disposals             | (139)                     | -                             | (58)                      | (923)                         | -                                  | (1,120)        |
| <b>At 31 March 2005</b>             | <b>3,240</b>              | <b>-</b>                      | <b>2,312</b>              | <b>6,263</b>                  | <b>-</b>                           | <b>11,815</b>  |
| <b>Net Book Value</b>               |                           |                               |                           |                               |                                    |                |
| <b>At 31 March 2005</b>             | <b>26,492</b>             | <b>3,219</b>                  | <b>969</b>                | <b>3,336</b>                  | <b>2,116</b>                       | <b>36,132</b>  |
| At 31 March 2004                    | 23,212                    | 2,005                         | 817                       | 3,962                         | 2,848                              | 32,844         |

The transfers from Assets under Construction to other fixed asset categories represent the transfer of Assets under Construction which have been completed in the year.

# Notes to the Financial Statements (continued)

## 20. Pure Heritage Land and Buildings

English Heritage manages over 400 historic properties throughout England providing a diverse portfolio that includes World Heritage Sites, industrial monuments, castles, historic houses, abbeys, forts, stone circles and a large part of Hadrian's Wall. They range from prehistoric ruins to the lavishly furnished Osborne House. In age they range from neolithic burial chambers dating from 3500-2600BC to twentieth century houses.

All of the land and buildings at these properties have been classified as either pure heritage (non-operational heritage), operational heritage or operational (non-heritage), (note 1, i). Over 550 pure heritage assets have been identified and encompass the vast majority of what would be recognised as the main buildings at these properties.

These properties are held by English Heritage under various arrangements, with the majority being in the guardianship of the Secretary of State for Culture, Media and Sport with the freehold being retained by the owner. The remaining properties are either in the ownership of English Heritage, other government departments or the Crown Estate.

## 21. Historic Artefacts

English Heritage possesses in the region of 500,000 historic artefacts, ranging from environmental remains and archaeological artefacts, to pottery, fine art and furnishings. They are an integral part of our historic properties. As well as being of significance in their own right, they assist in interpreting and presenting our properties to the public and they provide a valuable research resource for heritage professionals and our own staff.

These collections were formed by the past owners of historic houses and castles or by archaeologists excavating sites and by curators recovering former contents. They come from many sources; some were transferred from the Department of the Environment on 1 April 1984, some from the Greater London Council in 1986, some have been donated, some are the results of archaeological excavations on our properties and others have been purchased as part of our ongoing work to restore and enhance our properties.

Total expenditure of £115,000 was incurred on historic artefacts (including replicas) during the year ended 31 March 2005 (2004: £153,000). £93,000 of this expenditure was charged to Fixed Assets (2004: £37,000) and £22,000 was charged to the Income and Expenditure Account (2004: £116,000). The donated artefacts received during the year were valued at £250,000 (2004: £245,000).

## 22. Archives

English Heritage's extensive archives comprise maps, plans, photographs, reports and books. Our National Monuments Record holds 10 million historic and modern photographs, texts and documents, and is the national record of England's heritage. Our archives are used by members of the public, professional researchers, other heritage organisations and our own staff.

We are continually adding to the stock of archives. During the year ended 31 March 2005 expenditure on archive production of £871,000 has been charged to Fixed Assets (2004: £273,000). This relates to Images of England, a project substantially financed by a Heritage Lottery Fund grant which will result in a photographic archive of all listed buildings in England as at 31 December 2000.

Expenditure on archive purchases charged to the Income and Expenditure Account during the year ended 31 March 2005 totalled £30,000 (2004: £5,000).

## 23. Fixed Asset Investments

| HBMCE                             | Subsidiary<br>Undertakings<br>£'000 | Other<br>Investments<br>£'000 | Total<br>£'000 |
|-----------------------------------|-------------------------------------|-------------------------------|----------------|
| At 1 April 2004 and 31 March 2005 | 2,028                               | -                             | 2,028          |

Details of the subsidiary undertakings are given in note 38.

# Notes to the Financial Statements (continued)

|                   | English Heritage |               | HBMCE         |               |
|-------------------|------------------|---------------|---------------|---------------|
|                   | 2005<br>£'000    | 2004<br>£'000 | 2005<br>£'000 | 2004<br>£'000 |
| <b>24. Stocks</b> |                  |               |               |               |
| Goods for Resale  | <b>3,104</b>     | 3,004         | <b>363</b>    | 535           |

|                                       | English Heritage |                           | HBMCE         |                           |
|---------------------------------------|------------------|---------------------------|---------------|---------------------------|
|                                       | 2005<br>£'000    | 2004<br>Restated<br>£'000 | 2005<br>£'000 | 2004<br>Restated<br>£'000 |
| <b>25. Debtors</b>                    |                  |                           |               |                           |
| Trade Debtors                         | 5,013            | 1,949                     | 5,013         | 1,949                     |
| Value Added Tax                       | 1,622            | 1,367                     | 1,622         | 1,367                     |
| Prepayments and Accrued Income        | 4,923            | 3,619                     | 4,892         | 3,596                     |
| Other Debtors                         | 1,119            | 1,667                     | 1,119         | 1,667                     |
| Amount Owed by Subsidiary Undertaking | -                | -                         | 1,587         | 1,057                     |
| <b>Total Debtors</b>                  | <b>12,677</b>    | 8,602                     | <b>14,233</b> | 9,636                     |

## 26. Financial Instruments

As English Heritage has a 3 year funding agreement with the Department for Culture, Media and Sport (DCMS), the Office of the Deputy Prime Minister and the Department for Environment, Food and Rural Affairs, English Heritage is not exposed to the degree of financial risk normally faced by business entities. Financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which Financial Reporting Standard (FRS) 13 mainly applies. English Heritage has no powers to borrow and its only investments are of surplus funds on short term fixed interest rate deposit with institutions with low risk credit ratings.

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the Balance Sheet date have not been disclosed as financial instruments.

### a) Liquidity Risk

Owing to the nature of its funding and pattern of expenditure, English Heritage does not have any significant liquidity risk.

### b) Interest Rate Risk

English Heritage's long term financial liabilities relate solely to provisions (note 29) none of which are interest bearing and are mainly due within 1 year. The only disclosable financial assets are cash and short term investments which are not exposed to significant interest rate risk.

### c) Currency Risk

All financial assets and liabilities are held in sterling.

### d) Valuation

There is no material difference between the carrying values and fair values of financial assets and liabilities.

### e) Financial Assets

The financial assets consist of cash (note 34) and short term investments held on fixed rate deposit.

# Notes to the Financial Statements (continued)

## 26. Financial Instruments (continued)

### e) Financial Assets (continued)

|   | English Heritage |               | HBMCE         |               |
|---|------------------|---------------|---------------|---------------|
|   | 2005<br>£'000    | 2004<br>£'000 | 2005<br>£'000 | 2004<br>£'000 |
| Short Term Investments - Cash on Short Term Deposit | <b>13,000</b>    | 8,404         | <b>12,500</b> | 8,000         |

All of the above deposits mature within 1 month of the Balance Sheet date, interest rates on these deposits range between 4.73% and 4.85%.

## 27. Creditors: Amounts Falling Due Within One Year

|   | English Heritage |                           | HBMCE         |                           |
|---|------------------|---------------------------|---------------|---------------------------|
|   | 2005<br>£'000    | 2004<br>Restated<br>£'000 | 2005<br>£'000 | 2004<br>Restated<br>£'000 |
| Trade Creditors   | 6,997            | 7,087                     | 6,997         | 7,087                     |
| Income Tax and Social Security                              | 1,421            | 1,610                     | 1,421         | 1,610                     |
| Pensions  | 10               | 9                         | 10            | 9                         |
| Deferred Income   | 1,115            | 776                       | 698           | 497                       |
| Capital Government Grant in Aid                             | 1,605            | -                         | 1,605         | -                         |
| Accruals  | 10,204           | 11,876                    | 10,198        | 11,871                    |
| Other Creditors   | 682              | 753                       | 682           | 753                       |
| Amount Owed to Subsidiary Undertaking                       | -                | -                         | 766           | 473                       |
| <b>Total Creditors: Amounts Falling Due Within One Year</b> | <b>22,034</b>    | 22,111                    | <b>22,377</b> | 22,300                    |

The 2004 comparative figures for Trade Creditors, Accruals and Other Creditors have been reclassified to give a clearer presentation.

## 28. Creditors: Amounts Falling Due After More Than One Year

|  | English Heritage |               | HBMCE         |               |
|--|------------------|---------------|---------------|---------------|
|  | 2005<br>£'000    | 2004<br>£'000 | 2005<br>£'000 | 2004<br>£'000 |
| Pensions   | 177              | 145           | 177           | 145           |
| Deferred Income  | 1,868            | 1,758         | 1,868         | 1,758         |
| <b>Total Creditors: Amounts Falling Due After More Than One Year</b> | <b>2,045</b>     | 1,903         | <b>2,045</b>  | 1,903         |



# Notes to the Financial Statements (continued)

## 29. Provisions

|   | Balance at<br>1 April<br>2004<br>£'000 | Released in<br>the year<br>£'000 | Utilised in<br>the year<br>£'000 | Charged in<br>the year<br>£'000 | Balance at<br>31 March<br>2005<br>£'000 |
|---|--|----------------------------------|----------------------------------|---------------------------------|---|
| <b>English Heritage and HBMCE</b>               |  |                                  |                                  |                                 |   |
| Restructuring and Modernisation Costs (note 10) | 4,515                                  | (382)                            | (1,850)                          | 3,505                           | <b>5,788</b>                            |
| Legal and Constructive Obligations              | 148                                    | (3)                              | (145)                            | 375                             | <b>375</b>                              |
| Claims  | 166                                    | (43)                             | (103)                            | 360                             | <b>380</b>                              |
| Other Staff Related                             | 75                                     | (75)                             | -                                | -                               | -                                       |
| <b>Total Provisions</b>                         | <b>4,904</b>                           | <b>(503)</b>                     | <b>(2,098)</b>                   | <b>4,240</b>                    | <b>6,543</b>                            |

## 30. Movement in Income and Expenditure Reserve

| English Heritage and HBMCE                       | £'000           |
|--|-----------------|
| Balance at 1 April 2004 (as previously reported) | (10,129)        |
| Prior Year Adjustment (note 40)                  | (3,252)         |
| Balance at 1 April 2004 (restated)               | (13,381)        |
| Surplus for the Year                             | 1,079           |
| <b>Balance at 31 March 2005</b>                  | <b>(12,302)</b> |

## 31. Analysis of Capital Reserves

|                                     | Govt<br>Grant<br>Reserve<br>£'000 | EU<br>Grant<br>Reserve<br>£'000 | Non Govt<br>Grant<br>Reserve<br>£'000 | Donated<br>Asset<br>Reserve<br>£'000 | Restricted<br>Fund Asset<br>Reserve<br>£'000 | Total<br>£'000 |
|-------------------------------------|-----------------------------------|---------------------------------|---------------------------------------|--------------------------------------|--|----------------|
| <b>English Heritage and HBMCE</b>   |                                   |                                 |                                       |                                      |  |                |
| Balance at 1 April 2004             | 25,746                            | 1,240                           | 499                                   | 4,905                                | 530  | <b>32,920</b>  |
| Movement in Year                    |                                   |                                 |                                       |                                      |  |                |
| - Assets under Construction         | (530)                             | 205                             | (350)                                 | 24                                   | -  | (651)          |
| - Fixed Asset Additions             | 4,127                             | 322                             | 365                                   | 2,668                                | -  | <b>7,482</b>   |
| - Fixed Asset Disposals             | (22)                              | -                               | -                                     | (853)                                | -  | (875)          |
| - Fixed Asset Depreciation          | (2,614)                           | (53)                            | (31)                                  | (532)                                | (83)   | (3,313)        |
| - Revaluation of Land and Buildings | 634                               | 36                              | 4                                     | 59                                   | -  | 733            |
| <b>Balance at 31 March 2005</b>     | <b>27,341</b>                     | <b>1,750</b>                    | <b>487</b>                            | <b>6,271</b>                         | <b>447</b>                                   | <b>36,296</b>  |

# Notes to the Financial Statements (continued)

## 32. Development and Restricted Funds

|                                    | Balance at<br>1 April<br>2004<br>£'000 | Income<br>£'000 | Revenue<br>Expenditure<br>£'000 | Capital<br>Expenditure<br>£'000 | Balance at<br>31 March<br>2005<br>£'000 |
|------------------------------------|--|-----------------|---------------------------------|---------------------------------|---|
| English Heritage and HBMCE         |  |                 |                                 |                                 |   |
| Kenwood House                      | 229                                    | 11              | -                               | -                               | 240                                     |
| Down House and Gardens             | 1,016                                  | 893             | (58)                            | -                               | 1,851                                   |
| Eltham Palace                      | 1,185                                  | 858             | (884)                           | -                               | 1,159                                   |
| Rangers House (Wernher Foundation) | 650                                    | 36              | (31)                            | -                               | 655                                     |
| London Squares                     | 12                                     | -               | (1)                             | -                               | 11                                      |
| <b>Total Restricted Funds</b>      | <b>3,092</b>                           | <b>1,798</b>    | <b>(974)</b>                    | <b>-</b>                        | <b>3,916</b>                            |
| Development Fund                   | 707                                    | 529             | -                               | -                               | 1,236                                   |
| <b>Total Funds</b>                 | <b>3,799</b>                           | <b>2,327</b>    | <b>(974)</b>                    | <b>-</b>                        | <b>5,152</b>                            |

The Total Funds were held as pooled investments as follows:

|                                 | 2005<br>£'000 | 2004<br>£'000 |
|---------------------------------|---------------|---------------|
| Cash and Short Term Investments | <b>5,152</b>  | 3,799         |

## 33. Reconciliation of Operating Surplus/(Deficit) to Net Cash Outflow from Operating Activities

|  | 2005<br>£'000  | 2004<br>Restated<br>£'000 |
|--|----------------|---------------------------|
| Operating Surplus/(Deficit) before Investment Income | 1,156          | (3,223)                   |
| Depreciation and Amortisation                        | 3,254          | 2,848                     |
| Notional Cost of Capital                             | 677            | 627                       |
| Loss on disposal of Fixed Assets                     | 42             | 6                         |
| Release from Capital Reserves                        | (4,130)        | (4,338)                   |
| Increase in Stocks                                   | (100)          | (385)                     |
| Increase in Debtors                                  | (4,072)        | (173)                     |
| Increase in Creditors and Provisions                 | 1,911          | 1,967                     |
| <b>Net Cash Outflow from Operating Activities</b>    | <b>(1,262)</b> | <b>(2,671)</b>            |

## 34. Analysis of Net Funds

|                           | 2005<br>£'000  | 2004<br>£'000 | Change<br>in year<br>£'000 |
|---------------------------|----------------|---------------|----------------------------|
| Cash at Bank and in Hand  | 543            | 196           | 347                        |
| Bank Overdrafts           | (5,852)        | (951)         | (4,901)                    |
| <b>Net Bank Overdraft</b> | <b>(5,309)</b> | <b>(755)</b>  | <b>(4,554)</b>             |
| Short Term Investments    | 13,000         | 8,404         | 4,596                      |
| <b>Net Funds</b>          | <b>7,691</b>   | <b>7,649</b>  | <b>42</b>                  |

# Notes to the Financial Statements (continued)

## 35. Commitments

|   |                 |
|---|-----------------|
| <b>a) Grant Offers made to Other Bodies and Individuals</b> | <b>£'000</b>    |
| Balance outstanding at 1 April 2004                         | <b>64,969</b>   |
| Grants paid during the year                                 | <b>(34,996)</b> |
| New Grant offers made during the year net of lapsed offers  | <b>40,470</b>   |
| <b>Commitment Outstanding at 31 March 2005</b>              | <b>70,443</b>   |

In addition to the commitment shown above, English Heritage has an ongoing annual grant liability to the National Trust. The commitment for the year ending 31 March 2006 is £1,150,000 and increases annually by an agreed inflation factor:

### b) Contracts

Expenditure contracted for as at 31 March 2005 but not provided for in the financial statements amounted to £25,330,000 (2004: £29,629,000) including capital commitments of £326,000 (2004: £670,000).

### c) Operating Leases

Operating lease commitments falling due during the next year analysed between the following ranges in which the commitment expires:

|  | 2005<br>£'000 | 2004<br>£'000 |
|--|---------------|---------------|
| Within one year                          | 49            | 78            |
| Between one and five years               | 2,247         | 1,288         |
| After five years                         | 2,068         | 2,911         |
| <b>Total Operating Lease Commitments</b> | <b>4,364</b>  | 4,277         |

The majority of leases relate to property rentals and are subject to rent reviews. During the year ended 31 March 2005 payments under operating leases totalled £4,296,000 (2004: £3,732,000).

## 36. Losses and Special Payments

|  | 2005<br>£'000 | 2004<br>£'000 |
|--|---------------|---------------|
| Losses                                   | 590           | 180           |
| Special Payments                         | 46            | 25            |
| <b>Total Losses and Special Payments</b> | <b>636</b>    | 205           |

The losses during the year ended 31 March 2005 include a waiver of grant recovery of £183,000 (2004: nil) and stock write offs of £391,000 (2004: £130,000). There were no other losses or special payments that exceeded £100,000.

# Notes to the Financial Statements (continued)

## 37. Contingent Liabilities

Various outstanding claims existed at 31 March 2005. Provision has been made in the accounts for the year ended 31 March 2005 for those outstanding liabilities which will probably require settlement by English Heritage and where the amount of the liability can be reliably estimated (note 29). Due to their nature, it is not possible to quantify the exact liability outstanding relating to the remaining claims, where settlement by English Heritage may be required, but it has been estimated that the total liability will not exceed £250,000.

In addition, the DCMS has compulsorily purchased Apethorpe Hall on English Heritage's behalf. The final purchase price is still to be determined by a valuation tribunal. The objective is for English Heritage to complete the most urgent repairs then dispose of the property to a suitable owner. The building is held as a current asset because of the intention to market and sell the property and has a nil value as at 31 March 2005. This property requires substantial repair; if a buyer cannot be found English Heritage may have to undertake the repairs itself. The total repair cost could be in the region of £6,000,000.

## 38. Subsidiary Undertakings

### a) English Heritage Trading Limited

HBMCE is the sole shareholder of English Heritage Trading Limited, incorporated in 1994. On 1 April 1998, the trading activities and trading stock of HBMCE were transferred to English Heritage Trading Limited in exchange for ordinary shares in the company. English Heritage Trading Limited commenced trading on 1 April 1998.

The following results of English Heritage Trading Limited have been included in the consolidated results:

| Income and Expenditure   | 2005<br>£'000 | 2004<br>£'000 |
|--|---------------|---------------|
| Turnover   | 9,289         | 8,359         |
| Expenditure  | (8,621)       | (7,699)       |
| Operating Profit   | 668           | 660           |
| Interest Receivable and Similar Income                         | 21            | 26            |
| <b>Profit on Ordinary Activities before Gift Aid</b>           | <b>689</b>    | 686           |
| Gift Aid to HBMCE  | (689)         | (686)         |
| <b>Profit on Ordinary Activities before and after Taxation</b> | <b>-</b>      | -             |
| <br>   |               |               |
| Net Assets as at 31 March                                      | 2005<br>£'000 | 2004<br>£'000 |
| Current Assets   | 4,080         | 3,369         |
| Creditors: Amounts Falling Due Within One Year                 | (2,052)       | (1,341)       |
| <b>Net Assets</b>  | <b>2,028</b>  | 2,028         |
| <br>   |               |               |
| Share Capital - Ordinary Shares at £1 each                     | 2,028         | 2,028         |
| Profit and Loss Account  | -             | -             |
| <b>Shareholders' Funds</b>                                     | <b>2,028</b>  | 2,028         |

### b) English Heritage Limited

HBMCE is the sole guarantor of English Heritage Limited, a company limited by guarantee incorporated in 1984. English Heritage Limited was dormant throughout the year.

# Notes to the Financial Statements (continued)

## 39. Key Financial Targets

There were no key targets set for 2004/05 within English Heritage's Funding Agreement which relate to the financial performance of English Heritage as a whole. The performance against Funding Agreement targets is shown in the Annual Report.

## 40. Prior Year Adjustment

The comparative figures for the year ended 31 March 2004 have been restated to reflect a change in accounting policy relating to grants payable. Previously English Heritage's accounting policy was to account for grants payable as they were approved for payment. This policy has now been changed to account for grants when the grant recipient carries out the specific activity which forms the basis of entitlement.

The impact of the change in accounting policy on the comparative figures for the year ended 31 March 2004 is as follows (for both English Heritage and HBMCE unless otherwise stated):

### Income and Expenditure Account

#### a) Notional Cost of Capital

The change in net assets introduced by the prior year adjustment has meant that the Notional Cost of Capital has been recalculated from £749,000 to £627,000.

#### b) Note 6: Conservation Expenditure - Grants Payable

The inclusion of grant accruals and prepayments has impacted the grant expenditure figures as follows:

|                                      | 2004<br>(as previously reported)<br>£'000 | 2004<br>(restated)<br>£'000 |
|--------------------------------------|---|-----------------------------|
| <b>Grants Payable</b>                |   |                             |
| Buildings and Monuments              | 6,752                                     | 6,748                       |
| Conservation Areas                   | 7,985                                     | 8,506                       |
| Cathedrals                           | 2,084                                     | 2,081                       |
| Other Places of Worship              | 7,381                                     | 6,409                       |
| Archaeology                          | 4,839                                     | 4,839                       |
| Aggregates Levy Historic Environment | 3,505                                     | 3,505                       |
| Other                                | 3,579                                     | 3,579                       |
| <b>Total Grants Payable</b>          | <b>36,125</b>                             | <b>35,667</b>               |

#### c) Income and Expenditure Account Deficit

The effect of the prior year adjustment has meant that the Deficit for the Year has reduced from £1,673,000 as previously stated to £1,215,000.

### Balance Sheet

#### d) Note 25: Debtors

The prior year adjustment has introduced a prepayment of £1,082,000 at 31 March 2004 which had the following effect:

|   | 2004<br>(as previously reported)<br>£'000 | 2004<br>(restated)<br>£'000 |
|---|---|-----------------------------|
| English Heritage - Prepayments and Accrued Income | 2,537                                     | 3,619                       |
| HBMCE - Prepayments and Accrued Income            | 2,514                                     | 3,596                       |

# Notes to the Financial Statements (continued)

## 40. Prior Year Adjustment (continued)

### Balance Sheet (continued)

#### e) Note 27: Creditors: Amounts Falling Due within One Year

The prior year adjustment has introduced an accrual of £4,334,000 at 31 March 2004 which had the following effect:

|                             | 2004<br>(as previously reported)<br>£'000 | 2004<br>(restated)<br>£'000 |
|-----------------------------|---|-----------------------------|
| English Heritage - Accruals | 7,542                                     | 11,876                      |
| HBMCE - Accruals            | 7,537                                     | 11,871                      |

#### f) Note 30: Movement in Income and Expenditure Reserve

The effect of the prior year adjustment has meant that the Accumulated Deficit has increased from £10,129,000 to £13,381,000. This was due to the restatement of the balance at 1 April 2003 from £8,456,000 to £12,166,000 and the reduction in the Deficit for the Year from £1,673,000 as previously stated to £1,215,000.

### Cash Flow Statement

#### g) Note 33: Reconciliation of Operating Surplus/(Deficit) to Net Cash Outflow from Operating Activities

##### Operating Deficit before Investment Income

The Operating Deficit before Investment Income has reduced from £3,803,000 to £3,223,000 as a result of the reduction in the Income and Expenditure Account Deficit for the Financial Year After Exceptional items of £458,000 and a reduction in the Notional Cost of Capital of £122,000.

##### Notional Cost of Capital

The Notional Cost of Capital has reduced from £749,000 to £627,000.

##### Increase in Debtors

The movement in Debtors has changed from a decrease of £599,000 to an increase of £173,000 as a result of the prepayment movement of £772,000.

##### Increase in Creditors and Provisions

The movement in Creditors and Provisions has increased from £1,653,000 to £1,967,000 as a result of the increase in accruals of £314,000.

## 41. Landfill Tax Credit Scheme

English Heritage is registered as an Environmental Body with "Entrust", the regulator of environmental bodies under the landfill tax regulations. During the year ended 31 March 2005 there was 1 project in progress that was grant funded by landfill tax credits.

Grant income of £20,000 (2004: nil) was received during the year in respect of project expenditure totalling £24,000 which was incurred during the year ended 31 March 2004. The excess of expenditure over income was met from English Heritage's own resources. There was no expenditure incurred during the year ended 31 March 2005.

THE FOLLOWING PAGES DO NOT FORM PART  
OF THE AUDITED FINANCIAL STATEMENTS

# Five Year Financial Summary

|  | Restated<br>2001<br>£'000 | Restated<br>2002<br>£'000 | 2003<br>£'000 | Restated<br>2004<br>£'000 | 2005<br>£'000 |
|--|---------------------------|---------------------------|---------------|---------------------------|---------------|
| Non Grant in Aid Income                          | 30,610                    | 31,741                    | 38,401        | 38,504                    | 42,520        |
| % Increase/(Decrease)                            | 2.7%                      | 3.7%                      | 21.0%         | 0.3%                      | 10.4%         |
| Government Grant in Aid                          | 115,238                   | 107,914                   | 115,156       | 119,590                   | 125,288       |
|  | 2.4%                      | (6.4%)                    | 6.7%          | 3.9%                      | 4.8%          |
| Grants Payable                                   | 34,239                    | 33,726                    | 39,123        | 35,667                    | 34,996        |
|  | (2.3%)                    | (1.5%)                    | 16.0%         | (8.8%)                    | (1.9%)        |
| Salaries   | 40,898                    | 41,827                    | 44,271        | 49,046                    | 51,386        |
|  | 5.9%                      | 2.3%                      | 5.8%          | 10.8%                     | 4.8%          |
| Tangible Fixed Asset Additions                   | 4,305                     | 6,660                     | 3,754         | 5,013                     | 6,648         |
|  | 513.2%                    | 54.7%                     | (43.6%)       | 33.5%                     | 32.6%         |
| Total Income                                     | 145,848                   | 139,655                   | 153,557       | 158,094                   | 167,808       |
|  | 2.4%                      | (4.2%)                    | 10.0%         | 3.0%                      | 6.1%          |
| Total Expenditure                                | 144,015                   | 138,963                   | 152,302       | 156,267                   | 161,969       |
|  | (3.8%)                    | (3.5%)                    | 9.6%          | 2.6%                      | 3.6%          |
| Income and Expenditure Account Surplus/(Deficit) | 1,393                     | (1,112)                   | (170)         | (1,215)                   | 1,079         |
| Net Assets                                       | 17,568                    | 25,794                    | 27,961        | 23,338                    | 29,146        |

The Salaries amounts include Social Security costs.

Total Expenditure excludes Notional Cost of Capital and exceptional items.

The comparative figures for 2002 have been restated to take into account the impact of the capitalisation of works to operational buildings in the year ended 31 March 2002. The figures prior to 2002 have not been restated to reflect the impact of these changes.

The comparative figures for 2004 have been restated to take into account the change in accounting policy for grants payable, (note 40). The figures prior to 2004 have not been restated to reflect the impact of these changes.

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