



ENGLISH HERITAGE

Annual Report and Accounts

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**2006/07**

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July 2007  
Product code: 52005

# English Heritage

## Annual Report and Accounts 2006/07

Ordered by the House of Commons to be printed on 19 July 2007

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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 2006/07 and a summary of progress against our Funding Agreement targets as agreed with our sponsoring department, the Department for Culture, Media and Sport (DCMS), as well as the Department for Communities and Local Government (CLG) and the Department for Environment, Food and Rural Affairs (Defra). This year we have also included a section which reports on progress against English Heritage's Strategy, *Making the Past Part of Our Future*. I hope you will enjoy reading about some of our successes. Finally, there is a facts and figures section to provide at-a-glance information on some of our most important areas of activity.

This year saw some important milestones for English Heritage. A peer review, jointly commissioned by English Heritage and DCMS, took place in July 2006. The review team were very positive about the changes we made during our modernisation programme and it was gratifying that our stakeholders have seen a real change for the better in the way we work and deliver our services. There is, nevertheless, more we can do and a plan has been developed to progress this work over the forthcoming year.

The Culture, Media and Sport Select Committee inquiry into protecting, preserving and making accessible our heritage was another significant landmark, reporting as it did in time for the final preparation stages of the heritage protection White Paper and in advance of the Comprehensive Spending Review. We welcomed the report, in particular its unequivocal recognition of the value of England's historic environment and the contribution that English Heritage makes to achieving regeneration projects by offering expertise and the ability to provide leverage towards further funding. We were also encouraged by the Committee's recognition that there is a need to put the historic environment into the mainstream of political thinking and decision-making and that, despite recent real terms decreases in funding, English Heritage is doing an effective job.

In January *Valuing our heritage* was published by Heritage Link, English Heritage, the National Trust, the Historic Houses Association and the Heritage Lottery Fund. Prepared as a contribution to the Government's forthcoming Comprehensive Spending Review, it sets out the benefits of investment in the historic environment and the case for targeted increases in funding. This publication is an excellent example of effective close working across the sector; it includes quotes from members of the public as part of last summer's highly successful *History Matters – pass it on* campaign, another valuable collaboration.

Finally, the year concluded with the publication by DCMS of the heritage protection White Paper, *Heritage Protection for the 21st Century*, in March 2007. The White Paper heralds a more effective framework for the protection and management of England's historic environment.

# Introduction

This year English Heritage has had many endorsements of its ability to meet the challenges ahead, to lead, and to empower others in the vital work of protecting our heritage. As I stand down as Chairman I would like to add my own endorsement and express my thanks to my colleagues on English Heritage's Commission and its many dedicated Committee and Panel members, to Simon Thurley and to all the staff at English Heritage for their commitment, hard work and enthusiasm. Their expertise is the bedrock of everything that English Heritage does, but the way they work and the approach they take is just as important. English Heritage's constructive, collaborative approach to conservation is resulting in more successful development schemes with heritage at their heart and a new respect for the contribution that heritage makes to the life of the nation. This is to be celebrated.

A handwritten signature in black ink that reads "Neil Cossons". The signature is written in a cursive, flowing style.

**Sir Neil Cossons**  
Chairman

# Achievements of 2006/07

## AIM I: Help people develop their understanding of the historic environment

We believe that understanding is the first and most important part of successfully managing the historic environment. Through our own research teams and through third party research that we fund, we at English Heritage have made significant progress in the last year.

Our Research Strategy set out the highest priorities for English Heritage and the sector. In 2006/07 English Heritage invested £2.9 million in supporting a huge range of partners to undertake vital research which will improve practical understanding of England's historic environment. Over 180 new projects have been supported this year, including research on Isambard Kingdom Brunel's bridges and the effects of arable farming on archaeology. In addition, English Heritage's own research teams undertook research on 137 sites, monuments and landscapes of national or international significance including multi-disciplinary research at Ashby-de-la-Zouch Castle in Leicestershire, and disseminated the results through 85 Research Reports and 55 professional and academic publications.

A rapid characterisation exercise was carried out in London in summer 2006. This work, defining the historic character of Greater London and how and why places developed as they did, will inform English Heritage's strategic perspective on proposed changes to the historic environment, in particular the wider impact of proposals for tall buildings on the historic skyline.

The National Mapping Programme team aims to provide a complete map of the archaeology of England as revealed by aerial photography. The team has completed work on almost 35% of the country. External grants worth over £2.7 million are supporting research into other sensitive, archaeologically-rich areas, such as designated wrecks like those at Studland Bay and Erme Estuary. Such projects have saved many individual sites under threat; the data they generate is vital to decisions about land use and development.

The prototype *Heritage Gateway* website, which will provide integrated access to national and local historic environment records and deliver the information base required to support the implementation of the heritage protection White Paper, went live in May 2006. Since then a fully cross-searchable site has been achieved; this will be launched in May 2007. Additional local datasets will be linked up before the website is launched to the general public in mid 2008. The prototype is being used by the Local Authority managers of local Historic Environment Records and other sectoral professionals as well as by English Heritage staff.

The English Heritage Professional Placement in Conservation (EPPIC) scheme for 2006/07 and 2007/08 is being run in conjunction with the Institute of Field Archaeologists and the Institute of Historic Buildings Conservation. It is designed to build capacity in professions which enhance understanding and appreciation of the historic environment and its conservation and comprises six 12 month placements (one financed by the Heritage Lottery Fund) working with English Heritage specialist teams.

# Achievements of 2006/07

Other training for professionals this year has taken place via English Heritage's support for Oxford University's Continuing Education training courses; a separate initiative provided training in aerial archaeology. Approximately 250 people participated in these courses.

English Heritage's Learning Strategy provided the launch pad for two major new initiatives in 2006/07. An educational volunteering scheme was introduced in July 2006, backed up by a series of recruitment events which focused particularly on getting young people involved. Applications exceeded expectations and an excellent range of skilled and experienced people of all ages were recruited. The second scheme, a programme of interactive Discovery Visits for school groups, was introduced in September at 70 English Heritage sites. The scheme was marketed to every school in England and 10,400 children took part in the first year, 38% more than our target. We were also proud to receive the Sandford Award for quality and excellence in educational provision in recognition of our innovative work at Dover and Kenilworth Castles.

Our publishing programme continues to support our educational objectives. The first in a series of children's Ghastly Books was launched in October, for Dover Castle, and is selling well. Our *Heritage Learning* magazine has been refreshed and will be sent to 30,000 teachers three times a year.

New books *Jewish Heritage in England* and *Glimpse of Heaven* provided an authoritative overview of Jewish and Roman Catholic places of worship respectively; both were mentioned in recent Parliamentary debates about the future of historic places of worship. Ongoing research work in collaboration with the Catholic Church is helping us to better understand many of the buildings covered in the Glimpse of Heaven project. We also published the leaflet *Sites of Memory: The Slave Trade and Abolition* to mark the 200th anniversary of the passing of the Act to Abolish the Transatlantic Slave Trade. This identified many sites in England, including ones managed by English Heritage, with connections to the trade.

Other publications this year included *Bridport and West Bay: The Buildings of the Flax and Hemp Industry* and *Behind the Veneer: the South Shoreditch Furniture Trade and its Buildings*. These titles continue the Informed Conservation series which aims to enhance understanding of significant and vulnerable places and to reinforce the conservation led regeneration message. The completion of a research project at the University of Liverpool will lead to new titles on Mercantile Liverpool and the city's parks and open spaces.

Providing guidance for specialists is an important area of English Heritage's work. A good example of this was the launch in June 2006 of our Portable Antiquities Policy – *Our Portable Past*. By capturing good practice already followed, the policy provides clear advice for a wide range of professionals and others engaged in researching and caring for the historic environment.



## AIM 2: Get the historic environment on other people's agendas

The key to ensuring that a consideration of the historic environment is incorporated into wider thinking is demonstrating its relevance and importance. One of our main channels for achieving this is through the annual publication *Heritage Counts*, the State of the Historic Environment Report. The theme for 2006 was *Communities and Heritage*. Published in November, it drew on new surveys by DCMS and Heritage Link and offered facts and figures on the sector's efforts to widen participation. Seven out of 10 adults visited an historic site, 400,000 people offered their time as volunteers working for a range of organisations and there was a 5% increase in the number of school children visiting historic attractions in 2005/06.

The *History Matters – pass it on* campaign drew a huge response from millions of people during the summer of 2006. Led by English Heritage, the National Trust and other organisations from across the heritage sector, the aim of the campaign was to raise awareness of the importance of history to our lives today and to provide evidence for how much history matters to people.

In April 2006 English Heritage hosted the first ever European Heritage Summit for the heads of the European national heritage agencies. The Secretary of State, Tessa Jowell, and David Lammy, Minister for Culture, gave keynote addresses and the heads of 21 national heritage agencies who attended agreed an action plan. This included commitments to exchange experience, ideas and best practice; strengthen and support existing networks dealing with heritage and tourism; develop common statistical information; and publish an analysis of the socio-economic benefits of investment in the historic environment.

English Heritage worked with a wide range of organisations this year to develop policy initiatives, for example, *A Landscape Legacy: National Parks and the historic environment*, was produced with the National Park Authorities and the former Countryside Agency. The South East of England Regional Assembly and the Commission for Architecture and the Built Environment worked with us to produce a statement on the future of historic suburbs, while we worked with other DCMS agencies on the sustainable communities *Where we live* initiative. In conjunction with a number of other leading heritage bodies we produced *Valuing our heritage: The case for future investment in the historic environment* to raise awareness within Government of the part heritage plays in the economic success of the country in advance of its decision on future public sector funding. At a regional level we continued to work collaboratively with key regional bodies in joint research, training and other initiatives.

English Heritage's efforts to enlist others in support of the historic environment produced some significant financial benefits in 2006/07. English Heritage joined forces with the Wolfson Foundation to double the grants available for cathedrals, a scheme now worth up to £6 million. The first round of awards, announced in February 2007, offered a total of £1.6 million to 24 cathedrals. The new joint programme builds on the success of a four-year association with the Foundation, which has already resulted in awards of over £3 million to historic gardens and to war memorials.

# Achievements of 2006/07

Significant funding was secured from Northern Rock Foundation, Arts Council England, Esmée Fairbairn Foundation, Design Council England, Heritage Lottery Fund, Northumberland Strategic Partnership and ONE North East for *Picture House*, a major contemporary arts event to take place in May at English Heritage's Belsay Hall, near Newcastle-upon-Tyne.

£328,000 has been raised in gifts and pledges so far this year for the Chiswick House and Gardens Project. This brings the total secured for restoration of this priceless landscape to over £2 million, in addition to the £7.9 million already committed by the Heritage Lottery Fund.

We have also entered into a three-year partnership with Ecclesiastical Insurance, a specialist insurer of heritage properties. Building on a relationship that started with their sponsorship of the *Inspired!* campaign, Ecclesiastical supported *Heritage Counts 2006* and will become the leading sponsor of our 2007 events season. Two members of Ecclesiastical staff in Gloucester have volunteered as part of the new educational volunteering pilot scheme at Goodrich Castle.

Finally, English Heritage was left £338,700 in legacies and there are now 392 known pledgers.

## AIM 3: Enable and promote sustainable change to England's historic environment

A central part of English Heritage's strategy is what we call Constructive Conservation: the promotion of sustainable change to England's historic environment. There are three principal activities that we are pursuing to promote this way of thinking: first, the reform of the heritage protection legislation, second, the adoption of clear conservation principles, and third, the provision of advice and training at a local level.

The heritage protection White Paper, *Heritage Protection for the 21st Century*, was published by the Department for Culture, Media and Sport in March 2007 after a long and successful collaboration between DCMS and English Heritage. It prepares the way for a modern, transparent and flexible system for the designation and management of historic places. Key preparatory work by English Heritage included the publication of 20 Selection Guides to explain how buildings are assessed for listing, and a series of pilot schemes to test reform in the management of major ecclesiastical sites such as Canterbury and Rochester Cathedrals.

Another major milestone was the second round of consultation on our *Conservation Principles for the Sustainable Management of the Historic Environment*. *Conservation Principles* promote a values-based approach to assessing the significance of historic places and encourages the active management of changes to stimulate interest and investment. Their primary purpose is to provide English Heritage staff with a robust, consistent and constructive basis for decision making. Once the final stage of consultation is completed in 2007 English Heritage will commend them to everyone involved in similar activities.

This year we continued to invest in support for local authority heritage services. By the end of the year there were Historic Environment Champions in 59% of Local Authorities. There are also Champions in the Greater London Authority and four National Parks bringing the total to 232.

These champions receive wide-ranging support from English Heritage. The Historic Environment Local Management website, which currently contains 660 separate pieces of advice and guidance, received 232,238 unique visits in 2006/07, a 70% increase on the previous year. Over a hundred people attended the first national conference for Historic Environment Champions held in London in July 2006 and a range of training events on legal and other issues took place this year, attended by nearly 400 in total.

To help those involved in managing changes in the farming sector English Heritage published *Living buildings in a living landscape: finding a future for traditional farm buildings* jointly with the Countryside Agency in summer 2006.

# Achievements of 2006/07

Our regionalised planning advice teams gave advice on over 16,000 statutory consent applications last year; over 95% were turned around within 21 days or an agreed deadline. Amongst the successes were:

- The granting of planning permission for the redevelopment of 70 acres of former railway land north of King's Cross and St Pancras stations in London after five years' close collaboration between English Heritage, Camden Council and developers Argent Group PLC. Important listed buildings and structures will be reused, reinforcing the historic importance of the area and the distinctiveness of the development.
- The saving from demolition of the Cambridge Regional Centre of Government, a listed Cold War bunker near the city centre, after vigorous campaigning by English Heritage and others; it will be adapted for a sustainable new use.
- A satisfactory outcome for Buxton Crescent and Spa, under threat since the early 1990s, after English Heritage drove negotiations and supported the local authorities in brokering a suitable scheme. Multi-million pound grant offers have been made by the Heritage Lottery Fund and the East Midlands Development Agency which will enable the site to be converted into a new hotel and tourist attraction.

English Heritage also ensures that important historic settings are protected from inappropriate developments. Important examples this year included:

- English Heritage winning its case, at public inquiry, that the proposed redevelopment of the former ice rink in Durham would be detrimental to the setting of the Durham Cathedral and Castle World Heritage Site, the character and appearance of the Durham City conservation area and the setting of the Grade I listed Crook Hall.
- The granting of planning permission for the Trinity Court development on Newcastle upon Tyne's Quayside. English Heritage was heavily involved in the redesign of the building and worked closely, for nearly two years, with the applicant and Newcastle City Council. The applicant responded positively to pre-application advice, resulting in a proposal that is far more appropriate for the Medieval townscape of this part of Newcastle.

Such projects further English Heritage's vision of a sustainable, heritage-led approach to regeneration.

# Achievements of 2006/07

## AIM 4: Help local communities to care for their historic environment

English Heritage recognises that the best people to manage the historic environment are those who own it, live in it and use it. English Heritage makes a major contribution to this each year through training, advice and direct funding.

In 2006/07 we offered grants to 109 secular buildings and monuments totalling £6.4 million to help secure their future. Of this, £4.4 million was for 75 buildings on the *Buildings at Risk Register*. During the year, 88 entries were removed from the Register, many as a result of English Heritage grant-aid and advice. Examples of buildings removed this year are Cowdray House, West Sussex and Wheal Peevor Mine Complex, Cornwall. Cowdray House, a ruined Medieval country house, was grant-aided by English Heritage and the Heritage Lottery Fund. Our grant was principally to rescue the decorative plaster in the chapel, but we also funded a survey of the upstanding remains. Ownership now lies with the Cowdray Heritage Trust under a 125 year lease and the buildings will be opened to the public. Wheal Peevor Mine Complex in Cornwall will be a key asset within the newly designated Cornwall and West Devon Mining Landscape World Heritage Site thanks to a £810,000 conservation project jointly funded by English Heritage, the South West Regional Development Agency, Kerrier District Council and the Heritage Lottery Fund.

The *Inspired!* campaign for listed places of worship was launched in May 2006 with the support of all faith communities. It revealed the extent of the challenges facing historic places of worship and set out proposals to help solve the problems. The profile of the campaign has remained high throughout the year, with Parliamentary debates taking place and a joint meeting of the All-Party Groups on Arts and Heritage and on Historic Churches and Chapels.

The joint English Heritage/Heritage Lottery Fund Repair Grants for Places of Worship scheme, the largest single source of funding for repairs in England, has offered almost £111.5 million to over 1,000 buildings since 2002. In 2006/07 grants were offered to the Buddhist centre at Dobroyd Castle in Todmorden, West Yorkshire, St Michael & St Bishoy Coptic Orthodox Church in Cliftonville, Margate, and the only remaining thatched Methodist chapel in Cornwall.

English Heritage's London Squares campaign has had a dramatic impact on the historic Bloomsbury area of central London. The partnerships created by the campaign are transforming these important, beautiful, but neglected, historic spaces. Major restoration works will be completed in Gordon and Woburn Squares in 2007; Bedford Square (London's most intact Georgian square) is being completely repaved. English Heritage investment, through its area schemes, triggered significant funding from the Heritage Lottery Fund, the Wolfson Foundation, the University of London, and, at Bedford Square, Camden Council, the Bedford Estate and the Crown Estate. The final phase of the Bloomsbury Project will be the restoration of Fitzroy Square in time for the 2012 Olympics.

# Achievements of 2006/07

Helping others to care for their historic environment is behind two bursary schemes which English Heritage launched in 2006, with financial and political support from the Heritage Lottery Fund, the National Trust, Cadw, CITB-ConstructionSkills, the National Heritage Training Group, Royal Horticultural Society, Lantra (the skills council for environment and land-based industries) and others. The schemes, which will run for at least four years, will provide 80 work experience places with specialists in building conservation and over 100 places in the historic parks and gardens sector. Websites have been created this year for both schemes. Fourteen trainees have been placed at 11 historic gardens so far and the first four of these completed their placements at the Eden Project in September 2006. The first building conservation trainees will be placed in early summer 2007.

English Heritage has helped every region in the country develop its own Research Framework, built, owned and used by local people to understand what is on their own doorstep. We have given county societies over £100,000 to help publish research results, and have provided start-up funding for 13 key posts in Local Authorities to ensure that they have the skills they need to help communities manage their own historic environment. The publication *Understanding Historic Buildings: a Guide to Good Recording Practice*, published this year, has set a benchmark in standards in one area in which local societies are particularly strong.

In the summer of 2006, English Heritage published a new project management guidance toolkit entitled *Management of Research Projects on the Historic Environment* (MoRPHE) to provide practical project management guidance to all involved in historic environment research. All applicants for projects to be supported under the Historic Environment Enabling Programme or the Aggregates Levy Sustainability Fund from April 2007 will be required to observe the guidance. Training events for external partners will take place during 2007/08.

# Achievements of 2006/07

## AIM 5: Stimulate and harness enthusiasm for England's historic environment

The English Heritage membership scheme continues to grow at a rapid pace. This year members increased from 595,000 to 630,000. Membership income now makes up a greater proportion of our self-generated revenue than gate receipts.

DCMS capital funding together with development funds supported a series of major improvements to the sites in our care. Leicester's Gatehouse at Kenilworth Castle was opened for the first time in decades, alongside a new admissions building, shop and two new exhibitions. The ambitious new visitor centre at Battle Abbey includes an interactive exhibition and film (complete with an animated Bayeux Tapestry) telling the story of the Battle of Hastings and a new admissions building and shop opened at Berry Pomeroy Castle. There are new interpretive schemes at Castle Acre Priory, Cleeve Abbey, Hardwick Old Hall, Marble Hill House and Yarmouth Castle. Ten of English Heritage's unstaffed sites now also have completely new interpretation schemes; three free downloadable audio tours, playable on CD or on an MP3 player, are available from the English Heritage website at [www.english-heritage.org.uk](http://www.english-heritage.org.uk).

Planning permission for English Heritage's visitor facilities and access scheme at Stonehenge was granted by the Secretary of State for Communities and Local Government at the end of March 2007. Although permission is conditional on Government approval for the associated road improvements, the positive endorsement of English Heritage's scheme is a significant milestone on the way to reuniting the stones with the surrounding monuments and landscape and improving the experience of visitors to the site.

English Heritage sites continued to be used for events and out of hours access. 22,000 people watched a re-enactment of the 1066 Battle of Hastings at Battle Abbey on 14 and 15 October, and seven new holiday cottages were added to our portfolio bringing the total number to twelve.

English Heritage's research into its sites and collections and its interpretation work improves access to, and increases interest and enjoyment in, the historic environment. This year's research programme included archaeological excavations at Carisbrooke Castle and Chiswick House which will inform the development of new visitor presentation and interpretation. Fieldwork at Dunstanburgh Castle has led to a new guidebook, and improved site interpretation and management. In December 2006 we launched a new journal, the *English Heritage Historical Review*, which will be published annually. It makes available the most recent and important discoveries made relating to English Heritage sites and collections. In addition, 2006/07 saw the publication of nine new guidebooks for *Warkworth Castle*, *Kenilworth Castle*, *Prudhoe Castle*, *Farleigh Hungerford Castle*, *Landguard Fort*, *Hadrian's Wall*, *Peveril Castle*, *Battle Abbey* and *Old Sarum*.

# Achievements of 2006/07

Our aim to harness and promote enjoyment of England's heritage is not confined to the 420 sites in our care. Over a million people now participate in Heritage Open Days, the annual English Heritage funded scheme run by the Civic Trust. In 2006, 37 outreach events, many of them among communities who had not previously participated in the scheme, helped to raise the profile of Heritage Open Days in Milton Keynes, Easington, Blythe, coastal Cumbria and elsewhere. Work on increasing the diversity of participating properties led, for example, to the development of multi-faith trails in Leicester, Ipswich and Bradford.

English Heritage also provided essential funding for the Young Archaeologist's Club, enabling National Archaeology Week to continue and expand. Over 1,600 people attended English Heritage's own event for the week held at Fort Cumberland.

Twelve Blue Plaques were erected in 2006/07, including plaques to Emmeline Pankhurst, campaigner for women's suffrage, Cetshwayo, King of the Zulus, and Sir John Betjeman, poet, writer and broadcaster.

English Heritage hosted a major national outreach conference, *Your Place or Mine? – Engaging New Audiences with Heritage*, in Manchester in November. This was the first opportunity for practitioners and policy makers to get together to discuss experience and best practice and to debate and influence future strategy in broadening access. 350 delegates heard speakers including Minister for Culture David Lammy, Baroness Lola Young and Billy Bragg. A website is being developed to provide a long-term toolkit and discussion forum.

English Heritage organised 48 outreach projects to increase participation in the historic environment. One of these, *Nothing About Us, Without Us*, was a partnership with the Greater Manchester Coalition of Disabled People and involved recording the oral histories of deaf and disabled people in Ardwick, particularly looking at the changing political situation since the 1950s. The testimonies were added to the UK Disabled People's Movement Archive, so that personal perspectives would complement the collection. Another project worked with families from two Sure Start groups in Stockton-on-Tees, to engage them with the historic environment of their town centre. They produced an activity book for children based on the trail of the buildings and use of the book by families and schools is very high; this project is to be used as a model to create a similar activity trail in Skelton. In total, 85 outreach projects in 2006/07 engaged nearly 50,000 people from under-represented groups with the historic environment.

English Heritage's *Easy Access to Historic Landscapes* won the highest accolade of the Landscape Institute: the President's Award for 2006. The guidance provides advice on how historic landscapes, parks and gardens can be made more accessible for those with disabilities.



# Achievements of 2006/07

## AIM 6: To make the most effective use of the assets in our care

English Heritage's commercial activities continue to be highly successful with income from admissions, retail and catering, membership, and other earned income rising to £38.1 million this year, an increase of 10% on 2005/06. Our shops performed particularly well reflecting the benefits of new products and capital investment last year.

In 2006/07 we achieved efficiency savings of £10.73 million, including £4.67 million of non-cash savings. Our Buy Smarter procurement initiative has made cash and efficiency savings amounting to over £700,000 since it started in May 2005. Early in 2007 we implemented a package of measures, including restructuring our executive board, to achieve savings of £3.35 million. The savings are being used to mitigate the impact of inflation and to resource priority areas of work in 2007/08.

Management training has continued and December 2006 saw the launch of a new Human Resources and Payroll system. This improves efficiency and provides more accurate and detailed management information about the organisational structure and the people within it.

1.3 million records from the National Monuments Record Centre (NMRC), English Heritage's public archive, are now available online. Over 670,000 unique visitors had well over 1,700,000 user sessions on NMRC online resources. The *Images of England* website now provides access to over 285,000 photographs, making it one of the largest free online image libraries in the world.

English Heritage moved its head office from Savile Row to Waterhouse Square, Holborn, during 2006/07. Many staff will be relocating to Swindon and Birmingham as part of this process and temporary offices have been utilised to help manage the move. These ambitious changes have been achieved with minimal disruption and no downtime to IT or telephone services. Indeed following external audit, English Heritage retained the ISO20000 certification for IT service management. Meanwhile reserve collections held in store have been moved into accessible locations on the English Heritage estate, such as Fort Brockhurst, where a new collections access centre was opened to schools and researchers alike in January 2007.

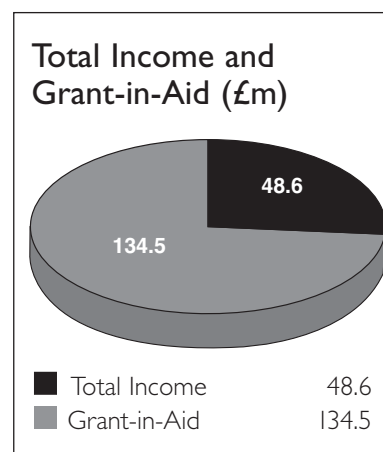
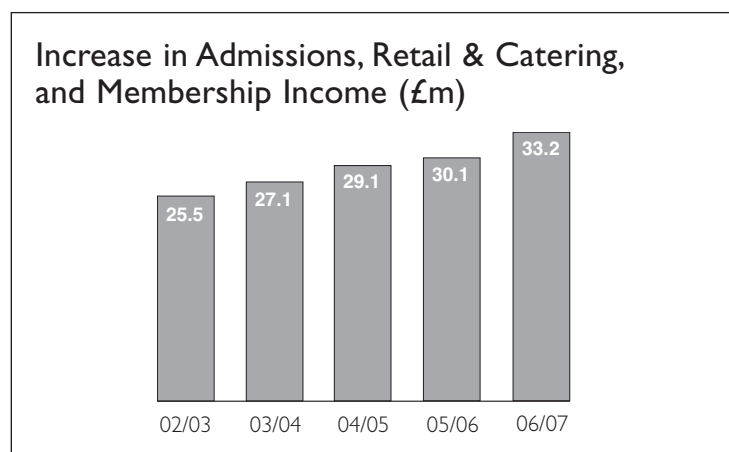
English Heritage has a Sustainable Development Strategy and Action Plan in place and as part of the work on Key Performance Indicators for energy use, energy assessments have been carried out for the English Heritage estate. Energy efficiency target data is now available on the Sustainable Development section of the English Heritage website. Water consumption benchmarking will commence in the second half of 2007. Consultants have been appointed to scope English Heritage's environmental footprint measure; this study should be completed in June 2007.

An internal internet page has been established for Sustainable Development issues and Green Champions are in place throughout English Heritage. Sustainable Development will be the theme of *Heritage Counts 2008*.

# Facts and Figures

	2002/03	2003/04	2004/05	2005/06	2006/07
Visits to staffed properties	5.5 million	5.5 million	5.3 million	4.7 million	5.3 million
Membership	460,000	500,000	555,000	595,000	630,000
Number of educational visitors	478,500	497,000	475,850	485,000	481,000
Children taking part in Discovery Visits (facilitated visits at sites)				Programme Launched	10,400
Number of applications received to make changes to the statutory list	1966	1955	2055	2096	1876
Recommendations to spot-list	664	729	491	425	353
Recommendations to upgrade or amend list entries	72	53	218	152	183
Recommendations to de-list	79	59	64	66	88
Advice on applications for planning, listed building and scheduled monument consent	14,625	15,223	16,058	15,484	16,287
Number of designated historic wreck sites in English waters	39	41	42	42	45
Percentage of entries removed from 1999 Baseline Buildings at Risk Register	27.5%	32.2%	36.4%	40.5%	43.8%
Number of outreach projects		Strategy launched	56	78	85
Number of new participants in outreach projects			54,386	46,751	49,495
Properties taking part in Heritage Open Days (in conjunction with the Civic Trust)	1,803	2,512	2,800	3,019	3,509
Blue Plaques erected	22	17	17	22	12*
Hits on HELM website		Project launched	114,000	127,000	232,250
Number of National Monuments Record Centre records available electronically	532,150	991,500	1.1 million	1.2 million	1.3 million

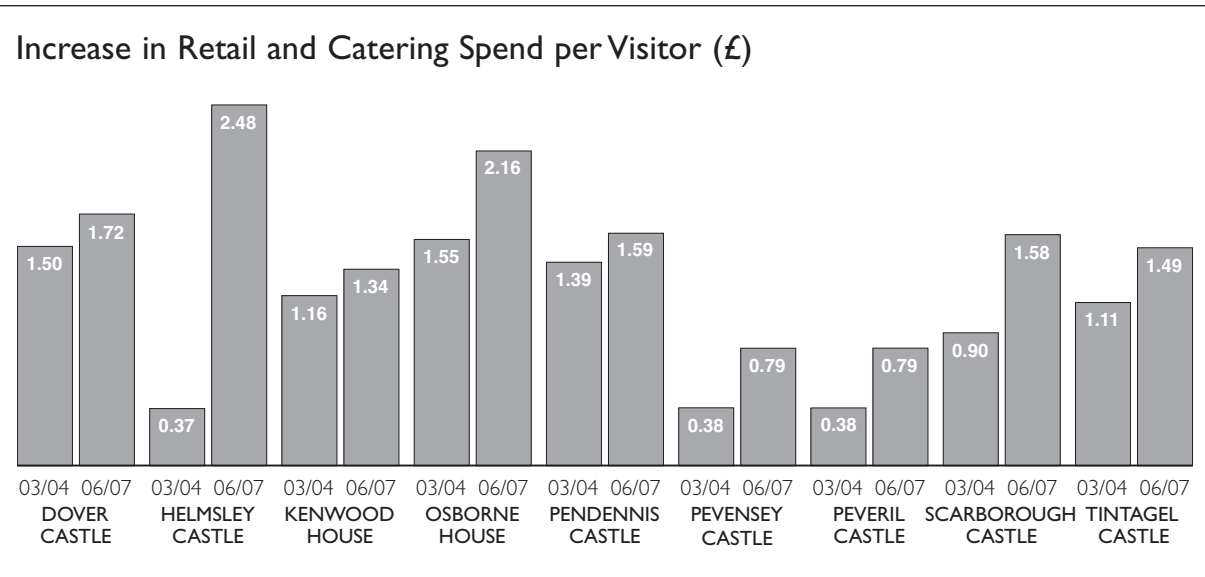
\* Figure reflects a review of the blue plaques scheme. From 2007, the number of blue plaques erected in London will increase, while advice and guidance will be actively offered to plaques schemes run externally.



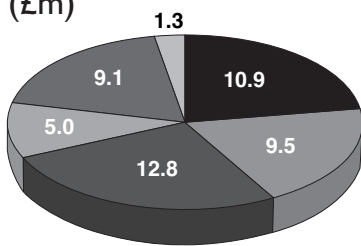
# Facts and Figures

## Property Development Programme

Major projects have been completed this year at Kenilworth Castle, Battle Abbey and Berry Pomeroy Castle. The Property Development Programme has completed major site improvements at nine English Heritage sites so far and the spend per visitor has increased at all nine.

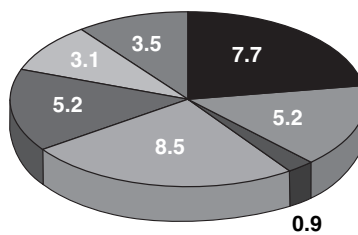


### Earned Income, Operating and Investment Income (£m)



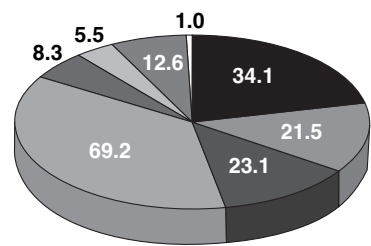
Admission Income	10.9
Retail and Catering Income	9.5
Membership Income	12.8
Other Earned Income	5.0
Donations, Grants and Other Operating Income	9.1
Interest	1.3
<b>Total</b>	<b>48.6</b>

### Grant Expenditure (£m)



Buildings and Monuments	7.7
Conservation Areas	5.2
Cathedrals	0.9
Other Places of Worship	8.5
Historic Environment	5.2
Aggregates Levy Historic Environment	3.1
Other	3.5
<b>Total</b>	<b>34.1</b>

### Total Expenditure (£m)



Grants	34.1
Research and Standards	21.5
Historic Environment	23.1
Properties	69.2
Education and Outreach	8.3
Corporate	5.5
Support	12.6
Notional Cost of Capital	1.0
<b>Total</b>	<b>175.3</b>

# Chief Executive's Management Commentary

This year was the second of English Heritage's five-year Strategy, *Making the Past Part of Our Future*. We have presented the highlights of the year under the six aims of the Strategy starting on page 3. Our performance against our Funding Agreement targets is reported in the next section.

## Description of business, objectives and strategy

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

English Heritage is the Government's statutory adviser on the historic environment. Our role is to help people understand, value, care for and enjoy England's rich historic environment by:

- improving understanding of the past through research and study
- providing conservation grants, advisory and education services
- identifying and helping to protect buildings and archaeological sites of national importance
- maintaining over 400 historic properties and making them accessible to the broadest possible public audience
- maintaining the National Monuments Record as the central publicly accessible archive for the historic environment in England

English Heritage's strategic direction is overseen by its Board of Commissioners which delegates operational management to a Chief Executive appointed by them. The Chief Executive also serves as Accounting Officer on behalf of DCMS. The Chief Executive is supported by an Executive Board comprising the Executive Directors of the four groups: Planning and Development, Policy and Communications, Properties and Outreach, and Research and Standards.

English Heritage's Funding Agreement, signed with DCMS, CLG and Defra, along with its Management Statement and Financial Memorandum and its five-year Strategy, provide the context and framework for our work.

## Resources, financial position and financing implications of significant changes to objectives, activities, investment strategy and long term liabilities

In its role as the Government's statutory adviser on the historic environment, English Heritage receives around 75% of its funding from DCMS to carry out its responsibilities to help people understand, value, care for and enjoy England's historic environment. The remainder of its funding is self-generated. In 2006/07 this translated into approximately £134.5 million in grant-in-aid and £38.1 million of earned income. Our efficiency savings have totalled £23.5 million over the four years 2003/04 to 2006/07.

There are significant developments on the horizon which will impact on English Heritage and how we deliver our longer term goals:

- the outcomes of the Heritage Protection Review and its implementation will have a major impact on the way we carry out our work
- the forthcoming Comprehensive Spending Review will set our grant-in-aid for 2008-11
- the satisfactory presentation of the Stonehenge site remains a core challenge for English Heritage and is dependent on key decisions at the Department for Transport

# Chief Executive's Management Commentary

- the broad goal of raising interest and participation in the historic environment among a wider cross-section of the public remains an important challenge
- the relocation of our London office is a phased project and, while the first stage has been completed successfully, later stages will involve the relocation of significant numbers of staff (approximately 240) out of London. There are risks associated with this, particularly relating to staff retention

Other significant issues for English Heritage include the sale of Apethorpe Hall and the restoration of Chatterley Whitfield and Ditherington Flax Mill. Any unexpected delays would cause a drain on our resources. Likewise, our Property Development Programme is dependent on obtaining necessary permissions as well as securing adequate funding.

English Heritage's financial investments are shown in note 26 to the accounts. Its grant and contractual commitments are shown in note 40 to the accounts. Its only long term liabilities relate to modernisation, relocation and restructuring provisions as shown in note 32 to the accounts.

## **Relationships with stakeholders**

English Heritage's principal stakeholders are the Government departments for Culture, Media and Sport, Communities and Local Government, and Environment, Food and Rural Affairs; the Local Authorities of England; the historic environment community; the commercial development sector and the voluntary and community sectors. We also have significant relationships with the Departments of Education and Skills, Transport, and Trade and Industry, as well as with other Government agencies. Continuing to develop and strengthen these relationships is critical to the achievement of our long term goals.

For English Heritage to take a more strategic role, others must take on more and so a large part of our work involves building capacity to enable this to happen. We do this in local government, for the historic environment sector and among those whose aims are not primarily heritage-based but who nevertheless contribute to the management of the historic environment.

During 2006 English Heritage, jointly with DCMS, commissioned a peer review to look at the impact of English Heritage's modernisation programme, the balance of roles and its relationships with key stakeholders, customers and Government. The review concluded that an impressive amount had been achieved and that English Heritage has become a more efficient, customer-focused organisation. It recommended a number of ways in which English Heritage could further embed this new approach. It also highlighted the need for strong support across central Government departments and greater partnership working with local government to enhance the contribution the historic environment can make to the sustainable development and sustainable communities agenda, and to the emerging place-shaping agenda. This work has been built into an action plan for the forthcoming year.

## **Policy and achievement of policy on social and community issues**

English Heritage is committed to increasing access to the historic environment, particularly for those who traditionally have not participated in it. We continue to research ways of delivering a more inclusive past and promote learning and outreach opportunities to acknowledge, respect and celebrate the cultural diversity of England's heritage in all our activities.

# Chief Executive's Management Commentary

During 2006/07, English Heritage continued to contribute towards the DCMS Taking Part survey which is providing, for the first time, national data on people's engagement with the historic environment. Survey results from the first full year, July 2005 to July 2006, show that 69.9% of all adults made at least one visit to an historic environment site in the 12 months prior to the interview. However only 57.1% of adults from lower socio-economic groups, 59.5% of adults with a limiting disability and 50.7% of adults from black and minority ethnic groups made a similar visit. We will continue to address this under-representation.

Our Outreach and Heritage Open Days programmes continue to focus on engaging the hardest to reach priority groups through grassroots community projects. Projects this year have included training vulnerable young people in traditional craft skills and developing oral histories with deaf and disabled people in Manchester around their changing political situation. Heritage Open Days, co-ordinated by the Civic Trust and made possible by funding and support from English Heritage, are held over a weekend in September. Evaluation shows that this annual, free access event significantly increases access to the historic environment by people on lower incomes. Research conducted in November 2006 found there had been an increase from 23% to 35% in visitors from social groups C2, D and E to English Heritage sites during the Heritage Open Days weekend.

English Heritage, in partnership with the National Trust, reinforced its sectoral leadership in this area by organising the Your Place or Mine? Engaging New Audiences with Heritage conference in November 2006 for 350 heritage, community and culture sector professionals. This was the first time that practitioners and policy makers have had the opportunity to get together to discuss best practice and to debate and influence future strategy in broadening access.

Across English Heritage, a programme to commemorate the 2007 Bicentenary of the Abolition of the Transatlantic Slave Trade has been developed and in March a series of outreach projects, events and publications were launched.

The Disability Discrimination Act (DDA) 2005 has focused the historic environment sector on its responsibilities to promote disability equality. English Heritage published its Disability Equality Scheme in 2006 and is working to implement a three-year action plan. In particular, we continue to find more ways to involve disabled people in our work. *Easy Access to Historic Landscapes*, the best practice guide published by English Heritage in 2005, received the President's Award of the Landscape Institute in 2006.

## **Policy & achievement of policy relating to employees**

English Heritage is continuing to actively promote diversity and equality of opportunity within its workforce. Our Disability Equality Scheme sets out the action we will take across a range of areas, including access to our services and employment. We will publish our plans to meet the General Gender Equality Duty in April 2007 and the review of the English Heritage Race Equality Strategy will be completed by the end of 2007/08.

In March 2007, the gender profile of the permanent staff of English Heritage was 42.7% male and 57.3% female. Self-reporting by staff identified that 85.8% are from White ethnic groups, and 2.6% are from non-White groups; the information is not available for the remaining 11.6%.

# Chief Executive's Management Commentary

At 31 March 2007 English Heritage employed 23 people who had formally declared that they have a disability. However, we employ many people who have a condition which would meet the DDA definition of a disability but who have not formally declared this. This is for a variety of reasons. To help us to create a more accurate picture of our workforce, we will be encouraging people to declare any such condition.

English Heritage continues to invest in the development needs of its various specialist, professional and general management staff; our externally run management development programme now has three bespoke elements. English Heritage plays an active part in four Sector Skills Councils and so is able to influence future strategy across the sector; in particular we are contributing to the skills strategy for Cultural Heritage.

Extensive development work has been carried out in preparation for English Heritage's first full-scale employee survey, to be completed later in 2007. The survey will provide considerable insight into issues relating to the recruitment, retention and motivation of employees. Work has also started on the development of a Reward, Recognition and Retention Strategy to help us prepare for future challenges and to ensure we get the best out of our people.

A major challenge will be continuing with the relocation of posts from London to Swindon and Birmingham over the next few years. Flexible and innovative working practices are being introduced and support will continue to be provided to staff throughout the process.

## **Policy & achievement of policy on environmental issues**

Management of health and safety issues within English Heritage 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 advisers now meets four times a year to consider incidents and developments and prepare an annual report for English Heritage's Audit Committee to review on behalf of Commission.

The Properties and Outreach group has responsibility for health and safety across English Heritage's historic estate, with advice and management of health and safety works provided by the Planning and Development group's Estates team who assist in ensuring compliance with all health and safety requirements within the historic estate.

English Heritage no longer separates accident rates for visitors and staff; accidents are now included within the overall number of incidents recorded. There were 351 incidents in 2006/07. Most were minor and only 17 were reportable to the Health and Safety Executive under statutory reporting regulations, compared to 29 in the previous year.

In the last year English Heritage has published its first Sustainable Development Strategy and Action Plan which will be reviewed annually. English Heritage continues to be part of the DCMS Sustainability Forum and is working with other DCMS Non Departmental Public Bodies and sponsored bodies on issues of sustainable development.

# Chief Executive's Management Commentary

Following last year's policy statements on *Climate Change and the Historic Environment* and *Wind Energy and the Historic Environment*, a statement on biofuels entitled *Biomass Energy and the Historic Environment* has been published this year. A series of homeowner guides which will consider the application of renewable energy installations to historic buildings are in development. A web-site looking at climate change and your home is also being prepared for launch at a summit on climate change and the historic environment to be held in early 2008.

Following assessments of energy use in its regional offices, English Heritage is, with the Carbon Trust, funding an energy assessment for the remainder of its estate. Other work under way includes a scoping study of English Heritage's ecological and carbon footprint with the intention of identifying possible actions to reduce the impacts.

## Open Government and Freedom of Information

English Heritage recognises the important role the Freedom of Information Act 2000 plays in serving the public interest by promoting open discussion of public affairs and enhancing Government accountability. English Heritage makes a large volume of information available via its website, including minutes of the Commission and major Advisory Committee meetings ([www.english-heritage.org.uk](http://www.english-heritage.org.uk)). In 2006/07 we processed 207 requests for information under the Freedom of Information Act.

A handwritten signature in black ink that reads "Simon Thurley". The signature is written in a cursive, flowing style with a period at the end.

**Dr Simon Thurley**  
Chief Executive



# Performance Against Funding Agreement Targets 2006/07

Funding Agreement Area of Activity	Performance
1 Publish English Heritage Research Strategy and report annually on progress	The English Heritage Research Strategy was published in November 2005, and included a Research Agenda to mid financial year 2005/06. An updated Research Agenda covering 2006/07 and the future plans for 2007/08 will be published at the end of the first quarter of 2007/08.
2 Implement Learning Strategy	<p>Approximately 481,000 educational visits took place and 476 events were arranged in the 2006/07 programme.</p> <p>Volunteers have been recruited as part of the new educational volunteering programme and are in place at five sites, with more expected to be in place at another two sites shortly.</p> <p>10,400 children have taken part in Discovery Visits.</p> <p>English Heritage continues to contribute to the Engaging Places project to provide joined up access to educational resources on the whole built environment, historic and contemporary. Recent developments include:</p> <ul style="list-style-type: none"> <li>● The National Federation for Educational Research commissioned to produce a research audit of regional supply in the three pilot regions (South East, London and Yorkshire and the Humber) and to undertake audience development research with teachers.</li> <li>● A national built environment group created and the first meeting to be held in April 2007.</li> <li>● Regional groups created and have met twice.</li> </ul> <p>The groups have discussed partnership working, barriers to teachers using the built environment, perceptions of the term 'built environment education' and the content, look and feel of the proposed website. The next stage is to make recommendations on the way forward to Ministers.</p>
3 Develop a relationship with Natural England	The first draft of a Memorandum of Understanding with Natural England was ready in June 2006, but progress in finalising this has been slow because of complications at Natural England. A CEO level meeting is still awaited.
4 Provide Defra with strategic advice and assistance	English Heritage has participated in the Rural Development Regulation Policy group and has been invited to join the Agri-Environment Steering Group convened by Defra and Natural England, to ensure the historic environment is given due consideration.

# Performance Against Funding Agreement Targets 2006/07

Funding Agreement Area of Activity	Performance
<p><b>5</b> Contribute to the management, enhancement and public enjoyment of the historic environment in National Parks and AONBs</p>	<p>A review of the historic environment aspects of AONB Management Plans was completed in January 2006 and fed into a wider Countryside Agency review of plans. A good practice publication for National Parks was published in July 2006.</p> <p>The English Heritage Chairman attended the 2006 Europarc Conference and preparations are underway for the Chief Executive to participate in the 2007 AONB Conference in July which will have the historic environment as its focus.</p> <p>A socio-economic study of traditional farm building repair in the Yorkshire Dales National Park will be completed in April 2007. A scoping study for a socio-economic evaluation of National Park cultural heritage in England and Wales is underway as is work on a Research Framework for protected landscapes.</p>
<p><b>6</b> Work with CLG and DCMS to develop a new Planning Policy Statement (PPS)</p>	<p>The future of all PPS are linked to the Planning White Paper expected mid 2007. English Heritage has continued to stress the importance of the PPS.</p>
<p><b>7</b> Influence regional policies which impact on the historic environment</p>	<p>English Heritage continues to provide a representative (usually the Chair) and secretariat support to the Regional Historic Environment Fora. A review was undertaken in summer 2006 to understand the diversity and consistency of approach, and mechanisms to determine priorities for action. Initial findings are being reviewed in the light of potential HEF contribution to local government improvement initiatives and a final report is expected later in 2007. The Historic Environment Fora are expected to oversee production of the regional <i>Heritage Counts 2007</i> reports.</p>
<p><b>8</b> Provide early advice to planning authorities and developers</p>	<p>Initial time recording results indicate that nearly 30% of time spent on casework is being allocated to pre-application work. English Heritage's time recording and casework monitoring systems are being refined to develop more accurate information. Initial robust results are anticipated at the end of the calendar year.</p>

# Performance Against Funding Agreement Targets 2006/07

Funding Agreement Area of Activity	Performance
<p><b>9</b> Work with DCMS to implement the review of heritage protection legislation</p>	<p>The heritage protection White Paper, <i>Heritage Protection for the 21st Century</i>, was published in March 2007 after a long period of successful collaboration between DCMS and English Heritage. The first tranche of pilot projects have been completed and evaluated and ecclesiastical pilots are underway. These will be completed and evaluated during 2007 in time to contribute to the legislation.</p> <p>English Heritage received widespread support for the scope and general direction of its draft <i>Conservation Principles</i> last year and many helpful suggestions for improvements. A revised <i>Conservation Principles, Policies and Guidance</i> was circulated for public consultation on 16 February for 12 weeks, supported by seminars for consultees. Final publication is planned for autumn/winter 2007.</p>
<p><b>10</b> Promote characterisation as a tool within spatial planning to help manage change throughout the historic environment, both terrestrial and marine, and rural and urban</p>	<p>The major national programmes with local government partners – Historic Landscape Characterisation (HLC) and Extensive Urban Surveys (EUS) – continue on schedule. All National Parks and AONBs have HLC complete or in progress. The second wave of four Seascapes pilots were successfully completed, on time, with each project producing a Geographic Information System database, project report, method statement and web resource. Characterisation of farmstead reports for Sussex and High Weald AONBs are now complete. Work, in partnership with key stakeholders on a toolkit for sustainable development of rural buildings, is well advanced in North Yorkshire and the South East. The results will be fed through Defra's Pathfinder scheme for Rural Delivery in 2007.</p> <p>A second joint characterisation pilot is underway with English Partnerships (Graylingwell Hospital). The joint guidance with the Highways Agency on Roads Schemes and HLC are now available on the internet.</p> <p>Characterisation training has been delivered in conjunction with the Oxford University Department for Continuing Education. A HELM training seminar on urban characterisation and the historic environment was held for planning officers in South Yorkshire in March and a second course is planned for June. The rural and farmstead characterisation work has been incorporated into contributions to a National Trust Historic Environment Advisors event, a Rural Pathfinder event and Planning Workshops in the South East, all held in November.</p>

# Performance Against Funding Agreement Targets 2006/07

Funding Agreement Area of Activity	Performance
<p>II Advise Government on the historic environment aspects of sustainable development</p>	<p>Three web-based guidance documents have been drafted to date to guide homeowners on adding micro-renewable energy generating equipment and energy improvements to traditionally constructed dwellings:</p> <ul style="list-style-type: none"> <li>● Homeowner's guide to energy improvements</li> <li>● Small-scale wind power</li> <li>● Small-scale solar power</li> </ul> <p>These guidance documents will be made available when the <i>Climate Change and Your Home</i> website is launched.</p> <p>An extensive range of information sheets is currently in preparation to show how traditionally constructed buildings can be adapted to improve their thermal performance without harming their character or appearance. The guidance (approximately 40 information sheets in total) will form part of the Approved Documents which will support Part L of the Building Regulations. The information sheets will also provide technical information on traditional materials, illustrated details and case studies and guidance on the legislative context. They will be published initially on the new climate change website.</p>
<p>12 Work with Defra to develop the <i>Adaptation Policy Framework</i>, produced to provide better understanding and stronger strategic direction on the impact of climate change across the UK</p>	<p>English Heritage is developing a website called <i>Climate Change and Your Home</i>, to be launched in early 2008. This will be interactive, showing owners of traditionally constructed dwellings how they can be adapted sympathetically to meet the challenges of a changing climate, for instance, wetter winters and hotter summers. The website will be used as the main conduit through which English Heritage's knowledge and technical guidance on these areas will be disseminated.</p>
<p>13 Promote better management of the public realm</p>	<p>Regional Streets for All workshops have been held around the country to promote the guidance to Local Authorities. English Heritage was on the Sounding Board for the key Government guidance in this area, the <i>Manual for Streets</i>, which was published in March 2007. Through this we built on previous advice to Government about areas that need to be strengthened. Practitioners suggest that the main barriers to well designed streets are problems with liability and over-reliance on inappropriate guidance, rather than regulatory difficulties.</p>

# Performance Against Funding Agreement Targets 2006/07

Funding Agreement Area of Activity	Performance
<p><b>13</b> Promote better management of the public realm</p>	<p>We have therefore focused on providing better advice to Local Authorities to help overcome procedural concerns. This includes a series of 10 case studies on different practical aspects of street design, which have been developed and will be published later in 2007 following further discussion with stakeholders, including the Department for Transport, disability groups and professional bodies such as the Institution of Highways Engineers.</p>
<p><b>14</b> In partnership with the National Heritage Training Group (NHTG) and HLF, establish strategies to develop traditional building craft skills including developing a new Training the Trainers programme</p>	<p><i>Traditional Building Craft skills: Assessing the Need, Meeting the Challenge</i> published in June 2005 provided, for the first time, figures for the shortages in the numbers of trained craftspeople. English Heritage will resurvey every two years and the 2007 survey is underway. The results will be ready by mid October. The 2007 survey will be a refined version of the original and will provide fuller information about trained craftspeople in the financial year 2006/07.</p> <p><i>Traditional Building Craft skills: Assessing the Need, Meeting the Challenge</i> is being widely used by the sector as a co-ordinated template for action. Building on this, in March 2006 English Heritage and ConstructionSkills signed a Sector Skills Agreement for the period 2005-2008 as part of a shared objective between both organisations to establish sustainable strategies for training and skills development for traditional building crafts within the historic environment. This provides an annual budget of £225,000 to fund craft skills training and development, in a 2:1 split between ConstructionSkills and English Heritage. The NHTG is an integral part of this agreement. As part of the action plan, ConstructionSkills and English Heritage have commissioned research into the condition of the professional conservation sector, which includes architects, surveyors and conservators. The research is due to be published in September 2007.</p> <p>In partnership with HLF and others, English Heritage is delivering an additional 80 work experience places over four years for the building crafts scheme and over 100 places in the Historic and Botanic Gardens Scheme, as well as Continuing Professional Development and other training events.</p>

# Performance Against Funding Agreement Targets 2006/07

Funding Agreement Area of Activity	Performance
<p><b>15</b> Provide training and advice for Local Authority decision makers</p>	<p>The Historic Environment Local Management (HELM) website continues to provide an important training resource with new content, improved design, accessibility and functionality. During 2006/07 the website received 232,250 hits compared to 127,000 in 2005/06. There are now over 185 English Heritage and 663 Local Authority publications in the guidance library. A quarterly electronic newsletter is sent to over 600 addresses. An E-learning pilot is underway and the site IT architecture for this is complete. A consultant is being engaged to develop the pilot course content.</p> <p>Ipsos MORI has been commissioned to carry out an evaluation of HELM. This will comprise a telephone survey of 200 people, including Local Authority historic environment and non-historic environment staff, and Historic Environment Champions. The evaluation will include feedback on the HELM website, training and publications, and will seek views on areas in which further guidance and training would be appreciated. The results of the survey will be available in May 2007.</p> <p>Publications have included <i>Living Buildings Living Landscapes, Capturing the Public Value of Heritage</i> (jointly with HLF and the National Trust), <i>Ports: the impact of development on the marine historic environment and Local Area Agreements and the Historic Environment</i>.</p>
<p><b>16</b> Encourage and support the appointment of Historic Environment Champions in all Local Authorities</p>	<p>Historic Environment Champions were in 59% of Local Authorities by 31 March 2007. There are also Champions in the Greater London Authority and 4 National Parks. This brings the total number of Champions to 232 at 31 March.</p> <p>In 2006/07 19 events took place for Champions, attended by 471 delegates. These included:</p> <ul style="list-style-type: none"> <li>● <i>National Champions Conference: Local leadership for the Historic Environment</i> in July 2006</li> <li>● Contribution to <i>CABE National Conference for Design Champions</i> in December 2006</li> <li>● Regional level joint English Heritage/CABE training and other bespoke training events in all nine regions</li> <li>● Networking events for Champions with the English Heritage Chairman and Regional Directors</li> <li>● Other local events and meetings</li> </ul>

# Performance Against Funding Agreement Targets 2006/07

Funding Agreement Area of Activity	Performance
<p><b>16</b> Encourage and support the appointment of Historic Environment Champions in all Local Authorities</p>	<p>Communication and support this year included:</p> <ul style="list-style-type: none"> <li>● 4 quarterly newsletters for Champions</li> <li>● Tailored distribution of relevant English Heritage guidance (15 publications in total)</li> <li>● Development of content for the HELM website and e-learning module (over 11,439 visits to Champions related pages)</li> <li>● Induction Pack for new Champions</li> <li>● Advice and support when needed</li> </ul>
<p><b>17</b> Use grant aid to invest in building capacity and capability in Local Authorities, helping regeneration agencies to promote and exploit the historic environment in regeneration projects and invest directly in conservation areas most at risk of irreversible decline</p>	<p>English Heritage's Commission has agreed grant principles which are now being developed into priorities, supported by practical programmes and processes. These new priorities will be produced, together with appropriate guidelines for staff, by September 2007, with publication at national and regional levels by the end of March 2008. The Capacity Building programme has been integrated into these priorities. English Heritage's current focus has been on designated historic environment at risk.</p> <p>A condition of securing an area grant will be to survey the end grant recipients and the local community, to understand the benefits of the grant to the local area. We are encouraging surveys to be undertaken for all current schemes in advance of it becoming a condition.</p>
<p><b>18</b> Gather evidence on the present condition of places of worship and possible future uses</p>	<p>A template has been created to help dioceses undertake their own strategic assessments of places of worship. Implementation of the methodology is well underway with the Roman Catholic diocese of Portsmouth and the work is going out to tender for the dioceses of Middlesbrough and Leeds. The dioceses of Liverpool and Clifton plan to begin using the template in due course. The Salisbury diocese has also expressed an interest in pursuing a similar partnership project and initial talks are underway.</p> <p>A pilot project in Manchester diocese has created a set of statistical indicators to identify a 'first stage' list of churches in need. A second pilot will be undertaken in a Church of England rural diocese and the criteria applied to non-Church of England denominations, before attempting a national 'places of worship in need' list or map.</p>

# Performance Against Funding Agreement Targets 2006/07

Funding Agreement Area of Activity	Performance
<p><b>18</b> Gather evidence on the present condition of places of worship and possible future uses</p>	<p>Having identified the priority areas, further work will be done with the relevant denominational partners.</p> <p>The Society for the Protection of Ancient Buildings will commence their training scheme for church wardens, with financial support from English Heritage, in May 2007.</p>
<p><b>19</b> Increase visits from priority groups to English Heritage sites</p>	<p>Heritage Open Days visitor research, conducted in November 2006, found that 82% of those from priority groups (predominantly social groups C2, D and E) said they would 'definitely' visit an English Heritage site again, as a result of attending a Heritage Open Days venue or event.</p> <p>English Heritage's outreach projects only target people from DCMS priority groups. This work engages new audiences through grass roots community heritage projects, for example, oral history projects, arts activities, learning traditional crafts skills, training as local heritage guides, taking part in hidden histories projects at English Heritage sites and working with groups to discover and tell their own stories. In 2006/07 48 outreach projects not connected to Heritage Open Days and 37 Heritage Open Days outreach projects took place; a total of 49,495 people were engaged in the 85 projects.</p> <p>English Heritage takes the Civic Trust's Heritage Open Days scheme into communities where there has been no previous participation and encourages people to complement traditional heritage with events that reflect the cultural diversity of their community.</p>
<p><b>20</b> Support the rest of the historic environment sector to increase visits from priority groups to historic sites</p>	<p>English Heritage co-hosted, with the National Trust, the first major sector outreach conference, '<i>Your Place or Mine? Engaging New Audiences with Heritage</i>' in November 2006. 350 policy makers and practitioners participated in debates and practical workshops to increase their skills as well as influence strategy with regards to engaging hard-to-reach communities with heritage. Following on from the conference, an online professional networking website is in development to support the sector to engage new audiences and broaden access.</p>



# Performance Against Funding Agreement Targets 2006/07

Funding Agreement Area of Activity	Performance
<p><b>21</b> Support the DCMS participation survey</p>	<p>English Heritage has paid the second instalment of its contribution to the Taking Part survey (£80,000). We also attend project meetings, assist with publications and publicise the survey. English Heritage uses the survey's results in its publications and to inform policy, and liaises with DCMS and partners on the content of the survey and future plans for questions, analysis and publications.</p>
<p><b>22</b> Continue to advise Defra on the historic environment aspects of its access agenda, including coastal access</p>	<p>Following the successful roll-out of Open Access, English Heritage is participating in the new Defra Coastal Land Access Group and has provided sample site condition and interpretation data from the Scheduled Monuments at Risk initiative to the consultants advising Natural England on the recommendations for enhancing coastal access.</p>
<p><b>23</b> Improve facilities for visitors at English Heritage sites</p>	<p>Good progress has been made this year with English Heritage's Property Development Programme. The new visitor centre at Battle Abbey was opened in February. A further phase of the development project at Kenilworth Castle has been completed with the opening of a new tea room in Leicester's Barn, and the project to recreate the Elizabethan gardens continues apace. A new admissions building and shop opened at Berry Pomeroy Castle. Seven new holiday cottages have been completed to build on the success of the new English Heritage Holiday Cottages business. The beach café at Tintagel Castle was purchased, which will allow us to develop a new catering offer and key visitor facility at one of our most visited properties.</p> <p>English Heritage is reassessing how its operating deficit, the cost to the organisation of opening its properties to the public, is calculated. Since 2002/03 English Heritage has increased earned income from £29.5 million to £38.1 million. Although this has been accompanied by an increase in expenditure to deliver the growth it has nonetheless significantly reduced the operating costs of the properties. Modelling the operating deficit took place three years ago; since then the business has changed, with new properties being acquired and new businesses developed. We have not revisited the model to take account of these changes and believe that the operating deficit may be understated.</p>

# Performance Against Funding Agreement Targets 2006/07

Funding Agreement Area of Activity	Performance
<p><b>23</b> Improve facilities for visitors at English Heritage sites</p>	<p>We have therefore commissioned an external review by chartered accountants of the financial model to establish the accuracy of our reporting and expect to have their findings by the end of June 2007.</p>
<p><b>24</b> Implement Efficiency Delivery Plan</p>	<p>English Heritage achieved savings of £10.73 million in 2006/07, of which £4.67 million is non-cash savings.</p>
<p><b>25</b> Implement Sustainable Development Strategy which includes adoption of the Framework for Sustainable Development on the Government Estate</p>	<p>English Heritage has a Sustainable Development Strategy and Action Plan in place and the groundwork is underway for the establishment of Key Performance Indicators for energy use, water consumption and waste generated on its estate. Green Champions have been appointed across the organisation to assist with spreading the sustainable development message.</p>

# Directors' Report

## Background Information

'English Heritage' is the name of the consolidation of the Historic Building and Monuments Commission for England (HBMCE), English Heritage Trading Limited and the Iveagh Bequest. Further details of English Heritage's organisational structure and background are included in the Chief Executive's Management Commentary in the Annual Report.

## Commissioners and Senior Employees

The persons who served as Commissioners between 1 April 2006 and 28 June 2007 are detailed in note 16. Details of Senior Employees are given in the Remuneration Report.

## 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, 1 Waterhouse Square, 138-142 Holborn, London, EC1N 2ST.

## Result for the Year

The net expenditure for the year ended 31 March 2007, after the transfer to the Development and Restricted Funds of £3,304,000 (2006: £323,000) was £135,412,000 (2006: £125,284,000 restated). Under previous financial reporting guidance applicable up to the financial year ended 31 March 2006, Government Grant in Aid of £134,483,000 (2006: £125,039,000) would have been credited to the Income and Expenditure Account to offset the net expenditure. The underlying result for the year ended 31 March 2007 taking Government Grant in Aid into account was a deficit of £929,000 (2006: £245,000 deficit). This is shown in tabular form below and in more detail in Note 33.

	<b>2007</b>	2006
	<b>£'000</b>	£'000
Net Expenditure for the Financial Year	<b>(135,412)</b>	(125,284)
Total Government Grant in Aid	<b>134,483</b>	125,039
<b>Underlying Result for the Year</b>	<b>(929)</b>	(245)

The 2006/07 figure for Government Grant in Aid included £7,800,000 (2006: nil), for relocation costs deriving from the surrender of the lease on the previous London Headquarters building.

The Expenditure analysis for the year ended 31 March 2007 and the comparative figures for 2006, as shown on the face of the Income and Expenditure Account and the associated notes have been re-presented to show an updated analysis of the activities of English Heritage.

## Pensions

English Heritage is a member of the Principal Civil Service Pension Scheme (PCSPS), note 20.

# Directors' Report

## Fixed Assets

The movements in Fixed Assets are set out in notes 21 and 22.

## Financial Instruments

English Heritage's policy relating to Financial Instruments is set out in note 29.

## Post Balance Sheet Events

There were no post balance sheet events. The Annual Report and Accounts will be authorised for issue on 19 July 2007.

## Charitable Donations

English Heritage made the following charitable donations totalling £250 during the financial year ended 31 March 2007 (2006: £200):

– Friends of Highgate Cemetery	£200
– Stephenson's Trust	£50

## 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.

## 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 2007 equated to 6 creditor days (2006: 3 days).

## Corporate Governance

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

## Audit Arrangements

The National Audit Office have been auditors since 1 April 2004. Mazars LLP have been auditors for English Heritage Trading Limited since 1 April 2004 as the National Audit Office are currently unable to audit limited companies. Saffery Champness have been independent examiners of the Iveagh Bequest since 1997.

## Disclosure of Relevant Audit Information

As Accounting Officer, I have taken all the steps that ought to have been taken to make myself aware of any relevant audit information and to establish that the National Audit Office is aware of that information. So far as I am aware, there is no relevant audit information of which the National Audit Office is unaware.



**Dr Simon Thurley**  
Chief Executive  
28 June 2007

# Remuneration Report

## Remuneration Committee

The objective of the Remuneration Committee is to review the reward and remuneration packages of English Heritage's staff, within the pay remit laid down by HM Treasury and determine the reward and remuneration of members of the Executive Board and the Chief Executive so as to:

- demonstrate that reward and remuneration is considered by a Committee which has no personal interest in the outcome of its advice and which gives due regard to the interests of the public and the financial health of the organisation; and
- ensure that senior managers, members of the Executive Board and the Chief Executive are fairly rewarded for their individual contributions to the organisation's overall performance.

The Committee provides a medium of public accountability, which is external to English Heritage management.

The Remuneration Committee meets at least once a year and comprises no fewer than 4 members, including the Chairman of the Audit Committee. The current Chairman of the Remuneration Committee is Mr Michael Jolly, a Commissioner.

## Remuneration Policy

English Heritage Senior Managers, below the Chief Executive, are in 3 pay bands; 1,2 and 3.

By agreement with the DCMS, English Heritage has authority to create senior management posts and to appoint to them, subject to a cost ceiling, expressed as a percentage of the total pay bill. The current cost ceiling is 4.65 per cent. Creation of posts or making appointments which would breach this ceiling need DCMS approval. DCMS approval is specifically required for the appointment of a new Chief Executive or the re-appointment of a Chief Executive without competition.

The pay of senior staff is also subject to annual pay awards, in the same way as other staff. Since senior managers are on individual personal contracts, their annual pay award is agreed individually outside the collective bargaining procedure which applies to other staff. However, by agreement with the DCMS the pay award for senior staff is governed by the same percentage of the paybill that applies to other staff and agreed as part of the annual pay remit.

## Contracts

All senior staff are employed on continuous contracts and are required to give 3 months notice of termination of employment by resignation. The Chief Executive is also on a continuous contract and is required to give 6 months notice of termination of employment by resignation. Early terminations of contract by English Heritage are dealt with in accordance with the rules of the Principal Civil Service Pension Scheme. The only employee with a contractual performance bonus arrangement is the Chief Executive. The bonus is payable for the achievement of specific performance targets and objectives and is a maximum of 20 per cent of basic salary (2006: 20 per cent). Following the end of each financial year, the Remuneration Committee assess the Chief Executive's performance against his annual targets and objectives and determine the rate of his performance related bonus taking into account the Chairman of the Commission's recommendation.

# Remuneration Report

## Emoluments of the Executive Board

	Emoluments		Total accrued pension	Total lump sum	Real annual increase in pension	Real annual increase in lump sum	CETV		Real annual increase in CETV
	2007 £'000	2006 £'000	at age 60 2007 £'000	at age 60 2007 £'000	£'000	£'000	2007 £'000	2006 £'000	£'000
<b>Simon Thurley</b> Chief Executive	148	137	26	77	1	4	367	347	15
<b>Steven Bee</b> Director of Planning and Development	95	92	27	-	1	-	467	437*	11
<b>Michael Crich</b> Director of Resources	106	103	18	53	1	4	312	283	21
<b>Edward Impey</b> Director of Research and Standards	83	80	6	-	1	-	74	57	14
<b>Deborah Lamb</b> Director of Policy and Communications	84	82	39	99	1	-	575	552	13
<b>Mark Pemberton</b> Director of Properties and Outreach	107	108	42	125	1	3	796	750*	20

\*These individuals' CETV figures for 2006 have been amended from those previously published as a result of a recalculation by Paymaster, English Heritage's pension administrator.

Emoluments include gross salary and bonuses.

Following a reorganisation of English Heritage's operational structure into 4 groups, Michael Crich ceased to be a member of Executive Board from 5 February 2007.

The Chief Executive was the highest paid employee. His total emoluments for the year of £148,000 (2006: £137,000) comprise; basic salary of £123,000 (2006: £114,000) and a performance related bonus of £25,000, 20 per cent of basic salary (2006: £23,000, 20 per cent). £6,000 of the Chief Executive's performance bonus was consolidated for pay and pension purposes (2006: £6,000).

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 thereon 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.

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 £148,000 (2006: £143,000). Further details of the PCSPS scheme are included in note 20.

The emoluments section of the Remuneration Report is audited.



**Dr Simon Thurley**  
Chief Executive  
28 June 2007

# 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; and
- 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, 1 Waterhouse Square, 138-142 Holborn, London, EC1N 2ST.



**Sir Neil Cossons**  
Chairman  
28 June 2007



**Dr Simon Thurley**  
Chief Executive

# Statement of 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 Chief Executive's Management Commentary in the Annual Report;
- an Executive Board, comprising 4 Group Directors and myself, as the Accounting Officer. Each Group Director is personally accountable to me for the management of the risks relating to their group and for the management of one or two corporate risks. There are delegated authorities from the Chief Executive to Group Directors, and within each group, to make decisions and incur costs as specified in the Financial Memorandum and the Finance Manual; and
- the Audit Committee, which is an advisory body with no executive authority. The Committee comprises a Chairman who is an independent appointee, and 3 members, who are non-executive Commissioners, appointed to the Committee by the Chairman of the Commission. The Committee's terms of reference include responsibility for advising on and monitoring the adequacy of risk management in English Heritage and the Committee receives reports on risk management at each of their meetings. The Committee carries out its work by testing and challenging the assurances I receive on the effectiveness of internal controls and risk management, the way in which these assurances are developed, and the management priorities on which they are based. 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 management, planning, review, monitoring and established policies and procedures. Staff development, performance reporting, accountability and communication frameworks also contribute to an effective system.

The system of internal control has continued in place in English Heritage for the financial year ended 31 March 2007 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 lies with Group Directors who, in turn, assign day to day responsibility 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. This includes regular review of corporate and group risks at the Board's quarterly performance monitoring meetings. Further refinements continue to be made to the methodology for recording and presenting information on risk using an element of the new computerised Management Information System which will be piloted during 2007. This will simplify the process for gathering information on risk and make this information more accessible to managers in order to aid effective risk management.

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



# Statement of Internal Control

## Capacity to Handle Risk (continued)

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. Work to establish the most appropriate format for delivering risk management training has been deferred until later in 2007/08 pending full implementation of the performance and risk management element of the Management Information System.

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

## The Risk Environment

English Heritage seeks 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. 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 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; and
  - safeguard our assets and minimise opportunities for injury and damage and promote awareness of the need for risk management.
- A corporate risk register and 4 supporting individual group risk registers, which provide information on significant risks, their management control arrangements and views on their current effectiveness. 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. I will discuss the management of corporate risks with my Group Directors 4 times a year at performance monitoring meetings.
  - A cycle of risk and control identification, linked to group and departmental plans, ownership recognition and reports on the effectiveness of the control arrangements. This process starts at Executive Board level and progresses through the Group Directors to the appropriate operational levels in each of the 4 groups and feeds back into the Executive Board reports.
  - Risk monitoring through the Audit Committee, which at each of its 3 meetings a year receives reports on the development and implementation of English Heritage's risk management arrangements.
  - Quarterly Performance Management Board meetings, which monitor corporate performance against business objectives, all mission-critical projects and corporate and group risks. This is carried out by the Executive Board.
  - Stewardship reporting has been adopted as part of our risk management procedures, in addition to the internal audit opinion on internal control. 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.

The most significant risks during 2006/07 arose from budgetary pressures which had to be managed in order to ensure that strategic priorities continued to be met. The relocation of staff outside of London and the relocation of our Headquarters building within London continue to create organisational risks. We have also been working closely with the DCMS on the Heritage Protection White Paper and are preparing the organisation for the forthcoming reforms to the legislative process which will have a significant impact on the way in which we operate.

# Statement of Internal Control

## 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  
28 June 2007

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

I certify that I have audited the financial statements of English Heritage for the year ended 31 March 2007 under the National Heritage Act 1983. These comprise the consolidated Income and Expenditure Account, the Balance Sheets, the Cashflow Statement, the Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described as having been audited.

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

The Commissioners and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and 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. These responsibilities are set out in the Statement of Commissioners' and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Heritage Act 1983 and directions made thereunder by the Secretary of State. I report to you whether in my opinion, certain information given in the Directors' Report, Management Commentary and the Remuneration Report, is consistent with the financial statements. I also report 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 review whether the Statement on Internal Control reflects English Heritage's compliance with HM Treasury's guidance and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of English Heritage's corporate governance procedures or its risk and control procedures.

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 report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of Audit Opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Commissioners and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most 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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error 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 and the part of the Remuneration Report to be audited.

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

## Opinion

In my opinion:

- the financial statements give a true and fair view in accordance with the National Heritage Act 1983 and directions made thereunder by the Secretary of State, of the state of English Heritage's affairs as at 31 March 2007 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Heritage Act 1983 and directions made thereunder by the Secretary of State; and
- information given within the Directors' Report, Management Commentary and the Remuneration Report is consistent with the financial statements.

## Audit Opinion on Regularity

In my opinion, 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  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

4 July 2007

# English Heritage Consolidated Income and Expenditure Account for the Year Ended 31 March 2007

	Note	2007 £'000	2006 Restated £'000
<b>Income</b>			
Earned Income	2	38,144	34,688
Other Operating Income	3	9,090	6,610
Investment Income	4	1,324	647
<b>Total Income</b>		<b>48,558</b>	41,945
<b>Expenditure</b>			
Grants	5	34,136	35,842
Research and Standards	6	21,482	21,688
Historic Environment	7	23,075	21,209
Properties	8	69,172	60,932
Education and Outreach	9	8,263	8,685
Corporate	10	5,486	5,500
Support	11	12,615	11,846
Notional Cost of Capital	1,g	1,051	842
<b>Total Expenditure</b>		<b>175,280</b>	166,544
<b>Net Expenditure for the Financial Year Before Exceptional Items</b>		<b>(126,722)</b>	(124,599)
Modernisation	12	-	(735)
Relocation	13	(6,437)	(469)
<b>Net Expenditure for the Financial Year After Exceptional Items</b>		<b>(133,159)</b>	(125,803)
Notional Cost of Capital	1,g	1,051	842
<b>Adjusted Net Expenditure for the Financial Year</b>		<b>(132,108)</b>	(124,961)
Transfer to the Development and Restricted Funds	37	(3,304)	(323)
<b>Net Expenditure for the Financial Year</b>		<b>(135,412)</b>	(125,284)

Government Grant in Aid of £134,483,000 (2006: £125,039,000) to offset the above net expenditure was previously shown as Income. This is now shown in the General Reserve, note 33. The 2006/07 figure for Government Grant in Aid included £7,800,000 (2006: nil) for relocation costs deriving from the surrender of the lease on the previous London Headquarters building.

## English Heritage Consolidated Statement of Recognised Gains and Losses for the Year Ended 31 March 2007

	Note	2007 £'000	2006 £'000
Unrealised Surplus on the Revaluation of Tangible Fixed Assets	22	2,751	5,321
Unrealised Gains on the Revaluation of Investment Assets	26	42	83
<b>Recognised Gains and Losses Relating to the Year</b>		<b>2,793</b>	5,404

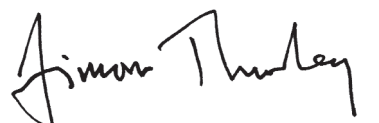
# English Heritage Consolidated Balance Sheet as at 31 March 2007

	Note	2007 £'000	2006 Restated £'000
<b>Fixed Assets</b>			
Intangible Assets	21	380	283
Tangible Assets	22	55,396	46,296
Investments	26	628	586
		<b>56,404</b>	47,165
<b>Current Assets</b>			
Stocks	27	2,932	3,224
Debtors	28	13,792	14,317
Short Term Investments	29	14,500	10,700
Cash at Bank and in Hand	39	470	287
		<b>31,694</b>	28,528
<b>Creditors: Amounts Falling Due Within One Year</b>			
Bank Overdraft	39	(4,560)	(4,062)
Creditors	30	(27,615)	(28,620)
		<b>(32,175)</b>	(32,682)
<b>Net Current Liabilities</b>			
		<b>(481)</b>	(4,154)
<b>Total Assets Less Current Liabilities</b>			
		<b>55,923</b>	43,011
<b>Creditors: Amounts Falling Due After More Than One Year</b>			
Provisions	31	(2,373)	(2,177)
	32	(5,005)	(3,847)
<b>Total Assets Less Liabilities</b>			
		<b>48,545</b>	36,987
<b>Reserves</b>			
Capital Reserves	34	10,579	9,788
Government Grant Revaluation Reserve	35	7,325	5,508
Capital Fund	36	628	586
Development and Restricted Funds	37	8,544	5,475
General Reserve	33	21,469	15,630
<b>Total Reserves</b>			
		<b>48,545</b>	36,987

The financial statements, which comprise the Income and Expenditure Account, the Statement of Recognised Gains and Losses, the Balance Sheets, the Cash Flow Statement and the related notes 1 to 46, were approved by the Commissioners of English Heritage and signed on their behalf by:



Sir Neil Cossons  
Chairman  
28 June 2007



Dr Simon Thurley  
Chief Executive

# HBMCE Balance Sheet as at 31 March 2007

	Note	2007 £'000	2006 Restated £'000
<b>Fixed Assets</b>			
Intangible Assets	21	380	283
Tangible Assets	22	55,396	46,296
Investments	26	2,028	2,028
		<b>57,804</b>	48,607
<b>Current Assets</b>			
Stocks	27	243	391
Debtors	28	14,966	15,684
Short Term Investments	29	14,000	10,200
Cash at Bank and In Hand	39	470	287
		<b>29,679</b>	26,562
<b>Creditors: Amounts Falling Due Within One Year</b>			
Bank Overdraft	39	(4,560)	(4,062)
Creditors	30	(27,628)	(28,682)
		<b>(32,188)</b>	(32,744)
<b>Net Current Liabilities</b>		<b>(2,509)</b>	(6,182)
<b>Total Assets Less Current Liabilities</b>		<b>55,295</b>	42,425
<b>Creditors: Amounts Falling Due After More Than One Year</b>			
Provisions	31	(2,373)	(2,177)
	32	(5,005)	(3,847)
<b>Total Assets Less Liabilities</b>		<b>47,917</b>	36,401
<b>Reserves</b>			
Capital Reserves	34	10,579	9,788
Government Grant Revaluation Reserve	35	7,325	5,508
Development and Restricted Funds	37	8,544	5,475
General Reserve	33	21,469	15,630
<b>Total Reserves</b>		<b>47,917</b>	36,401

The financial statements, which comprise the Income and Expenditure Account, the Statement of Recognised Gains and Losses, the Balance Sheets, the Cash Flow Statement and the related notes 1 to 46, were approved by the Commissioners of English Heritage and signed on their behalf by:



Sir Neil Cossons  
Chairman  
28 June 2007



Dr Simon Thurley  
Chief Executive

# English Heritage Consolidated Cash Flow Statement for the Year Ended 31 March 2007

	Note	2007 £'000	2006 Restated £'000
<b>Operating Activities</b>			
Net Cash Outflow from Operating Activities	38	<b>(128,408)</b>	(121,579)
<b>Returns on Investments and Servicing of Finance</b>			
Investment Income		<b>1,091</b>	647
<b>Capital Expenditure</b>			
Payments to Acquire Tangible Fixed Assets		(10,951)	(9,699)
Payments to Acquire Intangible Fixed Assets		(226)	(234)
Proceeds from the Sale of Tangible Fixed Assets		-	5
		<b>(11,177)</b>	(9,928)
<b>Management of Liquid Resources</b>			
Payments into Short Term Investments		(342,292)	(202,770)
Withdrawals from Short Term Investments		338,492	205,070
	39	<b>(3,800)</b>	2,300
<b>Financing</b>			
Government Grant in Aid		141,321	129,136
Grants received credited to the Capital Reserves		658	958
		<b>141,979</b>	130,094
<b>(Decrease)/Increase in Cash</b>	39	<b>(315)</b>	1,534

The 2006/07 figure for Government Grant in Aid included £8,000,000 (2006: nil), for relocation costs deriving from the surrender of the lease on the previous London Headquarters building.



# 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 1, i).

English Heritage Trading Limited, a subsidiary undertaking of HBMCE, continued trading throughout the year ended 31 March 2007. English Heritage Commissioners are the Trustee of the Iveagh Bequest. Hence the financial statements include a consolidation of HBMCE, English Heritage Trading Limited and the Iveagh Bequest.

### b) Income

Income is shown net of Value Added Tax.

### c) Membership Income

Annual membership income is recognised in the Income and Expenditure Account to match the benefit provided to the member. Income received that relates to benefits to be provided in the following year is treated as Deferred Income on the Balance Sheet.

Life membership income 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 receivable is credited to the General Reserve (note 33).

### 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 40 a.

### 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 per cent (2006: 3.5 per cent) 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.

# Notes to the Financial Statements

## I. Statement of Accounting Policies

### 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.

Purchased goodwill is amortised over its useful economic life of 20 years.

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

### 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 Government Financial Reporting Manual and are classified as either:

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

In accordance with the Government Financial Reporting Manual, 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 in 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. A full revaluation was undertaken as at 31 March 2006 by professionally qualified internal valuers, and the following external valuers; Ash & Co, Bidwells, Boulton & Cooper Stephenson, Brownill Vickers & Platts, Capita Symonds, Drivers Jonas, DTZ Debenham Tie Leung, Humberts Leisure, Edward Prentice, Storeys:SSP, Strutt & Parker, Edwin Thompson, Youngs, 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 Revaluation 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.

# Notes to the Financial Statements

## I. Statement of Accounting Policies

### j) Historic Artefacts and Archives

In accordance with the Government Financial Reporting Manual, additions to historic collections and archives purchased after 1 April 2001 are recorded in the Balance Sheet at cost.

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

Plant, vehicles, equipment and fixtures are initially recorded in 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.

### 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 and gardens	
– Dwellings	50 years
– Other permanent or brick/stone buildings	50 years
– Non brick/stone; visitor centres, shops, museums, exhibition buildings	25 years
– Other non brick/stone structures	20 years
– Paths, car parks, playgrounds	20-25 years
– Gardens	50 years
Refurbishments	
– Shop/café/holiday cottage refurbishment/infrastructure	10-20 years
Plant and machinery	5-15 years
IT, furniture and fittings	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.

# Notes to the Financial Statements

## I. Statement of Accounting Policies

### 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 Fund 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.

### 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 29).

### 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 20).

### 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.

# Notes to the Financial Statements

	2007 £'000	2006 £'000
2. Earned Income		
Admission Income	10,909	10,233
Retail and Catering Income	9,423	8,148
Membership Income	12,826	11,722
Other Earned Income	4,986	4,585
<b>Total Earned Income</b>	<b>38,144</b>	34,688

	2007 Capital £'000	2007 Revenue £'000	2006 Capital £'000	2006 Revenue £'000
3. Other Operating Income				
<b>Grants Receivable</b>				
European Community	12	91	220	378
Heritage Lottery Fund	79	199	523	321
Aggregates Levy	-	3,420	-	4,116
Other	477	789	150	358
<b>Total Grants Receivable</b>	<b>568</b>	<b>4,499</b>	893	5,173
Transfer (to)/from Capital Reserves	(568)	284	(893)	598
<b>Total Grants</b>	<b>-</b>	<b>4,783</b>	-	5,771
Donations	325	413	65	396
Transfer (to)/from Capital Reserves	(325)	177	(65)	121
Other Operating Income	-	3,717	-	322
<b>Total Other Operating Income</b>	<b>-</b>	<b>9,090</b>	-	6,610

Included within other operating income for 2007 is £3,276,000 received in respect of Wrest Park. This has been transferred to restricted funds (note 37).

	2007 £'000	2006 £'000
4. Investment Income		
Interest Receivable	1,297	622
Dividends Receivable	27	25
<b>Total Investment Income</b>	<b>1,324</b>	647

# Notes to the Financial Statements

	2007	2006
5. Grants Payable	£'000	£'000
Buildings and Monuments	7,695	6,600
Conservation Areas	5,165	8,075
Cathedrals	891	935
Other Places of Worship	8,504	8,013
Historic Environment	5,235	5,247
Aggregates Levy Historic Environment	3,149	3,591
Other	3,497	3,381
	<hr/>	<hr/>
<b>Total Grants Payable</b>	<b>34,136</b>	35,842
	<hr/>	<hr/>
	2007	2006
6. Research and Standards Expenditure	£'000	Restated £'000
Research	11,885	12,406
Setting Standards	9,597	9,282
	<hr/>	<hr/>
<b>Total Research and Standards Expenditure</b>	<b>21,482</b>	21,688
	<hr/>	<hr/>
	2007	2006
7. Historic Environment Expenditure	£'000	Restated £'000
Managing the Historic Environment	20,196	18,379
Listing	2,879	2,830
	<hr/>	<hr/>
<b>Total Historic Environment Expenditure</b>	<b>23,075</b>	21,209
	<hr/>	<hr/>
	2007	2006
8. Properties Expenditure	£'000	Restated £'000
Running the Properties	53,058	45,941
Maintenance	12,994	12,368
Conservation	3,120	2,623
	<hr/>	<hr/>
<b>Total Properties Expenditure</b>	<b>69,172</b>	60,932
	<hr/>	<hr/>

# Notes to the Financial Statements

	2007	2006 Restated
	£'000	£'000
9. Education and Outreach Expenditure		
Education and Outreach	2,540	2,404
National Monuments Record	5,723	6,281
	<hr/>	<hr/>
<b>Total Education and Outreach Expenditure</b>	<b>8,263</b>	8,685

	2007	2006 Restated
	£'000	£'000
10. Corporate Expenditure		
Policy and Communications	3,962	4,052
Governance	1,524	1,448
	<hr/>	<hr/>
<b>Total Corporate Expenditure</b>	<b>5,486</b>	5,500

	2007	2006 Restated
	£'000	£'000
11. Support Expenditure		
Finance	3,474	3,777
Information Systems	5,516	4,481
Legal Services	853	1,278
Human Resources	2,772	2,310
	<hr/>	<hr/>
<b>Total Support Expenditure</b>	<b>12,615</b>	11,846

## 12. Modernisation Costs

Total modernisation costs charged to the Income and Expenditure Account for the year were nil (2006: £735,000). In 2005/06 these costs mainly related to redundancy and severance payments to staff leaving English Heritage as a result of the programme of initiatives formulated by the Chief Executive, announced in June 2002 and completed during 2005/06.

## 13. Relocation Costs

In 2005/06 English Heritage commenced a project to relocate the majority of its London Headquarters staff to outside of London by the summer of 2008. Expenditure in relation to this project totalled £6,437,000 (2006: £469,000) including depreciation of £362,000 (2006: nil). In addition costs of £2,759,000 were capitalised and included as Fixed Assets, note 22 (2006: nil).

## 14. 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 2007 (2006: nil). English Heritage Trading Limited transferred all its profits for the year ended 31 March 2007 to HBMCE under the Gift Aid rules. Hence, it suffered no taxation charge as it had no taxable profits.

# Notes to the Financial Statements

15. Auditors' Fees	2007 £'000	2006 £'000
Auditors' remuneration and expenses for statutory audit work:		
English Heritage and HBMCE	54	52
English Heritage Trading Limited	7	6
<b>Total Auditors' Fees</b>	<b>61</b>	<b>58</b>

## 16. Commissioners

Commissioners' emoluments totalled £156,000 (2006: £141,000) and wholly related to basic fees in respect of their duties as Commissioners and as members of Advisory Committees and Panels. Emoluments also includes any income tax payable on home to office travel expenses which English Heritage pays on the Commissioners' behalf. No Commissioner received any performance related fees. The emoluments of the Chairman Sir Neil Cossons, the highest paid Commissioner, were £69,000 (2006: £67,000) 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 2007 totalled £24,000 (2006: £20,000). The cash equivalent transfer value (CETV) of his pension entitlement was £93,000 (2006: £80,000). The real increase in CETV in the year was £9,000 (2006: £9,000) and the real increase in pension and retirement lump sum at age 60 was £3,000 (2006: £3,000).

The emoluments of the other Commissioners were as follows:	2007 £'000	2006 £'000
Miss Maria Adebawale	4	4
Mrs Joyce Bridges	8	8
Mr Bill Bryson	4	4
Mr Michael Cairns	6	6
Professor David Cannadine	6	5
Mr Manish Chande	4	4
Professor Barry Cunliffe (appointed 15 February 2006)	8	-
Lord Douro	4	4
Mrs Gilly Drummond	6	5
Mr Piers Gough (term of appointment ended 16 May 2007)	4	4
Dr Jane Grenville	6	5
Mr Michael Jolly	4	4
Ms Jane Kennedy (appointed 15 February 2006)	4	-
The Earl of Leicester	6	5
Mr Richard Morris (term of appointment ended 15 July 2005)	-	3
Mr Les Sparks	9	9
Ms Elizabeth Williamson	4	4

The emoluments shown above for Dr Jane Grenville are paid to the University of York who are her employers, in lieu of her working time spent on English Heritage business. The emoluments for Mr Richard Morris were paid to the University of Leeds who are his employers, in lieu of his working time spent on English Heritage business.

Sir Neil Cossons' term of appointment ends on 31 July 2007. Lord Bruce-Lockhart has been appointed as the new Chairman from 1 August 2007 for a contract term of 5 years. 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.



# Notes to the Financial Statements

## 17. 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 (2006: nil).

## 18. 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 33) and receipts of: £15,000 towards the National Heritage Champions project and £132,000 in rent, and payments by English Heritage of: £80,000 towards the Household Participation Survey and £40,000 towards the Engaging Places Scheme. In addition there were staff on secondment between the 2 bodies.

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

Arts Council England	National Heritage Memorial Fund
Commission for Architecture and the Built Environment (CABE)	Royal Armouries
Heritage Lottery Fund	Sir John Soane's Museum
Museum of London	Visit Britain
Museums, Libraries and Archives Council	

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

Advantage West Midlands	Department for Transport
British Railways Board	Environment Agency
Cabinet Office	Forestry Commission
Charity Commission	Government News Network
Construction Industry Training Board	Ministry of Defence
Countryside Agency	Office of Rail Regulation
Department for Communities and Local Government	Yorkshire Forward
Department for Environment, Food and Rural Affairs (Defra)	Valuation Office Agency

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

- Sir Neil Cossons, the Chairman, is the Honorary Vice President of the Ironbridge Gorge Museum Trust which received payments of £5,000 in respect archaeological works.
- Sir Neil Cossons, the Chairman, is a Fellow of the Society of Antiquaries along with Professor David Cannadine a Commissioner; Ms Elizabeth Williamson, a Commissioner and Dr Adrian Olivier, the Strategy Director who is a member. The Society of Antiquaries received payments of £9,000 including historic environment grants totalling £6,000.
- Miss Maria Adebawale, a Commissioner, has worked on various projects for Defra. English Heritage received income from Defra of £3,434,000, comprising aggregates levy grants totalling £3,420,000 and other income totalling £14,000.
- Mrs Joyce Bridges, a Commissioner, is a Commissioner for CABE. CABE received payments totalling £20,000 in respect of a joint training project.
- Mr Bill Bryson, a Commissioner, is the Chancellor of the University of Durham. The University of Durham received payments of £293,000 including historic environment grant payments of £209,000 and other payments totalling £84,000 for the funding of university posts.
- 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. The Institute of Historical Research received a payment of £10,000 in respect of the Survey of London.

# Notes to the Financial Statements

## 18. Related Party Transactions and Connected Bodies

- Professor David Cannadine, a Commissioner, is a member of the National Trust Eastern Regional Committee. English Heritage has numerous transactions with the National Trust including: the payment of the annual National Trust maintenance deficit grant of £1,173,000, conservation grant payments totalling £1,838,000 and various other payments totalling £153,000. English Heritage also received income of £21,000 from the National Trust.
- Professor Barry Cunliffe, a Commissioner, is a Trustee and Director of Mary Rose Archaeological Services which received payment of £16,000 towards the Seahenge Conservation project. He is also employed by the University of Oxford which received payments of £111,000 including historic environment grant payments of £48,000 and other payments totalling £63,000 which included research project funding of £40,000.
- 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. The total cost of operating the museum and maintaining the fabric of Apsley House in 2006/07 was £850,000 net of income received.
- Mrs Gilly Drummond, a Commissioner, is the President of the Association of Gardens Trusts which received conservation grant payments of £9,000. Mrs Gilly Drummond's husband is the Chairman of the Hampshire and Isle of Wight Trust for Maritime Archaeology which received archaeological grant payments of £131,000.
- Dr Jane Grenville, a Commissioner, is the Head of the Archaeology Department at the University of York, which received payments of £227,000 including historic environment and archaeology grants of £83,000, funding for posts of £60,000 and various other payments totalling £84,000. She is also Chair of the Casework Committee of the Council for British Archaeology. The Council for British Archaeology received payments of £271,000 including historic environment grant payments totalling £135,000, conservation grant payments totalling £91,000 and various other payments totalling £45,000.
- Mr Piers Gough, a Commissioner until 16th May 2007, is a Trustee of the Architectural Association Foundation which received payments of £6,000.
- Ms Jane Kennedy, a Commissioner, is a Partner with Purcell Miller Tritton Architects which received fee payments of £23,000.
- Mr Les Sparks, a Commissioner, is Chair to the Bath and NE Somerset Council Regeneration Panel. The Bath and NE Somerset Council received £43,000 including a grant of £33,000 for the funding of a post.
- Ms Elizabeth Williamson, a Commissioner, is a Member of the Garden History Society. The Garden History Society received payments totalling £45,000, including conservation grants of £43,000. She is also a member of the Twentieth Century Society and the Victorian Society which received conservation grant payments of £46,000 and £58,000 respectively.
- Dr Bob Bewley, Regional Director, South West Region until 28th May 2007 is the Vice President of the Prehistoric Society which received historic environment grant payments totalling £6,000.
- Mr Philip Davies, the Planning and Development Director, South Territory, is a Board Member of the Central London Partnership which received a subscription 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 £43,000.
- Dr Adrian Olivier, the Strategy Director, is Chair of the Bradford Advisory Board at the University of Bradford. The University of Bradford received historic environment grant payments of £67,000.
- Mr Henry Owen-John, the Planning and Development Director, North West Region, is a Board Member of Culture North West which received grant payments of £41,000.

# Notes to the Financial Statements

## 18. Related Party Transactions and Connected Bodies

- Mr Mark Pemberton, the Director of Properties and Outreach, is a Director of the Association of Leading Visitor Attractions (ALVA) which received payments of £6,000.
- Mr Oliver Pearcey, Special Projects Director until 30th September 2006, is a Trustee of the Historical Chapels Trust which received conservation grant payments totalling £281,000.
- Miss Carol Pyrah, Planning and Development Director North East Region's partner runs a research consultancy business which has received payments totalling £28,000 for consultancy services in respect of research projects.
- Mr Humphrey Welfare, the Planning and Development Director, North Territory, is a Director of Hadrian's Wall Heritage Ltd which has received grant payments totalling £79,000.

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

## 19. Employees

### a) Employee Numbers

The average number of persons employed during the year expressed as full-time equivalents was:

	2007	2006
Research and Standards	319	319
Historic Environment	355	373
Properties	885	808
Education and Outreach	159	169
Corporate	60	59
Support	159	152
<b>Total Employee Numbers</b>	<b>1,937</b>	1,880

Employee numbers include 38 agency staff (2006: 36) and 17 staff working on projects shown as Fixed Assets (2006: 24), (note 22).

	2007 £'000	2006 £'000
<b>b) Employee Costs</b>		
Salaries	50,342	48,255
Social Security Costs	3,925	3,814
Pension Costs	8,986	8,456
Redundancy and Severance Costs	3,247	1,677
Agency Staff Costs	1,212	1,131
<b>Total Employee Costs</b>	<b>67,712</b>	63,333

Included within the above costs are £453,000 salaries costs (2006: £721,000), £37,000 social security costs (2006: £82,000) and £63,000 pension costs (2006: £103,000) that have been capitalised within Fixed Assets (note 22). There are no redundancy and severance costs (2006: nil) and no agency staff costs (2006: £32,000) that have been capitalised.

# Notes to the Financial Statements

## 20. Pension Costs

English Heritage is a member of the PCSPS. 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 2007, employers' contributions were payable to the PCSPS at 1 of 4 rates in the range 17.1 to 25.5 per cent of pensionable pay, based on salary bands (2006: 16.2 to 24.6 per cent). Rates for next year remain the same but the salary bands will be revalorised. 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 £8,841,000 (2006: £8,301,000).

Employees joining English Heritage after 1 October 2002 can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £134,000 were paid to a panel of 3 appointed stakeholder pension providers (2006: £145,000). 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 £11,000 (2006: £10,000), 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 (2006: nil). Contributions prepaid at that date were nil (2006: nil).

English Heritage operates a by-analogy scheme to the PCSPS for the current and previous 2 chairmen. The scheme liability at 31 March 2007 was £254,000 (2006: £212,000). This scheme has been valued by the Government Actuary's Department in accordance with Treasury guidelines and Financial Reporting Standard 17 principles.

## 21. Intangible Fixed Assets

English Heritage and HBMCE	Software Licences £'000	Goodwill £'000	Total £'000
<b>Cost or Valuation</b>			
At 1 April 2006	552	175	727
Additions	157	69	226
Disposals	(123)	-	(123)
<b>At 31 March 2007</b>	<b>586</b>	<b>244</b>	<b>830</b>
<b>Amortisation</b>			
At 1 April 2006	435	9	444
Charge for the Year	117	12	129
Eliminated on Disposals	(123)	-	(123)
<b>At 31 March 2007</b>	<b>429</b>	<b>21</b>	<b>450</b>
<b>Net Book Value</b>			
<b>At 31 March 2007</b>	<b>157</b>	<b>223</b>	<b>380</b>
At 31 March 2006	117	166	283

# Notes to the Financial Statements

## 22. Tangible Fixed Assets

English Heritage and HBMCE	Land & Buildings £'000	Artefacts & Archives £'000	Plant & Machinery £'000	IT, Furniture & Fittings £'000	Assets under Construction £'000	Total £'000
<b>Cost or Valuation</b>						
At 1 April 2006	37,935	4,041	3,833	10,399	6,680	<b>62,888</b>
Revaluations	2,751	-	-	-	-	<b>2,751</b>
Additions	2,544	104	446	648	7,188	<b>10,930</b>
Disposals	(444)	-	(408)	(436)	-	<b>(1,288)</b>
Impairments	-	-	-	-	-	-
Transfer of assets brought into use	6,846	401	1,285	1,517	(10,049)	-
<b>At 31 March 2007</b>	<b>49,632</b>	<b>4,546</b>	<b>5,156</b>	<b>12,128</b>	<b>3,819</b>	<b>75,281</b>
<b>Depreciation</b>						
At 1 April 2006	5,701	-	2,640	8,251	-	<b>16,592</b>
Charge for the Year	1,767	-	668	1,855	-	<b>4,290</b>
Backlog Depreciation	287	-	-	-	-	<b>287</b>
Eliminated on Disposals	(440)	-	(408)	(436)	-	<b>(1,284)</b>
<b>At 31 March 2007</b>	<b>7,315</b>	<b>-</b>	<b>2,900</b>	<b>9,670</b>	<b>-</b>	<b>19,885</b>
<b>Net Book Value</b>						
<b>At 31 March 2007</b>	<b>42,317</b>	<b>4,546</b>	<b>2,256</b>	<b>2,458</b>	<b>3,819</b>	<b>55,396</b>
At 31 March 2006	32,234	4,041	1,193	2,148	6,680	46,296

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.

The additions and transfers for the year mainly comprise capital projects at our trading sites, the largest projects being at Battle Abbey, Kenilworth Castle and Osborne House.

## 23. 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.

There were no additions or disposals of pure heritage assets in the year (2006: nil).

# Notes to the Financial Statements

## 24. 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 £116,000 was incurred on historic artefacts (including replicas) during the year ended 31 March 2007 (2006: £82,000). £104,000 of this expenditure was charged to Fixed Assets (2006: £69,000) and £12,000 was charged to the Income and Expenditure Account (2006: £13,000). No donated artefacts received during the year had a value (2006: nil).

## 25. Archives

English Heritage's extensive archives comprise maps, plans, photographs, reports and books. Our National Monuments Record holds over 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 2007 expenditure on archive production of £401,000 has been charged to Fixed Assets (2006: £753,000). 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 2007 totalled £7,000 (2006: £7,000).

## 26. Fixed Asset Investments

	Subsidiary Undertakings £'000	Other Investments £'000	Total £'000
<b>a) HBMCE</b>			
<b>At 1 April 2006 and 31 March 2007</b>	<b>2,028</b>	<b>-</b>	<b>2,028</b>
Details of the subsidiary undertakings are given in note 43.			
<b>b) English Heritage</b>		<b>2007</b>	2006
		<b>£'000</b>	£'000
Market Value at 1 April		<b>586</b>	503
Additions		<b>79</b>	-
Disposals		<b>(79)</b>	-
Net Investment Gains		<b>42</b>	83
<b>Market Value at 31 March</b>		<b>628</b>	586
<b>Historical Cost at 31 March</b>		<b>434</b>	434

At 31 March 2006 the investments were held in two Common Investment Funds managed by M&G Securities Ltd and comprised 33,714 units in Charifund and 65,252 units in Charibond. On 23 February 2007 the units in Charibond were sold and re-invested in Charifund units. At 31 March 2007 the investment was held in a single Common Investment Fund comprised of 38,576 units in Charifund. The market value shown is net of investment management fees, 0.46% p.a. of the value in Charifund.

# Notes to the Financial Statements

	English Heritage		HBMCE	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
27. Stocks				
Items for Resale	<b>2,932</b>	3,224	<b>243</b>	391

	English Heritage		HBMCE	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
28. Debtors				
Trade Debtors	<b>1,122</b>	1,616	<b>1,122</b>	1,616
Value Added Tax	<b>2,879</b>	2,602	<b>2,879</b>	2,602
Prepayments and Accrued Income	<b>8,270</b>	9,010	<b>8,268</b>	9,009
Other Debtors	<b>1,521</b>	1,089	<b>1,521</b>	1,089
Amount Owed by Subsidiary Undertaking	-	-	<b>1,176</b>	1,368
<b>Total Debtors</b>	<b>13,792</b>	14,317	<b>14,966</b>	15,684

## 29. 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; which was replaced by the Department for Communities and Local Government (DCLG) on 5 May 2006, 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 fixed asset investments related to the Iveagh Bequest held in a common investment fund and 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 32) none of which are interest bearing and are mainly due within 1 year. The only disclosable financial assets are cash, short term investments and fixed asset 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.

# Notes to the Financial Statements

## 29. Financial Instruments

### e) Financial Assets

The financial assets consist of cash (note 39), fixed asset investments held in a common investment fund (note 26) and short term investments held on fixed rate deposit:

	English Heritage		HBMCE	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Fixed Asset Investment – Common Investment Fund	628	586	-	-
Short Term Investment – Cash on Short Term Deposit	14,500	10,700	14,000	10,200
	<b>15,128</b>	11,286	<b>14,000</b>	10,200

The short term deposits above mature within 1 month of the Balance Sheet date, interest rates on these deposits range between 5.2 per cent and 5.38 per cent.

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

	English Heritage		HBMCE	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade Creditors	9,817	9,702	9,817	9,702
Income Tax and Social Security	1,716	1,244	1,716	1,244
Pensions	10	10	10	10
Deferred Income	4,782	4,061	4,162	3,495
Capital Government Grant in Aid	358	-	358	-
Accruals	9,171	7,823	9,165	7,818
Other Creditors	1,761	5,780	1,761	5,780
Amount Owed to Subsidiary Undertaking	-	-	639	633
<b>Total Creditors: Amounts Falling Due Within One Year</b>	<b>27,615</b>	28,620	<b>27,628</b>	28,682

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

	English Heritage		HBMCE	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Pensions	244	202	244	202
Deferred Income	2,129	1,975	2,129	1,975
<b>Total Creditors: Amounts Falling Due After More Than One Year</b>	<b>2,373</b>	2,177	<b>2,373</b>	2,177



# Notes to the Financial Statements

## 32. Provisions

	Balance at 1 April 2006 £'000	Released in the year £'000	Utilised in the year £'000	Charged in the year £'000	Balance at 31 March 2007 £'000
<b>English Heritage and HBMCE</b>					
Modernisation, Relocation and Restructuring Costs	2,878	(35)	(1,401)	2,804	<b>4,246</b>
Legal and Constructive Obligations	307	(179)	(113)	334	<b>349</b>
Claims	662	(15)	(237)	-	<b>410</b>
<b>Total Provisions</b>	<b>3,847</b>	<b>(229)</b>	<b>(1,751)</b>	<b>3,138</b>	<b>5,005</b>

## 33. Movement in General Reserve

	Capital £'000	Revenue £'000	Total £'000
<b>English Heritage and HBMCE</b>			
Baseline Grant receivable from DCMS	9,400	122,721	<b>132,121</b>
Grant receivable from DCMS – 2005/06 year end flexibility claim	1,200	-	<b>1,200</b>
Grant in Aid receivable from DCMS for relocation	200	7,800	<b>8,000</b>
<b>Total Grant in Aid receivable</b>	<b>10,800</b>	<b>130,521</b>	<b>141,321</b>
Less Capital Grant in Aid carried forward	(358)	-	<b>(358)</b>
Transfer re Fixed Asset Depreciation	(3,671)	3,671	-
Transfer re Fixed Asset Disposal	(3)	3	-
Transfer from Revaluation Reserve (note 35)	-	288	<b>288</b>
<b>Total Government Grant in Aid</b>	<b>6,768</b>	<b>134,483</b>	<b>141,251</b>
Net Expenditure for the Financial Year	-	(135,412)	<b>(135,412)</b>
<b>Movement in General Reserve</b>	<b>6,768</b>	<b>(929)</b>	<b>5,839</b>
Balance at 1 April 2006	31,102	(15,472)	<b>15,630</b>
<b>Balance at 31 March 2007</b>	<b>37,870</b>	<b>(16,401)</b>	<b>21,469</b>

Grant in Aid receivable from DCMS for relocation shown above derives from the surrender of the lease on the previous London Headquarters building.

# Notes to the Financial Statements

## 34. Analysis of Capital Reserves

English Heritage and HBMCE	EU Grant Reserve £'000	Non Govt Grant Reserve £'000	Donated Asset Reserve £'000	Restricted Fund Asset Reserve £'000	Total £'000
Balance at 1 April 2006	2,031	632	6,761	364	<b>9,788</b>
Reclassification	-	(9)	9	-	-
Movement in Year					
– Assets under Construction	(26)	266	(23)	-	<b>217</b>
– Fixed Asset Additions	39	210	427	-	<b>676</b>
– Fixed Asset Disposals	-	-	-	-	-
– Fixed Asset Depreciation Charge for the Year	(74)	(27)	(274)	(86)	<b>(461)</b>
– Fixed Asset Backlog Depreciation	(14)	(3)	(22)	(10)	<b>(49)</b>
– Revaluation of Land and Buildings	123	15	244	26	<b>408</b>
<b>Balance at 31 March 2007</b>	<b>2,079</b>	<b>1,084</b>	<b>7,122</b>	<b>294</b>	<b>10,579</b>

## 35. Movement in Government Grant Revaluation Reserve

English Heritage and HBMCE	£'000
Balance at 1 April 2006	<b>5,508</b>
– Revaluation of Land and Buildings	<b>2,343</b>
– Fixed Asset Backlog Depreciation	<b>(238)</b>
– Transfer to General Reserve – Fixed Asset Disposals (note 33)	<b>(1)</b>
– Transfer to General Reserve – Fixed Asset Depreciation Charge for Year (note 33)	<b>(287)</b>
<b>Balance at 31 March 2007</b>	<b>7,325</b>

## 36. Capital Fund

English Heritage	2007 £'000	2006 £'000
Balance at 1 April	<b>586</b>	503
Net Investment gains on Fixed Asset Investments	<b>42</b>	83
<b>Balance at 31 March</b>	<b>628</b>	586

# Notes to the Financial Statements

## 37. Development and Restricted Funds

	Balance at 1 April 2006 £'000	Income £'000	Revenue Expenditure £'000	Capital Expenditure £'000	Balance at 31 March 2007 £'000
<b>English Heritage and HBMCE</b>					
Kenwood House	251	13	-	-	264
Down House and Gardens	1,886	94	(54)	-	1,926
Eltham Palace	1,148	910	(830)	-	1,228
Rangers House (Wernher Foundation)	655	32	(32)	-	655
Ditherington Flax Mill	17	18	-	-	35
Wrest Park	-	3,438	(450)	-	2,988
London Squares	12	1	-	-	13
<b>Total Restricted Funds</b>	<b>3,969</b>	<b>4,506</b>	<b>(1,366)</b>	<b>-</b>	<b>7,109</b>
Development Fund	1,506	562	(398)	(235)	1,435
<b>Total Funds</b>	<b>5,475</b>	<b>5,068</b>	<b>(1,764)</b>	<b>(235)</b>	<b>8,544</b>
				<b>2007</b>	2006
The Total Funds were held as pooled investments as follows:				<b>£'000</b>	£'000
<b>Cash and Short Term Investments</b>				<b>8,544</b>	5,475

## 38. Reconciliation of Net Expenditure to Net Cash Outflow from Operating Activities

	2007 £'000	2006 £'000
Net Expenditure before Investment Income	(134,483)	(126,450)
Depreciation and Amortisation	4,419	4,004
Notional Cost of Capital	1,051	842
Impairments and loss on disposal of Fixed Assets	4	511
Release from Capital Reserves	(461)	(719)
Decrease/(Increase) in Stocks	292	(120)
Decrease/(Increase) in Debtors	758	(1,638)
Increase in Creditors and Provisions	12	1,991
<b>Net Cash Outflow from Operating Activities</b>	<b>(128,408)</b>	<b>(121,579)</b>

# Notes to the Financial Statements

## 39. Analysis of Net Funds

	2007 £'000	2006 £'000	Change in year £'000
Cash at Bank and in Hand	470	287	183
Bank Overdrafts	<u>(4,560)</u>	<u>(4,062)</u>	<u>(498)</u>
<b>Net Bank Overdraft</b>	<b>(4,090)</b>	<b>(3,775)</b>	<b>(315)</b>
Short Term Investments	<u>14,500</u>	<u>10,700</u>	<u>3,800</u>
<b>Net Funds</b>	<b><u>10,410</u></b>	<b><u>6,925</u></b>	<b><u>3,485</u></b>

## 40. Commitments

<b>a) Grant Offers made to Other Bodies and Individuals</b>	<b>£'000</b>
Balance outstanding at 1 April 2006	62,838
Grants paid during the year	(34,136)
New Grant offers made during the year net of lapsed offers	<u>27,051</u>
<b>Commitment Outstanding at 31 March 2007</b>	<b><u>55,753</u></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 2008 is £1,205,000 and increases annually by an agreed inflation factor.

### b) Contracts

Expenditure contracted for as at 31 March 2007 but not provided for in the financial statements amounted to £23,927,000 (2006: £33,049,000) including capital commitments of £1,216,000 (2006: £2,902,000).

### c) Operating Leases

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

	2007 £'000	2006 £'000
Within one year	718	353
Between one and five years	2,176	1,497
After five years	<u>2,572</u>	<u>1,897</u>
<b>Total Operating Lease Commitments</b>	<b><u>5,466</u></b>	<b><u>3,747</u></b>

The majority of leases relate to property rentals and are subject to rent reviews. During the year ended 31 March 2007 payments under operating leases totalled £7,298,000 (2006: £4,619,000).

# Notes to the Financial Statements

## 41. Losses and Special Payments

	2007 £'000	2006 £'000
Losses	631	164
Special Payments	60	53
<b>Total Losses and Special Payments</b>	<b>691</b>	217

There were no individual losses or special payments that exceeded £250,000 (2006: nil).

In addition to the losses shown above, some historic artefacts were stolen from one of our historic sites during the year. As these artefacts were in English Heritage's possession prior to 1 April 2001, in accordance with accounting policy, note 1, j, these assets were not valued for accounting purposes and hence were carried at nil value in the accounts. Their commercial value is uncertain.

## 42. Contingent Liabilities

Various outstanding claims existed at 31 March 2007. Provision has been made in the accounts for the year ended 31 March 2007 for those outstanding liabilities which will probably require settlement by English Heritage and where the amount of the liability can be reliably estimated (note 32). 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 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 2007. This property requires substantial repair; if a buyer cannot be found English Heritage may have to undertake the full repairs itself. English Heritage is committed to an initial programme of repairs. The additional repair cost could be in the region of £6,000,000.

## 43. 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	2007 £'000	2006 £'000
Turnover	11,266	10,152
Expenditure	(10,553)	(9,245)
Operating Profit	713	907
Interest Receivable and Similar Income	24	23
<b>Profit on Ordinary Activities before Gift Aid</b>	<b>737</b>	930
Gift Aid to HBMCE	(737)	(930)
<b>Profit on Ordinary Activities before and after Taxation</b>	<b>-</b>	-

# Notes to the Financial Statements

## 43. Subsidiary Undertakings

### a) English Heritage Trading Limited continued

Net Assets as at 31 March	2007 £'000	2006 £'000
Current Assets	3,830	3,969
Creditors: Amounts Falling Due Within One Year	(1,802)	(1,941)
<b>Net Assets</b>	<b>2,028</b>	2,028
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.

### c) The Iveagh Bequest

The Commissioners of English Heritage are also the Trustee of the Iveagh Bequest, a Trust established in 1929 by the Iveagh Bequest (Kenwood) Act for the benefit of Kenwood House. In 1997 Statutory Instrument No 482 transferred Custodian Trusteeship to English Heritage.

The following results of the Iveagh Bequest have been included in the consolidated results:

Statement of Financial Activities	2007 £'000	2006 £'000
<b>Incoming Resources</b>		
Investment Income: Dividends Receivable	27	25
<b>Resources Expended</b>		
Charitable Expenditure: Distributions to HBMCE	(27)	(25)
Net Outgoing Resources	-	-
Gains on the Revaluation of Investment Assets: Unrealised Gains	42	83
Net Movement in Funds	42	83
Fund balances brought forward 1 April	586	503
<b>Fund balances carried forward 31 March</b>	<b>628</b>	586
<b>Net Assets as at 31 March</b>		
Fixed Asset Investments	628	586
Capital Fund Reserves	628	586

# Notes to the Financial Statements

## 44. Key Financial Targets

There were no key targets set for 2006/07 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.

## 45. Prior Year Restatement

In order to comply with changes to the financial reporting guidance contained within the Government Financial Reporting Manual (FRM), English Heritage has been required to change the way that Government Grant in Aid is shown in the Financial Statements for the year ended 31 March 2007.

Government Grant in Aid is no longer shown as income on the face of the Income and Expenditure Account but is taken to the General Reserve (note 33). The Income and Expenditure Account for the year ended 31 March 2006 has therefore been restated accordingly.

The General Reserve comprises what was previously the Income and Expenditure Reserve along with the non revaluation element of the previous Capital Government Grant Reserve. The new General Reserve has been split between revenue and capital to give visibility to the Income and Expenditure movement as previously shown on the face of the Income and Expenditure Account.

A new note 35 has been created to separately show the Government Grant Revaluation Reserve, previously this was shown in the Capital Reserves note.

## 46. 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 2007 there were no projects in progress that were grant funded by landfill tax credits (2006: nil).

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English Heritage is very grateful to all the benefactors who made donations, grants and bequests or sponsored its activities during the year ended 31 March 2007. The following have given amounts of £1,000 or more:

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The North York Moors National Park  
Salisbury District Council  
Westbury Town Council  
Yarmouth & Thorley Community Partnership  
Yorkshire Forward

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