

Bath & North East Somerset Council

MEETING:	Economic and Community Development PDS Panel
MEETING DATE:	27 September 2012
TITLE:	Heritage Services provisional trading figures during the Olympic Games period
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report:	

1 THE ISSUE

- 1.1 The report describes the trading performance of Heritage Services during the period of the London Olympic Games and describes the business planning process that took account of their likely effect.
- 1.2 It should be noted that at the time of writing it is too early to fully assess the impact of the Games on business performance. There are numerous other factors such as the unseasonal weather that will have influenced it; performance in August has yet to be analysed; and the effect of the Games on other major attractions will only be known after the autumn Council meeting of the Association of Leading Visitor Attractions (ALVA), against whom we benchmark, later in September.

2 RECOMMENDATION

The PDS Panel is asked to:

- 2.1 Note the report.

FINANCIAL IMPLICATIONS

- 2.2 The Heritage Services budget for 2012/13 made provision for an anticipated downturn in visitors compared with the previous year, and the consequent effect on both admissions and secondary spend achieved by both the Roman Baths and Pump Room and Assembly Rooms and Fashion Museum sites. The downturn was expected as a result of the anticipated impact of this year's Olympic Games together with other economic factors.
- 2.3 As noted below, the downturn in visitors during the period of the Olympics and across the months of July and August was greater than expected. The reduction in income that has resulted from this downturn has been reflected in the forecast financial position for the Service. Options are actively being reviewed to mitigate this downturn and ensure that the budgeted annual profit of £3.8 Million is still generated in 2012/13 in line with the Council's Medium Term Service & Resource Plan.

3 THE REPORT

- 3.1 Heritage Services is an internal business unit, working to rolling annual net profit targets measured by fully inclusive and transparent accounts. The Service prepares a five year rolling business plan which is revised and updated annually. This business plan aims to ensure the ongoing sustainability of the Council's unique heritage assets, the audiences that visit and use them and the income streams those audiences bring. The business planning process is informed by detailed market analysis, benchmarking of performance against other leading UK visitor attractions and by visitor feedback.
- 3.2 The business planning process also takes account of social, economic, environmental and geo-political issues that influence the tourism business and people's willingness to fly, their confidence to travel and their propensity to spend.
- 3.3 Analysis of performance over many years has shown that global sporting events such as the Football World Cup and the Olympic Games also influence people to change their patterns of behaviour, either by attending the events, avoiding them or staying at home to watch them on television.
- 3.4 The implications of the announcement in July 2005 that London would be the host city for the 2012 Olympic Games were overshadowed by the London bombings the day after, which had a noticeable effect on the visitor attractions sector. Following the 2008 Beijing Games attention turned to the effect that the 2012 Games would have on tourism in general and on visitor attractions in particular.
- 3.5 Research undertaken by the European Tour Operators Association (ETOA) and published in a series of reports between 2006 and 2010 analysed the detrimental effect on tourism of the Olympic Games in Sydney (2000), Athens (2004) and Beijing (2010) and cautioned against over-optimism for London 2012. Many leading visitor attractions that receive large numbers of groups brought by tour operators allowed for a downturn in their visitor numbers in 2012 and, in the case of the Roman Baths where c.33% of visitors each year come in groups, a downturn of 8% in overall visitor numbers in July / August 2012 has been factored into the annual update of the Heritage Services Business Plan each year since 2010.

- 3.6 Under normal circumstances 66% of overseas visitors to Britain cite 'heritage' as the main purpose of their visit, but it was recognised that many of these visitors would be displaced out of London in the summer of 2012 by Olympic-related visitors who would be there purely for the sport and who would not visit attractions. This forecast was based on ETOA's research into visitor behaviour at Sydney, Athens and Beijing.
- 3.7 At the Roman Baths there has been some evidence of in-year displacement in 2012, with some visitors, child groups being the most noticeable, coming in January-March rather than in April-July. This has had the effect of taking visitors out of the current financial year into the previous one, a year that for other reasons already enjoyed a level of profit in excess of that forecast in the Business Plan.
- 3.8 There are many other contributing factors that make it difficult to make direct comparisons between successive years. Each year since 2001 which saw Foot-and-Mouth Disease and the 9/11 attacks, there has been one or more unforeseen event that has influenced the visitor market, be it a terrorist outrage, war in the Middle East, a new epidemic such as SARS, the recession, extremes of weather or the volcanic ash cloud.
- 3.9 When comparing performance in 2012 with that in 2011, it should be recognised that 2011 saw a 25-year high in visitor numbers, driven by a number of factors:
- the Roman Baths Development which transformed the quality of the visit;
 - new marketing to promote this to new UK markets;
 - the 'stay-cation' effect;
 - reaching the final of The Art Fund Museum Prize 2011 and the national publicity that it generated;
 - active management of groups to move some business away from peak periods.
- 3.10 The Business Plan 2012-2017 recognised that the achievements of 2011 would not be repeated in 2012. It planned for a downturn of 5% in Roman Baths' visitors in the financial year 2012/13, with a greater shortfall of visitors, including a reduction of c.25% in group sales business, during the months of July and August.
- 3.11 Actual sales in July and August have reduced significantly across the board, with reduced sales of both group tickets (mainly coach parties) and tickets purchased by other categories of visitor. During the 17 days of the Olympics themselves total sales were 27% lower than in the same period in 2011.
- 3.12 We believe that the greater than expected downturn in individual (ie, non-group) visitors was caused by a combination of two factors; a) the increased cost of travel and accommodation during the Olympics; and b) the incentive for UK public to watch the show in person or on TV, rather than to visit attractions during the summer holidays.
- 3.13 Our major customers have assured us that their forward bookings indicate that the Olympic effect will not continue during the Paralympics, mainly because

London hotels did not expect the Paralympics to be a major draw and therefore prices were not inflated early in the year.

- 3.14 There will be some adverse effect due to domestic visitors watching the Paralympics on TV, but since the Paralympics happen during term time, this will mainly affect a relatively small number of UK senior citizens. We therefore confirm that our forecast figures are currently the most robust estimate that we have of admission figures for September.

4 RISK MANAGEMENT

- 4.1 The Heritage Services Business Plan is underpinned by extensive and integrated modelling of all key visitor, income and cost assumptions and is sensitive to normal tolerance on the business model and its assumptions. The Business Plan is subject to challenge and review by the Heritage Services Advisory Board, which contains external advisers from the visitor attraction, heritage and financial sectors. The detailed modelling that underpins the Plan is subject to specific review and challenge by the external financial expert on the Board.

- 4.2 Provision is made in the Director's 'Review of the Adequacy of Reserves and Robustness of Estimates' which assesses the potential exposure to risk at c.£450k in 2012/13. The provision of £206k included in the Service Profit Reserve increases the total risk provision by the Authority to an appropriate level of c.£650k, or 5% of turnover

5 EQUALITIES

- 5.1 An Equalities Impact Assessment of the Heritage Service Business Plan was undertaken as part of the wider Service equalities impact action plan that looked at all business and non-business activities across the Service.

6 CONSULTATION

- 6.1 Interim Divisional Director; Section 151 Finance Officer; Chief Executive; Monitoring Officer.

- 6.2 Consultation was carried out either in person or by email.

7 ISSUES TO CONSIDER IN REACHING THE DECISION

- 7.1 N/A

8 ADVICE SOUGHT

- 8.1 The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director – Finance) have had the opportunity to input to this report and have cleared it for publication.

Contact person	Stephen Bird, Head of Heritage Services x7750
Background papers	<u>Heritage Services 5-year rolling business plans</u> for 2010-2015, 2011-2016 and 2012-2017

2010 Olympic Hotel Demand, European Tour Operators Association

2009 Beijing Olympic Update, European Tour Operators Association

2008 Olympics & Tourism: Update on Olympic Report 2006,
European Tour Operators Association

2006 Olympic Report, European Tour Operators Association

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