

## Bath & North East Somerset Council

MEETING:	Cabinet	
MEETING DATE:	14 May 2014	EXECUTIVE FORWARD PLAN REFERENCE:
		E 2663
TITLE:	Heritage Services business update	
WARD:	All	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b> Appendix 1 – Fashion Museum Forward Plan.		

### 1 THE ISSUE

1.1 The report provides an update on the first year of the five-year Heritage Services Business Plan 2013-2018 agreed by Cabinet in April 2013 and describes the investment planned for the four remaining years of the Plan. It also seeks approval of the Fashion Museum Forward Plan.

### 2 RECOMMENDATION

The Cabinet agrees to:

2.1 Note the provisional out-turn for Heritage Services for 2013/14;

2.2 Approve the Fashion Museum Forward Plan;

2.3 Approve further investigation into extending the Victoria Art Gallery into the void behind it to enable it to make a positive contribution to the Guildhall market redevelopment project.

2.4 Fully approve the capital budget for the Beau Street Hoard project in the Council's Capital Programme for 2014/15 and 2015/16 in the amounts of £203k and £17k respectively, and note the technical adjustment made to the capital budget for this project in 2013/14 to reflect grant-funded spend.

### 3 FINANCIAL IMPLICATIONS

3.1 **Financial targets:** the Council's Medium Term Service and Resource Plan (MTSRP) requires Heritage Services to generate cumulative increases in annual profit in the next two financial years totalling £750k per annum. These will total:

- 2014/15: £4.56 Million;
- 2015/16: £4.81 Million.

3.2 Further increases in profit are assumed in each of the following years. The annual profit targets are challenging, and their achievement is subject to a range of sensitivities and risks, including both world events and local factors.

- 3.3 Investment in the Council's heritage assets will add pressure to the Council's VAT position. The Investment Programme will be managed with the Council's VAT advisers to minimise the risk that the Council will exceed its partial exemption limit.
- 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 this Council in 1996 has totalled c.£56 million.
- 3.5 In financial year 2014/15 the target profit of £4.56 million represents a reduction in each Council Tax bill in the district of c.£59. For example, the average Band D Council Tax bill would be £75 higher without this contribution to the Council's finances.
- 3.6 **Beau Street Hoard:** the capital budget for this project requires re-phasing and full approval following the successful application for HLF funds. The project involved expenditure of £70k in the financial year 2013/14 to acquire the hoard (agreed as a technical adjustment to the capital programme). A further £203k will be spent in 2014/15 and £17k in 2015/16 to display and improve access to the coins.
- 3.7 The project also incorporates a revenue funded programme of educational and outreach activity that will cost £199k over the same period. This sum is not currently included within the MTSRP; it is cost-neutral, and does not involve any financial commitments by the Authority beyond those already included within the MTSRP.
- 3.8 Both the capital and revenue funded elements of the project will be funded from external grants, including an award of £413k from the Heritage Lottery Fund (stage 1 and stage 2 grants), monies raised from public appeals, and a contribution by the Council of £10k from within existing budgets.

## 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 (University of Bath 2012);
  - 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 Heritage Services generates external income for the Authority of £14 million p.a. This income is a strategic resource for the Authority, and represents a direct contribution to its finances from the local tourism economy.
- 5.2 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.
- 5.3 This approach has been highly successful, with annual profit growing by over 90% (£2.2 Million p.a.) in the years from 2005/06 to 2014/15.
- 5.4 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.
- 5.5 The revised operating model also addressed historic under-investment in the Roman Baths & Pump Room, and allowed the Service to undertake the first phase of development work on 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 'Panel') to validate the business case for the investment proposals.
- 5.6 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.
- 5.7 **Performance in 2013/14:** provisional revenue outturn figures show that the Service generated a profit of £5.2 Million in 2013/14, £1.1 Million above the planned target level. The increase in profit was due mainly to record numbers of Roman Baths' visitors, which exceeded one million for the first time. The level of increase in visitor numbers in 2013/14 was consistent with that experienced by many other leading visitor attractions. As yet, none are sure whether this is a one-off phenomenon.
- 5.8 Benchmarking with other leading UK visitor attractions demonstrated that the Roman Baths, and Heritage Services as a whole, continue to perform in the top 25% of all major attractions for income generation, profitability and productivity. Staffing costs continue to be amongst the lowest of all major attractions.
- 5.9 **Fashion Museum:** the revised Business Plan includes a forward plan specific to the Fashion Museum which requires governing body approval to enable the Museum to achieve Full Accreditation status with Arts Council England (ACE). This will enable the Council to continue to apply for grant funding that is not available to non- Designated museums.

- 5.10 The Forward Plan is included in the Heritage Services Service Plan 2014/15. A grant of £58k from the ACE Renaissance Strategic Support Fund will finance work on developing the Forward Plan. This budget is not currently included within the MTSRP; it is cost neutral, and does not involve any financial commitments by the Authority beyond those already included within the MTSRP.
- 5.11 The Fashion Museum Forward Plan has four key aims:
- to develop and sustain the Fashion Museum for local and global audiences;
  - to develop and preserve the collection and the information about it;
  - to present the collection in displays and exhibitions which are lively, entertaining, scholarly, beautiful, accessible and inclusive;
  - to extend engagement with the collection for users locally and world-wide.
- 5.12 **Victoria Art Gallery:** a feasibility study undertaken during 2013/14 demonstrated that it would be possible to extend the building into the void behind the Gallery to connect with the upgraded Market and redeveloped riverside undercroft. With new exhibition space, an expanded shop, a contemporary café and a high-level south and east facing viewing terrace, the extension would add a cultural component to the Guildhall and Market Development with the potential to drive footfall and extend dwell-time within the complex.
- 5.13 Further feasibility works in 2014/15 will be funded from the Service's revenue investment programme. Costs are anticipated to be in the region of £10k.
- 5.14 The project would be the subject of an application to the Heritage Lottery Fund, whose advice will be sought at an early stage, and the business case for the development would form the core of the application.
- 5.15 **Capital investment** will continue in four key areas:
- 1) Further Roman Baths Development to improve the 'visitor experience' and extend accessibility; this includes step-free access through the Temple Precinct, the display of the Beau Street Hoard of Roman coins and substantial improvements to the environment, presentation and interpretation of the East Baths;
  - 2) Investment in the infrastructure at the Roman Baths and Assembly Rooms;
  - 3) The development of the Archway Centre, funded mainly from grants; this is an 'emerging capital project' for which a Council contribution of £650-750k should be sufficient to satisfy the Heritage Lottery Fund;
  - 4) Further commercial hospitality facilities at the Pump Room, subject to the development of the associated business case.
- 5.16 Investment in areas 1 and 2 is reflected in the Council's full and provisional capital programme. The Temple Precinct project is fully approved and is largely completed; the infrastructure programme is reviewed annually by the Capital Strategy Group, and the expenditure planned in 2014/15 is included in the full capital programme.
- 5.17 The Beau Street Hoard project involves capital expenditure of £290k over three financial years to acquire, display and provide access to the hoard of Roman coins.
- 5.18 The Archway Centre and Pump Room hospitality suite will both be the subject of further, detailed feasibility studies during 2014/15. 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.

## **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 There is a risk that the MTSRP profit targets for 2014-2019 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 2014/15.

## **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". 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 To cease functioning along the successful business lines of the past ten years and return to being a conventional local authority museum service. This will lead to a loss of focus and competitiveness and result in falling revenues and loss of reputation to the Council. This course is not recommended.

## **10 CONSULTATION**

- 10.1 Cabinet members; Scrutiny Panel; Staff; Service Users; Local Residents; Section 151 Finance Officer; Monitoring Officer.

## **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 Ben Stevens (Sustainable Development)
<b>Background papers</b>	Report of the Council Executive to Full Council, 14 <sup>th</sup> October 2004 Report to Cabinet, April 10 <sup>th</sup> 2013
<b>Please contact the report author if you need to access this report in an alternative format</b>	