

<b>Bath &amp; North East Somerset Council</b>		
MEETING	<b>Cabinet</b>	
MEETING	<b>6 February 2019</b>	EXECUTIVE FORWARD PLAN REFERENCE:
		<b>E 3123</b>
TITLE:	<b>Heritage Services <u>Business Plan 2019-2024</u></b>	
WARD:	All	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
Annexe 1: Heritage Services <u>Business Plan 2019-2024</u>		

## 1 THE ISSUE

The report introduces the Heritage Services Business Plan update for the five-year period 2019/20 to 2023/24. It sets out the business unit's strategy for delivering savings targets and increasing its return to the Council on an ongoing and sustainable basis. The Plan includes strategies for pricing, marketing and investment in conservation, staff development and the quality of the visitor experience to achieve the ambitious targets set out in it, and an analysis of the risk involved.

## 2 RECOMMENDATION

The Cabinet is asked to:

- 2.1 Approve the Heritage Services Business Plan 2019-2024 ("The Plan");
- 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.

## 3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 **Finance:** The Plan proposes a budget for 2019/20 that consists of £24.82m of income, £16.04m of expenditure, resulting in a profit of £8.78m returned to the Council. This is an increase of £1m (13%) on the 2018/19 budget and delivers the increased savings targets proposed in December 2018.
- 3.2 **Investment:** The Plan proposes £1.5m of revenue investment in 2019/20. This represents zero inflation on the 2018-19 figure and is a reduction of £125k from the 2019/20 projected figure that was built into the Business Plan 2018-2023 adopted by Council in February 2018.

3.3 **Property:** 2019 and 2020 will see the completion of the £5m HLF-supported Archway Project in York Street and Swallow Street.

3.4 **People:** Within the Service each team's structure, both front-of-house and back-of-house, has been reviewed to ensure the most efficient and resilient staff arrangements are in the plan for 2019/20. The structural changes highlighted in the last year's business plan have been delivered, saving a total of £82k p.a. in staff costs and a further £50k p.a. of contractor costs. The 2017/18 peer-group benchmarking exercise completed through the Association of Leading Visitor Attractions (ALVA) showed the Roman Baths and Pump Room delivering profit of £136k per employee, the second most profitable in the UK. The Service will continue to invest in its staff to ensure optimum performance in respect of customer satisfaction and financial efficiency and return.

## 4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

4.1 **Equalities:** 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.

4.2 **Legislation:** all investment proposals for maintenance and conservation of historic fabric will be subject to consent via a Listed Building application or a Scheduled Ancient Monument application.

## 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 Following this approach, annual profit to the Council has grown by 269% in the years from 2005/06 to the 2019/20 proposed budget.

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. The Executive also approved the convening of an informal Advisory Board to validate the business case for the investment proposals. 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 has allowed the Service to deliver a long-term programme of development work at the Roman Baths & Pump Room site to conserve the ancient fabric, enhance the visitor experience and protect and develop income streams and the profit returned to the Council from them. All such investment is

subject to a detailed annual business case including prudent provision for the costs of borrowing and VAT implications.

- 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.
- 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 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, and sets out a business, pricing and marketing strategy to maximise income earned from the visitor market.
- 5.8 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 purposes. 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.

### **Summary of The Plan:**

#### **5.9 Business strategy:**

The Plan will continue to seek to be sustainable and resilient in the Service's three key areas of activity: Conservation (sustaining our heritage for the future); Customers (sustaining the audiences who come to enjoy it); and Commercial (sustaining the income streams they bring).

#### **5.10 Pricing policy:**

Admission prices remain the primary mechanism to continue to grow the income and profit generated by Heritage Services. Following a review of the Roman Baths pricing strategy a tiered pricing structure was introduced in January 2019 to offer visitors the opportunity to save money by visiting at times when there is greater capacity. The volume of visitors at busy times has been cited as detrimental to visitor experience and, when the site is more crowded, the attrition on the monument is greater. By seeking to influence visitor behaviour through pricing we hope to achieve a smoother pattern of visitation through the year.

Lead adult prices will range from £16.00 off peak to £22.00 peak and an online discount of 10% will also be offered to encourage visitors to book in advance. By offering the online discount visitors are able to visit for a lower price than during 2018 for 65% of the year, which increases the accessibility of the site. The significant price increase during peak periods gives the opportunity to maximise revenue. This

strategy is expected to deliver an additional £1.4m of admission income at the Roman Baths in 2019.

Anticipating the completion of the Roman Baths' Clore Learning Centre in 2020, the Service will continue to promote its educational offer to schools. Schools are unaffected by the tiered pricing strategy and will continue to enjoy preferential rates in the off-peak months when most of them choose to visit.

#### 5.11 **Marketing:**

The marketing strategy will continue to promote shoulder months and summer evening opening to reduce high season daytime congestion. Digital marketing campaigns will encourage people to book on-line using the website. The Residents' Discovery Card will continue to be promoted both to encourage use by card-holders in Bath and North East Somerset and to grow the visiting friends and relatives (VFR) market.

Overseas marketing will primarily focus on two areas:

- US Market: The US Market remains an attractive market for growth with many Americans using the low pound as an opportunity to make that once in a lifetime trip to the UK. America is the second biggest market for inbound visits to the UK and the 1<sup>st</sup> in terms of spend.
- China: China remains an important market for the Roman Baths (roughly 10% of the Roman Baths total audience), Fashion Museum and Bath as a destination. China has been a growth market for the Roman Baths for many years due to the early adoption of marketing to China in China and marketing to Chinese visitors when they are in the UK. Tourism in China is forecast to grow by 8% over the next 10 years.

#### 5.12 **Group business:**

Groups currently make up 30% of all Roman Baths visitors. Whilst they are an important part of our customer base, they visit during a small window of the day and bring us the biggest numbers on our busiest days contributing to overcrowding.

In 2018 a Group Management Strategy was created to try and better manage the group visitor process and reduce congestion on busy days. The strategy sought to reduce the number of group visitors that visit the Roman Baths during peak times by:

- Reducing the capacity for group entry during our peak times;
- Extending the variable rate pricing structure to all group visitors making it cheaper to visit in the quieter compared to the peak Summer months.

This strategy also reflects the reduction in coach parking in Bath and ongoing concerns about traffic congestion and air quality. The strategy aims to reduce the proportion of group visitors from 32% of the total to 25% by 2021.

#### 5.13 **Investment:**

Revenue investment will continue in the areas of standards and conservation; visitor experience; staff development; commercial development; and the 'future offer'.

Key capital investment projects over the lifetime of The Plan will include:

- 2019/20: complete the Victoria Art Gallery air-conditioning and spa water energy capture schemes;
- 2019/20 + 2020/21: continue and complete the Archway Project;
- 2019/20 + 2020/21: Roman Baths monument conservation works;
- 2021/22: Refurbish and refit the main Roman Baths Shop;
- 2022/23: Visitor Management System, next phase.

The Service-supported borrowing costs for these investments are included within The Plan.

#### 5.14 **Cost base:**

The Service will continue to zero-base its budgets on an annual basis.

#### 5.15 **Contingency:**

From 2018/19 and on the advice of the Advisory Board, The Plan has included a £290k (1.8%) contingency to help mitigate the impact of unforeseen, external or internal events.

## 6 **RATIONALE**

6.1 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 its Business Plan which is 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.

6.2 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' and during 2018 an audit of 'Financial Reporting & Monitoring' within the Service also gave an 'excellent' rating.

6.3 The annual ALVA financial benchmarking confirms that the Service delivers top quartile productivity, efficiency and profitability when making sector comparisons.

## 7 **OTHER OPTIONS CONSIDERED**

7.1 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.

7.2 Another option would be for Heritage Services to cease functioning along the business lines of the past twelve 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.

## 8 CONSULTATION

- 8.1 Cabinet members through the Heritage Services Advisory Board; Director of Economy & Growth; Heritage Services' staff; service users; local residents; S151 Officer and Finance staff; Monitoring Officer.
- 8.2 Ongoing sectoral liaison and benchmarking through ALVA has ensured the best possible market intelligence;
- 8.3 Visitor feedback is gathered and analysed during the year to inform the decision-making process.

## 9 RISK MANAGEMENT

- 9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.
- 9.2 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 2019-2024 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 Economy & Growth directorate will include provision for this risk in the financial year 2019/20.
- 9.3 Significant economic, environmental or geo-political events during 2019/20 could cause a drop in visitor numbers with an adverse impact on income and therefore profit returned to the Council. One of the more significant risks is the uncertainty around border arrangements following Brexit, which has the potential to significantly impact international visitors to the UK. To some extent this risk is mitigated by the value of Sterling which both makes the UK an attractive proposition to visit for international visitors and an expensive place to travel from for domestic visitors.

<b>Contact person</b>	Stephen Bird, Head of Heritage Services: 01225 477750
<b>Background papers</b>	Report of the Council Executive, Thursday 14 October 2004  E2745 February 2015 Report to Cabinet, Heritage Services Business Plan 2015-2020  E3024 February 2018 Report to Cabinet, Heritage Services revised Business Plan 2018-2023
<b>Please contact the report author if you need to access this report in an alternative format</b>	