

## Bath & North East Somerset Council

DECISION MAKER:	Cllr Terry Gazzard, Cabinet Member for Development & Major Projects Cllr Malcolm Hanney, Cabinet Member for Resources	
DECISION DATE:	On or after 17 <sup>th</sup> July 2010	EXECUTIVE FORWARD PLAN REFERENCE:  E 2101
TITLE:	<b>Heritage Services Business Plan: 2010-2015 Update</b>	
WARD:	All	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b> Business Plan 2010-2015 Update		

### 1 THE ISSUE

- 1.1 The Updated Business Plan 2010–2015 identifies the changes to the planning assumptions made in the Heritage Services Business Plan 2006–11. It has been prepared following the annual in-depth review of business activity and includes an analysis of the risk involved. It is not an exhaustive analysis of the Service's business position. For the full picture it should be read in conjunction with the Heritage Services Business Plan 2006–11.

### 2 RECOMMENDATION

- 2.1 The Cabinet Members are asked to approve the updated Heritage Services Business Plan 2010-2015.

### 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 2010. The Plan has been discussed with the Strategic Director for Service Delivery and Divisional Director for Tourism Leisure & Culture in the context of the Council's current exercise to review its MTSRP in the light of pressures upon public sector finances, and will be reviewed and amended from 2011 to meet any changes to profit targets required as a result of this exercise.
- 3.2 Heritage Services generates external income for the Authority of £11.3 million p.a. This is planned to increase to £13.25 million p.a. by 2015. 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.
- 3.3 The Authority is unique in the country in operating its museums service at a profit. The annual profit earned for the Council by Heritage Services since the inception of Bath and North East Somerset Council has totalled around £40 million.
- 3.4 When conducting their latest review of the Council's 'Use of Resources' the Audit Commission indicated that Heritage Services could be considered an area of "notable Practice".
- 3.5 In the last financial year (2009/10) the profit of just over £3.2 million represented the equivalent of a reduction in each Council Tax bill in the district of c.£42 p.a. The average Band D Council Tax bill would have been £50 higher without this contribution to the Council's finances.
- 3.6 The annual profit targets contained within the Business Plan for the five years to 2014/15 are challenging, and their achievement is subject to a range of sensitivities and risks, including both world events and local factors.
- 3.7 The updated Business Plan for the five years to 2014/15 provides for a continuation of its current investment programme that has been designed to improve visitor perceptions of value for money and thus continue to increase revenues and profitability. It also proposes modest investment in the infrastructure of the two main attractions and identifies two potential areas for further investment in the next five years that will be the subject of feasibility studies over the coming year.
- 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 this Business Plan. The increases in income generated by these projects are similarly included.
- 3.9 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 will avoid exceeding its "partial exemption" limit in the five years to 2014/15. Should the "partial exemption" limit be breached as a result of the Heritage Services investment projects, the additional costs incurred by the

Authority will be met by Heritage Services. However, such additional finance costs would reduce the ability to invest in the Service.

## **4 CORPORATE PRIORITIES**

4.1 The 2010-2015 Business Plan update contributes to the following Key Priorities:

- a) Sustainable growth: the Business Plan shows how the Roman Baths will continue to be the engine of the local tourism economy;
- b) Climate change: the Business Plan includes proposals for a Heritage Services Environment Plan to be drawn up;
- c) Transport and public spaces: the Service will make a significant contribution to the quality of the Abbey Church Yard through its catering development from 2011.

4.2 Work will be undertaken over the coming year in order to ensure that the activities within the Business Plan are linked to the outcomes required by the Sustainable Community Strategy.

## **5 THE REPORT**

5.1 In September 2004 the Council Executive approved a recommendation that the Council should borrow to finance major investment in the Roman Baths and Pump Room 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.

5.2 The then Executive agreed that the Service should operate within rolling 5 year profit targets, to be set by Council and included in the Corporate and Financial Plan, with financial performance measured by fully inclusive accounts.

5.3 The 5-year Business Plan 2006-2011 approved by the former Executive Member in March 2006 set out a strategy that would enable profits to be grown in a sustainable manner in order to achieve the annual targets agreed as part of the Council's Corporate and Financial Plans.

5.4 The 2010-2015 update of the Business Plan gives a brief review of 2009/10 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 ongoing basis.

5.5 The updated Business Plan recommends that detailed feasibility studies be undertaken into two potential developments that would support existing business and develop new income streams. These are:

- **Roman Baths education centre:** with state-of-the-art facilities suitable for a range of learning situations from Curriculum-related KS1&2 teaching sessions to less formal holiday and weekend adult education study activities. The opportunity to include a World Heritage Site information point would be included in the feasibility study.
  - **Hospitality suite:** a lightweight single storey addition to the Pump Room complex over the existing kitchens to provide new high-specification meeting and dining facilities in a spectacular city centre location overlooking the Roman Baths.
- 5.6 The business cases developed based on the results of these feasibility studies will be reviewed by the Heritage Services Board. 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.
- 5.7 The updated Business Plan also recommends that officers bring forward proposals for the creation of a Roman Baths educational trust (a charity) for the purpose of raising funds for the proposed education centre from sources that do not grant aid local authorities. This charity could be the recipient of any grants and donations made to the Roman Baths and would include the money retrieved from the Circular Bath, once the costs of their retrieval, cleaning and banking have been covered.

## 6 RISK MANAGEMENT

- 6.1 The Heritage Advisory Board, including the report author and Cabinet Members, 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 Updated 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 Financial Plan profit targets for 2010-2015 will not be achieved, both due to the sensitivity of planning assumptions and to national and international economic factors.
- 6.3 The Director's 'Review of the Adequacy of Reserves and Robustness of Estimates' assesses the potential exposure to risk at approximately £370k in 2010/11, and has provided £185k within Council reserves to mitigate this risk. The Heritage Services profit reserve provides a further £206k of mitigation, ensuring that the total provision is adequate to meet a 'normal' level of risk. However, the level of risk exposure could be higher than the £370k identified above, and could reach as much as £750k if the effects of local events on the visitor market are added to a more pessimistic assessment of the impact of world events and of the economic downturn.

## **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 an integrated approach to income generation and the investment necessary to achieve it, and is aligned with the Council's corporate aims and objectives. 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.

8.2 The Audit Commission has 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.

## **10 CONSULTATION**

10.1 Work to update the Business Plan has involved consultation with a number of people and agencies:

- (i) The Strategic Director for Service Delivery and Divisional Director for Tourism Leisure & Culture have been consulted;
- (ii) The Heritage Services Board was consulted, in particular on investment plans. The Board includes the Cabinet Members for Resources and Development & Major Projects;
- (iii) Ongoing sectoral liaison through the Association of Leading Visitor Attractions (ALVA) has ensured the best possible market intelligence;
- (iv) Colleagues in Finance were also fully consulted and involved.

10.2 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 The principal considerations lie in the following areas:
- 11.2 **Economic Sustainability** – the Heritage Services Business Plan carries the sub-title “A medium term plan for sustainability and continuity.” The investment proposals for the next five years aim to maintain the Roman Baths as a competitive top UK visitor attraction and protect and develop its income streams delivered to the Council, with all of the knock-on benefits this has for residents and the wider tourism economy in Bath and North East Somerset.
- 11.3 **Customer Focus** – the Business Plan will continue to respond to the needs and expectations of an increasingly discerning visiting public and the wide range of local, national and international audiences that it represents.
- 11.4 **Property** – the investment proposals include a major campaign of conservation work to consolidate, protect and enhance the in-situ remains of the Roman Baths and Temple.
- 11.5 **Social Inclusion and Young People** – the investment proposals include measures to improve the accessibility of the site for people with disabilities. The Roman Baths and Fashion Museum pricing structure will continue to recognise the needs of children, students, families, seniors and the unwaged.

## 12 ADVICE SOUGHT

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

<b>Contact person</b>	Stephen Bird, Head of Heritage Services 01225 477750 Richard Hartill, Finance / Business Manager 01225 396405
<b>Background papers</b>	Heritage Services Business Plan 2006–11 Roman Baths Development Plan prospectus
<b>Please contact the report author if you need to access this report in an alternative format</b>	