

Bath & North East Somerset Council

MEETING:	Cabinet	
MEETING DATE:	12 April 2017	EXECUTIVE FORWARD PLAN REFERENCE:
		E2944
TITLE:	Heritage Services Business Plan: 2017-2022 update	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Annexe 1 – Heritage Services Business Plan 2017-2022		

1 THE ISSUE

1.1 This is the second update of the Heritage Services five-year Business Plan 2015-2020 that was approved by Cabinet in February 2015. It covers the five financial years from 2017/18 to 2021/22, and has been prepared following the annual in-depth review of business activity. The revised Plan includes an analysis of the risk involved.

2 RECOMMENDATIONS

The Cabinet agrees to:

- 2.1 Approve the Heritage Services Business Plan 2017-2022;
- 2.2 Confirm that it wishes Heritage Services to continue to work to the business principles agreed by the Council Executive in 2004, as amended;
- 2.3 Approve the deferral of £100k of Approved capital expenditure on the implementation of the new Visitor Management System from 2017/18 to 2018/19;
- 2.4 Note that at its February meeting Cabinet gave Provisional Approval to the following capital projects:
 - a) Archway Centre Public Realm improvements at a cost of £226k to support funding already identified through the Roman Baths Infrastructure Programme and the Public Realm Improvement Programme to deliver essential safety and public realm works in the immediate area of the new Archway Project;
 - b) Roman Baths & Pump Room Infrastructure Programme totalling £495k including replacing heat-exchange equipment (£250k) and existing electrical

distribution equipment that is at maximum capacity and no longer fit for purpose (£45k).

- 2.5 Note the investment contained within the Business Plan and approve the procurement of goods and services necessary to carry out this investment.

3 FINANCIAL IMPLICATIONS

- 3.1 The financial information contained within the Business Plan supports the Council's current Medium Term Financial Plan (MTFP) and the proposed Council Budget for 2017/18.
- 3.2 The Plan demonstrates how Heritage Services will attempt to increase its profit in order to meet savings targets required by the Council budget in 2017/18 and to generate further increases in return to the Council in each of the following four financial years to 2021/22. If fully achieved this may deliver a stretch target above the Heritage Services 2017/18 MTFP level which will help support the Council's 2017/18 budget.
- 3.3 Following a better-than-expected performance in 2016/17, the Service has also set an ambitious stretch target for 2017/18 to increase its profit to £6.7Million through improving current performance yet further. To achieve this, current visitor levels and yield will need to be sustained and increased in 2017/18.
- 3.4 The MTFP target and additional stretch target assume no adverse effects on visitor attractions or visitors' propensity to travel caused by significant economic, environmental or geo-political events during 2017/18. Performance will be closely monitored throughout 2017/18 and, if targets are fully achieved, Heritage Services MTFP targets will be rebased in future years to recognise the increased performance in 2017/18. This has the potential to generate further increases in return to the Council in each of the following four financial years to 2021/22.
- 3.5 The Plan incorporates and updates all of the assumptions made in the Heritage Services Business Plan 2015-2020, with three significant additions:
- A further increase in admission prices in 2018 similar to that made in 2017;
 - Visitor numbers will increase to match current year (2016/17) performance;
 - The visitor "mix" is amended to match current year performance.
- 3.6 The updated Plan incorporates two new Strategic Review initiatives totalling £340k. A further £50k p.a. will be removed from the cost base following an internal review.
- 3.7 Heritage Services generates external income for the Authority of over £18 million p.a. If the stretch target is achieved, this will increase to £20.5 Million p.a. by 2022. This income is a strategic resource for the Authority, and represents a direct contribution to its finances from the local visitor 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.

- 3.8 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.£79 Million.
- 3.9 In financial year 2017/18 the target profit of £6.075 Million represents a reduction in each Council Tax bill in the district of c.£77. For example, the average Band D Council Tax bill would be c.£89 higher without this contribution to the Council's finances.
- 3.10 The Plan identifies the level of risk associated with assumptions on visitor numbers and spend (income), together with the increasing difficulty that will be experienced in achieving further increases in profit in future years. The annual profit targets contained within the Plan are challenging, and their achievement is subject to a range of sensitivities and risks, including both local factors and world events.
- 3.11 The Plan continues the on-going investment programme designed to improve visitor perceptions of value for money and thus continue to increase revenues, profitability and reputation. This includes both capital and revenue financed projects, including the cyclical refurbishment of the Roman Baths and its retail outlets.
- 3.12 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.
- 3.13 The investment proposed in the Plan does add pressure to the Council's VAT position. Based on current forecasts it is likely that the Authority could exceed its "partial exemption" limit at some point in the five years to 2021/22. The Heritage Services Investment Programme will at all times be managed with the Council's VAT advisors to ensure the Council does not breach the partial exemption limit.
- 3.14 The new Visitor Management System was included in the full capital programme agreed by Cabinet on 10 April 2013; in February 2015 Cabinet agreed to rephase (move) £60k from 15/16 to 16/17 and, in February 2016, to move the full budget of £100k (Retail £60k and Discovery Card £40k) to 2017/18. Delays and complications encountered in the implementation of the system in 2016/17 mean that implementation of this module needs to be deferred until 2018/19.
- 3.15 The figures reflected in the plan are incorporated in the Council's financial planning process.

4 CORPORATE

4.1 Heritage Services supports the Council Priorities in the following ways:

4.2 Tackling waste and increasing efficiency: the Service –

- runs at no cost to the local tax payer and returns a profit to the Council;
- reviews its cost base and staff establishment annually;
- works in partnership with others where possible.

4.3 Delivering new homes and jobs: the Service –

- employs 223 staff and invests in their development;
- promotes apprenticeships and other employment initiatives;
- informs and assists the planning process with Record Office resources;
- the Roman Baths levers £107 Million p.a. into the local economy.

4.4 Improving local transport: the Service –

- promotes use of Park & Ride and public transport in its publicity;
- encourages people to walk between our attractions.

4.5 Investing in our area's young people: the Service –

- gives local schools free admission to the Council's museums;
- organises formal and informal learning opportunities;
- plans to create a major new Roman Baths Learning Centre;
- works with local schools, colleges, universities, independent museums and heritage bodies.

4.6 Supporting cleaner, greener and healthier local communities: the Service –

- uses energy from the hot springs to heat the Pump Room complex;
- minimises delivery miles of food and retail merchandise;
- actively recycles everything it can;
- promotes museums and archives as agents of wellbeing and social cohesion;
- participates in the Bath Business Crime Reduction Partnership.

4.7 Promoting greater choice and independence for older people: the Service –

- makes concessions for seniors in its admission charges;
- ensures there is adequate public seating in its buildings;
- consults with Age UK and the U3A on new developments;
- offers volunteering opportunities for older people in the Museums and Record Office.

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% in the years from 2005/06 to 2016/17.

5.3 The approved 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. As a business unit working to business principles already approved by the Council, Heritage Services absorbs

all costs, including those cost increases that are funded corporately for all other Council services.

- 5.4 The approved 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 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 appropriate to the Council's business requirements today.
- 5.6 The Council's Budget Management Scheme provides flexibility for business units to address profit targets on a medium term basis, rather than within individual financial years. The Heritage Services profit reserve that is hypothecated within General Reserves can therefore be used to carry forward surpluses or deficits from year to year in order to achieve the increases in profit required across the five financial years covered by this Plan.
- 5.7 The previous business plan provided for a "step change" in investment to achieve and sustain a significant increase in trading income. The current plan provides for this level of investment to be sustained and modestly increased.
- 5.8 The 2017-2022 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 upon request. The Plan assesses the risk associated with assumptions on visitor volumes, including the threats posed by the development of competing visitor attractions, and sets out a business, pricing and marketing strategy to maximise income earned from the visitor market.
- 5.9 The Council's Senior Management Team (SMT) has recognised that Services operating commercially should be empowered to use systems and processes that are fit for purpose, rather than those designed purely for traditional municipal services. All systems and processes, including procurement processes, are reviewed and amended by SMT to ensure that they support and enable the effective delivery of business plans by business units across the Council. When required the Heritage Services Advisory Board will provide expert input to support this review.
- 5.10 A new post of Facilities Technical Officer will be created in 2017/18 to increase capacity for planning and delivering the investment programme included in this Plan. This post, together with additional in-house payroll support, will enable Heritage Services to address the increasing demands of corporately-managed processes.

5.11 The joint 'saver' ticket to the Roman Baths and Fashion Museum was extended in 2015/16 to include admission to the Victoria Art Gallery's large temporary exhibition programme. Gallery opening hours were temporarily extended in 2016 to align with those at the Roman Baths and Fashion Museum; this experiment was found to be commercially beneficial and the new opening hours have been made permanent.

Investment.

5.12 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 membership or local visitor base with many repeat visitors, the Roman Baths must attract one million *different* visitors each year.

5.13 Revenue investment to maintain standards and protect / develop income streams will continue to be made in the quality of the daytime visitor experience such as presentation, interpretation, marketing, shop refurbishment and staff training; and the standard of daytime and evening customer facilities such as toilets, room hire facilities and equipment renewal.

5.14 Capital investment will continue to be made in the infrastructure of the Roman Baths & Pump Room complex, such as monument and building conservation, and will include in 2017/18 replacement of the site's electrical distribution panel, which is old and at full capacity, and the replacement of the energy capture equipment installed in 1992 with a new state-of-the-art system below water-level in the King's Bath.

5.15 The Archway Project: this capital project to create an all-new Roman Baths Learning Centre and on-street free-access World Heritage Centre has Full Approval from the Council. During 2016/17 the project received a Heritage Lottery Fund grant of £3.376 Million, major grants from the Clore Duffield Foundation (£250k) and Garfield Weston Foundation (£75k), as well as numerous smaller grants and philanthropic donations. Work will begin on site in 2018 and should be complete by late 2019.

Forward Planning.

5.16 Roman Baths Development: during the lifetime of the five-year plan, proposals will be drawn up to review and bring forward investment proposals to update the first round of 'Roman Baths Development' revenue and capital investment instituted in 2006-2011, including a major refit of the main Roman Baths Shop.

5.17 Fashion Museum: work will continue with the Regeneration Team and Property Services on a strategy for the sustainable long-term success of the Museum, now considered one of the top 10 fashion museums in the world. This will seek to build on the burgeoning scale and reputation of the Bath Spa University Fashion & Textiles courses, with which the Museum has a mutually beneficial partnership.

5.18 Victoria Art Gallery: work will continue on the current investigation into the business case for extending the Gallery into the void behind it and potentially connecting with the riverside colonnade and Guildhall complexes on either side, to reduce the Gallery's carbon footprint and make it more financially sustainable.

- 5.19 Bath Record Office: building on the current 10:100 initiative to extend its service in its existing location, work will continue with the Regeneration Team and Property Services to identify an opportunity to create a fully-accessible one-stop-shop 'history centre', along the lines of contemporary developments elsewhere in the UK.

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 2017-2022 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 2017/18.
- 6.3 Significant economic, environmental or geo-political events during 2017/18 could cause a drop in visitor numbers with an adverse impact on income and therefore profit returned to the Council.
- 6.4 The closure of York Street for structural repairs will not impair access to the Roman Baths and Pump Room complex for daytime visitor numbers or people attending evening functions. However coach groups offloading at North Parade may be re-routed via Orange Grove and Marshal Wade's Passage into Abbey Church Yard. As groups are nearly all pre-booked the Service has contact with them and will be able to give them prior warning.
- 6.5 A bigger concern will be the effect of noise from construction work on the quality of the daytime visit to the Roman Baths. Evening work in York Street could also disrupt civic, corporate and private functions in the Baths below and 'sunrise weddings' at 8am could also be affected. Evening work will also affect the evening torchlit opening which extends to 10pm between 17 June and 31 August.
- 6.6 A new item concerning these issues will be added to the Service's risk register.

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 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.

9.2 Another option would be for Heritage Services to cease functioning along the business lines of the past eleven 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; Heritage Services Advisory Board; 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 Board was consulted, in particular on investment plans. This Board advises the Cabinet Members for Finance and Efficiency and Economic Development and the Chair of the Planning, Housing and Economic Development Policy Development and 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; Economic Development; 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.

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Sponsoring Cabinet Member	Councillor Patrick Anketell-Jones (Economic Development)
Background papers	Report of the Council Executive, Thursday 14 th October, 2004 Report to Cabinet, Heritage Services Business Plan 2015-2020
Please contact the report author if you need to access this report in an alternative format	