

## Bath & North East Somerset Council

MEETING:	<b>Cabinet</b>	
MEETING DATE:	<b>10 April 2013</b>	EXECUTIVE FORWARD PLAN REFERENCE:
		<b>E 2520</b>
TITLE:	Heritage Services Business Plan: 2013-2018	
WARD:	All	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b> <b>Heritage Services Business Plan 2013-2018</b> <i>a plan for sustainability, continuity and development</i>		

### 1 THE ISSUE

1.1 The Heritage Services Business Plan 2013-2018 has been prepared following the annual in-depth review of business activity and includes an analysis of the risk involved.

### 2 RECOMMENDATION

The Cabinet agrees to:

2.1 approve the Heritage Services Business Plan 2013-2018;

2.2 Fully approve the capital budgets for the Visitor Management System, Roman Baths infrastructure and Assembly Rooms dilapidations projects (as detailed at paragraph 5.8 below) in the Council's Capital Programme for 2013/14 and 2014/15

### 3 FINANCIAL IMPLICATIONS

- 3.1 The financial information contained within this Business Plan supports the Council's current Medium Term Service and Resource Plan (MTSRP) and the Council Budget decision in February 2013. This Plan demonstrates how Heritage Services will achieve its savings targets in the MTSRP in the three financial years 2013/14 to 2015/16, together with savings at a similar level in the following two years. It does not address separate savings targets required from other areas within the Tourism, Leisure and Culture Division that are currently being worked upon and that will be included in separate reports.
- 3.2 Heritage Services generates external income for the Authority of £13.2 million p.a. This is planned to increase to £15.1 million p.a. by 2018. 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 2010 indicated that the Roman Baths levers £92 million p.a. into the local economy.
- 3.3 The Roman Baths is the only member of the Association of Leading Visitor Attractions to be operated by a Local Authority. 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. £51 million.
- 3.4 In the current financial year (2013/14) the profit of £4.05 million represents the equivalent of a reduction in each Council Tax bill in the district of c. £53. For example, the average Band D Council Tax bill would have been £68 higher without this contribution to the Council's finances.
- 3.5 The annual profit targets contained within the Business Plan for the five years to 2017/18 are challenging, and their achievement is subject to a range of sensitivities and risks, including both world events and local factors.
- 3.6 The Business Plan for the five years to 2017/18 provides for a continuation of the current investment programme that has been 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 acquisition and display of the Beau Street Hoard of Roman coins, funded from external grants. Further detailed feasibility work will be carried out over the coming year on two projects to develop Education and Hospitality facilities on the Roman Baths site.
- 3.7 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 this Business Plan. The increases in income generated by these projects are similarly included.
- 3.8 The increase in investment proposed in this Plan will add pressure to the Council's VAT 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 2017/18. 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.

## **4 CORPORATE OBJECTIVES**

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 millions of pounds into the local economy each year;
- it 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;
- it makes a positive contribution to the Council's budget.

## **5 THE REPORT**

5.1 In September 2004 the 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 future generations.

5.2 This approach has been highly successful, with annual profit growing by 60% (£1.4 Million p.a.) in the years from 2006 to 2013.

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 measured by fully inclusive accounts. 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 also addressed historic under investment in the Roman Baths & Pump Room, and has allowed the service to undertake the first phase of investment in the site. 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 2013-2018 Business Plan gives a brief review of performance in the last financial year (2012/13) and summarises how the Service has performed when benchmarked against other leading visitor attractions. It describes the changing visitor profile and the effect it has had on primary and secondary income. It sets out a business, pricing and marketing strategy to maximise income earned from this changing market, and outlines the investment required to achieve it and sustain income and profit levels on an on-going basis.

5.7 Capital investment is proposed in four key areas:

- 1) The next phase of Roman Baths Development to maintain, refresh and update the 'visitor offer' and extend step-free access throughout the museum;
- 2) Investment in the infrastructure on the Roman Baths and Assembly Rooms sites;
- 3) The development of a Learning Centre for the Roman Baths, funded mainly from grants;
- 4) The development of further commercial hospitality facilities for the Pump Room complex.

5.8 Investment in the first two areas (items 1 and 2) is reflected in the Council's provisional capital programme. Three projects within these areas were reviewed in detail by the Capital Strategy Group (CSG) in March 2013 and are now recommended for inclusion in the full capital programme:

- Visitor Management System: £100k in both 2013/14 and 14/15 (this project was agreed previously by CSG but must now be treated as capital expenditure due to changes in accounting regulations)
- Roman Baths infrastructure: £200k in 2013/14,
- Assembly Rooms dilapidations: £120k in 2013/14

Further details of these projects are included in the body of the Business Plan. All of these projects will be funded by service supported borrowing, the costs of which are provided within the Business Plan.

5.9 The developments at 5.7 3) and 4) above will be the subject of further, detailed feasibility studies over the coming financial year. The business cases developed based on the results of these feasibility studies will be reviewed by the Heritage Services Advisory Panel. 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..

5.10 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. It will be supplemented over the coming year by reviews to further improve returns from secondary spend; corporate hospitality; the Assembly Rooms and Victoria Art Gallery sites, together with day visitor catering. The results of these reviews will be incorporated in the next Business Plan.

## **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 Medium Term Service & Resource Plan profit targets for 2013 -2018 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 includes provision for this risk in the financial year 2013/14.

## **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 During the 2002 Best Value Review of Cultural and Leisure services, in which Heritage Services received a 3 Star 'Excellent' rating, the inspectors commended this approach. The Audit Commission also commended Heritage Services in 2010 for its achievements in Value For Money and the business systems that enable these to be made as part of their assessment of the Council's "Use of Resources".

## **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 seven 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 to update the Business Plan has involved consultation with a number of people and agencies:

- The Interim Strategic Director for Place and Interim Divisional Director for Tourism Leisure & Culture have been consulted; the Heritage Services Advisory Panel was consulted, in particular on investment plans. The Panel includes the Cabinet Members for Resources and Sustainable Development and the Chair of the relevant Scrutiny Panel.
- Ongoing sectoral liaison through the Association of Leading Visitor Attractions (ALVA) has ensured the best possible market intelligence;
- Colleagues in Finance were also fully consulted and involved;
- 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.

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<b>Sponsoring Cabinet Member</b>	Councillor Cherry Beath (Sustainable Development)
<b>Background papers</b>	Report of the Council Executive to The Council, Thursday 14 <sup>th</sup> October, 2004
<b>Please contact the report author if you need to access this report in an alternative format</b>	