

Bath & North East Somerset Council

MEETING:	Cabinet	
MEETING DATE:	11 February 2015	EXECUTIVE FORWARD PLAN REFERENCE:
		E 2745
TITLE:	Heritage Services Business Plan 2015-2020 and Museum Forward Plans	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Annexe 1 – Heritage Services Business Plan 2015-2020 Annexe 2 – Roman Baths: museum forward plan 2015-2018 Annexe 3 – Victoria Art Gallery: museum forward plan 2015-2018 Annexe 4 – Revised Documentation Policy Annexe 5 – Revised Care and Conservation Policy		

1 THE ISSUE

- 1.1 The report introduces the Heritage Services Business Plan 2015-2020 that has been prepared following the annual in-depth review of business activity. The Plan includes an analysis of the risk involved. The report also seeks formal adoption of 3-year forward plans for the Roman Baths and Victoria Art Gallery and two additional museum policies which are required for the museums to renew their Accreditation status with Arts Council England.
- 1.2 This plan will reviewed and updated to reflect the new Medium Term Plan for 2016/17 to 2019/20 as part of the 2016/17 budget process following the local government elections in May 2015.

2 RECOMMENDATIONS

The Cabinet agrees to:

- 2.1 Approve the Heritage Services Business Plan 2015-2020;
- 2.2 Approve the Roman Baths Museum Forward Plan;
- 2.3 Approve the Victoria Art Gallery Museum Forward Plan;
- 2.4 Approve the Museum Documentation Policy
- 2.5 Approve the Care and Collections Policy;

- 2.6 Note that the February 2015 Council Budget Report recommends that both the £1m capital budget for East Baths Development, to be delivered in 2015/16 and 2016/17, and the £100k capital budget for Roman Baths infrastructure works to be delivered in 2015/16, be fully approved;
- 2.7 Note the proposed capital project to commence the refurbishment of the Roman Baths site and its Retail outlets in 2019/20 at a cost of £1.15 Million, for consideration as part of the 2016/17 budget process.
- 2.8 Note that the February 2015 Council Budget Report approves the re-phasing of the £100k capital budget for the Retail module of the Visitor Management System from 2014/15 to 2015/16.
- 2.9 Note that the February 2014 Council budget included the development of the Archway Centre as an emerging capital project for which a Council contribution of £650-750k should be sufficient to satisfy the Heritage Lottery Fund (HLF).
- 2.10 Confirm that it wishes Heritage Services to continue to work to the business principles agreed by the Council Executive in 2004 as amended.

3 FINANCIAL IMPLICATIONS

- 3.1 The financial information contained within the Business Plan supports the Council's current Medium Term Service and Resource Plan (MTSRP) and the proposed Council Budget for 2015/16. The Plan demonstrates how Heritage Services will attempt to increase its profit in order to meet savings targets required by the MTSRP in 2015/16 and to generate further increases in return to the Council in each of the following four financial years to 2019/20.
- 3.2 The Plan identifies the increased level of risk associated with assumptions on visitor numbers, together with the increasing difficulty that will be experienced in achieving further increases in profit in future years.
- 3.3 Heritage Services generates external income for the Authority of £15 million p.a. This is planned to increase to over £17 Million p.a. by 2020. This income is a strategic resource for the Authority, and represents a direct contribution to its finances from the local tourism economy. There are also indirect contributions via parking fees and the impact on rental values of Commercial Estate shops. The economic impact survey undertaken by the University of Bath in 2012 indicated that the Roman Baths levers £107 Million p.a. into the local economy.
- 3.4 This Authority is unique in the country in operating its museums service at a net surplus ("profit"). The net surplus earned for the Council by Heritage Services since the inception of Bath and North East Somerset Council has totalled c.£61 Million.
- 3.5 In financial year 2015/16 the target profit of £5 Million represents a reduction in each Council Tax bill in the district of c.£64. For example, the average Band D Council Tax bill would be £80 higher without this contribution to the Council's finances.

- 3.6 The annual profit targets contained within the revised Business Plan for 2015 to 2020 are challenging, and their achievement is subject to a range of sensitivities and risks, including both world events and local factors.
- 3.7 The revised Business Plan 2015-2020 continues the on-going investment programme designed to improve visitor perceptions of value for money and thus continue to increase revenues and profitability. This includes both capital and revenue financed projects, including the refurbishment of the East Baths and the cyclical refurbishment of the Roman Baths retail outlets. Subject to the success of a Round 2 HLF application, the Archway Centre will create a World Heritage Centre and Roman Baths Learning Centre, amongst other benefits.
- 3.8 The debt charges generated by capital investment are funded by planned increases in income generated by Heritage Services and are included in the financial projections that underpin the revised Business Plan. The increases in income generated by these projects are similarly included.
- 3.9 The increase in investment proposed in the revised Plan will add pressure to the Council's VAT partial exemption position. Based on current assessments it is likely that the Authority could exceed its "partial exemption" limit at some point in the five years to 2019/20. The Heritage Services Investment Programme will at all times be managed with the Council's VAT advisers to ensure the Council does not breach the partial exemption limit.
- 3.10 The figures reflected in the plan may be reviewed as part of the Council's MTSRP process.

4 CORPORATE

4.1 Heritage Services supports the Corporate objectives in the following ways:

4.2 Promoting independence and positive lives for everyone:

- the Service makes its buildings and services as accessible as possible;
- it makes concessions for seniors in its charges;
- it ensures adequate public seating in its venues.

4.3 Creating neighbourhoods where people are proud to live:

- the Service participates in the Bath Business Crime Reduction Partnership;
- it fosters pride in the district's museums and heritage through the unique residents' Discovery Card scheme;
- it enables people to trace their families and research their houses and neighbourhoods.

4.4 Building a stronger economy:

- the Service levers £107 million p.a. into the local economy (2012);
- the Service is at the heart of the area's cultural life with rich museum and archive collections which help people understand and celebrate where they live;
- the Service makes a positive contribution to the Council's budget.

5 THE REPORT

- 5.1 In September 2004 the then Council Executive decided that Heritage Services should be retained as an in-house service and should operate as a business unit with substantially improved operating arrangements focused upon:
- Sustaining and improving the annual profit generated for the Council;
 - Improving the visitor experience; and
 - Conserving the historic assets for present and future generations to enjoy.
- 5.2 This approach has been highly successful, with annual profit growing by over 100% (£2.7 Million p.a.) in the years from 2005/06 to 2015/16.
- 5.3 The revised operating arrangements included the introduction of rolling 5-year profit targets for the Service, to be set by Council and included in the Corporate Financial Plan, with financial performance presented in fully inclusive accounts outside normal local authority conventions. This operating model ensures that a holistic approach is taken to decision-making and that all resources required to sustain and generate income flows are fully aligned.
- 5.4 The revised operating model allowed the Service to embark upon a long-term programme of development work on the site to conserve the ancient fabric, enhance the visitor experience and protect and develop the income streams to the Council. All such investment is subject to a detailed annual business case including prudent provision for the costs of borrowing and VAT implications. The Executive also approved the convening of an informal Advisory Board (now re-titled 'Advisory Panel') to validate the business case for the investment proposals.
- 5.5 Annual profit is calculated net of all costs, including capital charges, all investment streams (including the maintenance and development of assets) and a full allocation of corporate overhead. In order to deliver the operating model, the Service carried out a restructure in January 2005 to ensure that front-of-house operational and back-of-house building-related activities are fully integrated so as to provide a high-quality experience to daytime and evening customers. This structure remains successful today.
- 5.6 The 2015-2020 Business Plan summarises how the Service has performed when benchmarked against other leading visitor attractions. Detailed commercially-sensitive information is provided in the exempt appendices which will be available to Cabinet Members. The Plan assesses the risk associated with assumptions on visitor volumes, including the threats posed by the development of competing visitor attractions (such as Stonehenge) and sets out a business, pricing and marketing strategy to maximise income earned from the visitor market. The Plan also outlines the investment required to achieve and sustain income and profit levels on an on-going basis. Unlike many attractions that have a large local visitor base with many repeat visitors, the Roman Baths must attract one million different visitors each year.
- 5.7 To increase capacity for generating grant giving and sponsorship income, the new post of Fundraising and Sponsorship Manager was created in 2014/15. The postholder has now been recruited and her costs are included in this current plan.

- 5.8 To increase marketing capacity, reduce management overload and build resilience, the Service's Commercial Team has been subject to a full review. A new post of Heritage Marketing Manager will be created in 2015/16 in order to both protect the attractions unprecedentedly high visitor numbers, and to redistribute them to quieter months of the year to maintain visitors' perceptions of 'quality of visit'. A new 'housekeeper' post will be created in the Operations Team to maintain standards of presentation and help deal with the problems of attrition caused by one million visitors a year. Modest step-changes in customer-facing, cleaning and support staff will also be made. The net effect of these changes in 2015/16 will be £219k p.a. and has been built into the bottom line forecasts shown in the Business Plan.
- 5.9 The joint 'saver' ticket to the Roman Baths and Fashion Museum will be increased in price and extended to include admission to the Victoria Art Gallery's large temporary exhibition programme. To regain the support of local audiences the exhibition programme will be brought into line with the Roman Baths and Fashion Museum.
- 5.10 Free admission to Discovery Card holders, currently amounting to just over 1% of Roman Baths visitors, has been re-examined. The main benefit of this is in the additional visits by friends and relatives coming with local people. The income from such visits exceeds any potential income that could be achieved from charging local residents. Free entrance to Discovery Card holders will therefore be extended to the Victoria Art Gallery. The net effect of these and related measures will be an annual increase in footfall at the Gallery of c.50,000 visitors and an increase in income of c. £60k.

Capital investment will continue to be made in five key areas:

- 5.11 The next phase of Roman Baths Development to maintain, refresh and update the 'visitor offer' and extend step-free access throughout the museum. This will involve:
- a) investment of £1 Million in the East Baths project, with £500k invested in both 2015/16 and 2016/17. This project will involve essential flood-prevention and conservation work as well as state-of-the-art interpretation and lighting. This project is included in the current provisional Capital Programme and is recommended for full approval in the Council Budget report also being considered at this meeting.
 - b) Investment of £1.15 Million in 2019/20 in order to refurbish the main Roman Baths shop and begin a further major refurbishment of the entire Roman Baths site. This project is not yet included in the current provisional Capital Programme.
- 5.12 Investment in the infrastructure on the Roman Baths site; the block of projects planned for 2015/16 is recommended for full approval in the Council Budget report also being considered at this meeting.
- 5.13 The development of The Archway Centre, a World Heritage Centre and Roman Baths Learning Centre, funded mainly from grants but including a corporately funded contribution by the Council of up to £750k should the project receive Round 2 HLF funding. Heritage Services has been successful in gaining a Round 1 HLF award in order to work up the main Round 2 application, which will be made in November 2015. The Council budget decision in February 2014 recognised this

project as an “emerging item” within the Capital Programme ,and the Council is aware that it will need to provide in-principle approval for its contribution during 2015/16 in order that the Round 2 HLF application can proceed. Full approval for the project will be sought once the result of the HLF application is known.

- 5.14 The development of further commercial corporate hospitality facilities for the Pump Room complex, subject to further development of the associated business case.
- 5.15 Installation and development of an integrated Visitor Management System, which is included in the Approved Capital Programme. Re-phasing of the project will require expenditure of £100k on the retail element of the project to be deferred from 2014/15 to 2015/16.
- 5.16 These developments, along with all other capital projects, will be subject to the Council's project implementation and capital review processes, together with planning processes as appropriate, and will be considered as part of the budget process in future years.
- 5.17 This Plan provides the business strategy necessary to meet the Council’s financial planning assumptions of a sustained increase in profit and incorporates a programme of further cost base reductions to divert resources into investment.

Arts Council England (ACE) Museums Accreditation.

- 5.18 The report also recommends the adoption of forward plans specific to the Roman Baths and Victoria Art Gallery which requires governing body approval to enable them to renew their ‘Full Accreditation’ status with ACE. The forward plans are consistent with the provisions of the Business Plan 2015-2020 and are aligned with the Council’s key objectives. Accreditation will not incur any additional ongoing costs and will enable access to grant-aid which without Accreditation would not be possible.
- 5.19 ACE has requested that two new policies be adopted by the governing body; these are a Documentation Policy and a Care and Collections Policy. These are models of best practice and involve no new expenditure.
- 5.20 The Cabinet will recall that it adopted the Fashion Museum’s forward plan in April 2014. ACE has indicated that, to simplify matters, in future it will harmonise the dates it requires the Council’s three museums to update their Accreditation status.

6 RISK MANAGEMENT

- 6.1 The report author and Lead Cabinet member have fully reviewed the risk assessment related to the issue and recommendations, in compliance with the Council's decision making risk management guidance.
- 6.2 The 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. However there is a risk that the profit targets for 2015-2020 will not be achieved, both due to the sensitivity of planning assumptions and to national and international economic factors. The Robustness of Estimates statement for the Place Directorate will include provision for this risk in the financial year 2015/16.

7 EQUALITIES

- 7.1 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.

8 RATIONALE

- 8.1 Heritage Services operates as a business unit, with annual profit targets and investment levels agreed corporately on a rolling basis. The business strategy to achieve these targets is detailed in a Business Plan ('The Plan'), reviewed and revised each year. The Plan provides a fully integrated approach to income generation and the investment necessary to achieve it, and is aligned with the Council's corporate aims and objectives.
- 8.2 In 2010 the Audit Commission commended Heritage Services for its achievements in value-for-money and for the business systems that enable these to be made as part of their assessment of the Council's 'Use of Resources'. A review of governance by the Council's internal audit service in 2013/14 rated the current arrangements as 'excellent'.

9 OTHER OPTIONS CONSIDERED

- 9.1 During 2014/15 the s151 Officer and Strategic Director (Place) commissioned an options review to consider the best governance model for the Service and to identify any areas where business performance could be enhanced yet further. The review recommended that Heritage Services remain an in-house service and that its operating freedoms granted in 2004 be restored in order to enable it to continue to thrive in the competitive visitor attractions market.
- 9.2 The process of revising and updating the Business Plan has involved consideration of a number of different pricing, marketing and investment options. The financial and business effects of these options were modelled and evaluated. The business strategy attached recommends a coherent and integrated series of decisions that are most likely to enable the Service to meet the targets required of it by the Financial Plan and sustain this level of performance in future years.
- 9.3 Another option would be for Heritage Services to cease functioning along the business lines of the past ten years and return to being a conventional local authority museum service. The absence of investment would lead to a loss of focus and competitiveness and result in falling revenues to the Council. This course of action is not recommended.

10 CONSULTATION

- 10.1 Cabinet members; Scrutiny Panel; Staff; Service Users; Local Residents; Section 151 Finance Officer; Monitoring Officer.
- 10.2 Work on the Business Plan has involved consultation with a number of people and agencies:

10.2.1 The Strategic Director 'Place' and Divisional Director 'Community Regeneration' have been consulted; the Heritage Services Advisory Panel was consulted, in particular on investment plans. The Panel advises the Cabinet Members for Resources and Sustainable Development and the Chair of the ECD Scrutiny Panel.

10.2.2 Ongoing sectoral liaison and benchmarking through the Association of Leading Visitor Attractions (ALVA) has ensured the best possible market intelligence;

10.2.3 Colleagues in Finance were also fully consulted and involved;

10.2.4 Visitor feedback is gathered and analysed during the year to inform the decision making process.

11 ISSUES TO CONSIDER IN REACHING THE DECISION

11.1 Customer Focus; Sustainability.

12 ADVICE SOUGHT

12.1 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. The Section 151 Officer has made a number of amendments to the report.

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Sponsoring Cabinet Member	Councillor Ben Stevens (Sustainable Development)
Background papers	Report of the Council Executive, Thursday 14 th October, 2004 Report to Cabinet, Heritage Services Business Update, 14 May 2014
Please contact the report author if you need to access this report in an alternative format	