

Bath & North East Somerset Council

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| MEETING | Cabinet | |
| MEETING DATE: | 20 May 2021 | EXECUTIVE FORWARD PLAN REFERENCE: |
| | | E 3266 |
| TITLE: | Heritage Services <u>Business Plan 2021-2026</u> | |
| WARD: | All | |
| AN OPEN PUBLIC ITEM | | |
| List of attachments to this report: | | |
| Annexe 1: Heritage Services <u>Business Plan 2021-2026</u> | | |

1 THE ISSUE

- 1.1 The report introduces the Heritage Services business plan update ('the Plan') for the five-year period 2021/22 to 2025/26. It sets out the business unit's early strategy for stabilising following the effects of the Covid pandemic and rebuilding visitor numbers and financial performance on a sustainable basis, whilst maintaining the high standards of visitor experience, conservation and presentation that are the bedrock of commercial success.
- 1.2 It is recognised that the outlook for the visitor economy remains uncertain; the assumptions upon which the Plan is built have greater degrees of uncertainty in the outer years. Future annual revisions and updates to the plan will build on and revise these assumptions, as the visitor economy recovers.
- 1.3 The Plan includes strategies for addressing the Climate Emergency as well as for pricing, marketing and investment in conservation, staff development and the quality of the visitor experience, and an analysis of the risk involved.

2 RECOMMENDATIONS

The Cabinet is asked to:

- 2.1 Approve the Heritage Services Business Plan 2021-2026;
- 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 Confirm that it wishes to relocate the Fashion Museum with a supporting Collections Centre subject to a satisfactory business case being prepared.

3 THE REPORT

- 3.1 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 the benefit of this and future generations.
- 3.2 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. For many years the Service had a profit reserve on the balance sheet to manage fluctuations in year-on-year performance, although in recent years this has been hypothecated within the Council's General Reserves.
- 3.3 This operating model has ensured that an 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 such as pay increases that are funded corporately for all other Council services.
- 3.4 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.
- 3.5 Annual profit is calculated net of all costs, including capital charges, all investment maintenance and development of assets and a full allocation of corporate overhead. Following the principles introduced in 2005/06, annual profit to the Council grew by 269% in the years from 2005/06 to the end of 2019/20 and the lockdown enforced by the Covid-19 pandemic
- 3.6 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.
- 3.7 The Plan summarises how the Service performed to 2019/20 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.
- 3.8 Although financially catastrophic, the Covid pandemic has given an opportunity to accelerate the Service's 2017 policy to reduce dependence on the coach-borne

group travel trade and contribute to greener and more environmentally sustainable tourism. It is recognised that, due to the pandemic's adverse impacts on all aspects of the tourism economy (both domestic and international), financial returns to the Council may not recover to pre-pandemic levels until at least 2024/25. Because of this, the opportunity to develop and monetise high-quality digital content is being explored.

- 3.9 A detailed marketing plan, summarised in the business plan attached, has been drawn up to identify how visitor numbers will recover in ways that are sustainable and which yield greater income per head than pre-pandemic. Working with Visit England / Visit Britain, Visit West / Visit Bath and other agencies, there will be a stronger focus on generating longer-stay visitors, which bring greater economic benefit to the city.

4 STATUTORY CONSIDERATIONS

- 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.
- 4.3 **Safeguarding:** all necessary measures to protect children and vulnerable adults are in place and are routinely reviewed. Staff training on safeguarding issues is provided to all new staff likely to have contact with children and vulnerable adults and refresher training is arranged as necessary. Safeguarding is a standing item at the Service's monthly management team meeting.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 **Finance:** The Plan proposes a budget for 2021/22 that consists of £16.7M of income, £11.3M of expenditure, resulting in a profit of £5.4M. This is a shortfall of £4.1M on the 2021/22 net profit projected in the business plan approved in February 2020, before the effects of the pandemic were known. The revised plan includes a reduction on planned expenditure of £2.7M in comparison to the plan agreed 12 months ago, to mitigate the income shortfall. It should also be noted that the Government Sales Fees and Charges scheme provides support for lost income through Q1 of 2021/22. This is projected to be worth £1.6m in 2021/22; without this support the shortfall on last year's plan would be greater.
- 5.2 **Investment:** In recognition of the financial constraints facing the Service following the pandemic, the Plan proposes a much-reduced maintenance and investment budget of £973k in 2021/22, £1.3M lower than the budgeted figure in the Business Plan 2020-2025 adopted by Council in February 2020.
- 5.3 **Property:** 2021/22 will see the completion of the £5m HLF-supported Archway Project in York Street and Swallow Street. The Service will bring forward proposals to relocate the Fashion Museum to a better location and to create a Collections Centre to house the Museum's 'Designated' collection to retain public access to it for study and learning and enable important objects in it to be prepared for loan to prestigious exhibitions elsewhere (in 2019 over one million people saw Fashion Museum objects at exhibitions in London, New York, Vienna,

Bruges and Bendigo, Australia). Even if a new museum is not ready at the termination of the Assembly Rooms' lease in March 2023, appropriate accommodation into which to move the Fashion Museum collections will be essential.

- 5.4 **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 2021/22. The 2019/20 peer-group benchmarking exercise completed through the Association of Leading Visitor Attractions (ALVA) showed the Roman Baths & Pump Room delivering profit of £162k per employee, the most profitable in the UK.
- 5.5 Rationalisation and restructuring measures in the Service's Operations team will yield ongoing savings of £49k p.a. from 2021/22.
- 5.6 As changes naturally occur within teams, the Service will take the opportunity to ensure that ongoing structures remain efficient, fit-for-purpose and in support of Service Aims and corporate priorities.
- 5.7 The Service will continue to invest in its staff to ensure optimum performance in respect of customer satisfaction and financial efficiency and return. The impact of Brexit on the Service's ability to recruit and retain foreign language speakers to maintain a high standard of visitor welcome will be closely monitored.

6 SERVICE PLAN 2021-22

6.1 In 2021/22 the Service will take the following measures in support of the Council's corporate priorities:

6.2 Address the climate and nature emergency:

- See the 'Climate Change' section 8 below.

6.3 Give people a bigger say:

- review our customer feedback mechanisms;
- ensure that the Service's Focus Group is consulted on all new initiatives.

6.4 Deliver for local residents:

- continue to reduce dependence on coach-borne business to reduce congestion;
- complete the World Heritage Centre and Roman Baths Clore Learning Centre (together the 'Archway Project');
- achieve World Heritage status for Bath as part of the Great Spas of Europe;
- review the residents' Discovery Card scheme;
- develop a new Community Engagement Strategy.

6.5 Focus on prevention:

- plan community activities to promote individuals' well-being through engagement with museum and archive collections;
- train and support mental health first-aiders across the Service.

7 RISK MANAGEMENT

7.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance.

- 7.2 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. The Plan contains a small contingency to manage the impact of minor fluctuations in visitor numbers. However, there is a risk that the profit targets for 2021/22 will not be achieved, both due to the sensitivity of planning assumptions, the uncertainty of operating restrictions as lockdown is eased and the vaccination programme delivered and the long-term effects of Covid-19 and Brexit, particularly on international tourism. The Council's Robustness of Estimates statement will include provision for this risk in the financial year 2021/22. This risk has been considered when assessing the robustness of the Council's general un-earmarked reserves.
- 7.3 Further significant economic, environmental or geo-political events during 2021/22 could cause a delay in the recovery of visitor numbers to pre-pandemic levels, with an adverse impact on income and therefore profit returned to the Council. One of the more significant risks is the uncertainty following Brexit, which has the potential to significantly impact international visitors to the UK.

8 CLIMATE CHANGE

- 8.1 The Service is taking a number of measures to address the climate and nature emergency. Existing plans already in place include:
- 8.2 Energy capture: investigating the replacement of defunct energy capture equipment at the Roman Baths installed in 1993 with new state-of-the-art kit, to reduce running costs at the Pump Room / Roman Baths complex and supply energy to the new World Heritage Centre and Clore Learning Centre.
- 8.3 Victoria Art Gallery: bring forward proposals to repair the Gallery roof incorporating photo-voltaic glass panels.
- 8.4 Print to digital: this process has already started with considerable new marketing emphasis switching away from conventional channels to social media. Some printed marketing material is inevitable in the short to medium term for the Service's attractions to remain competitive and, where it is used, the Service ensures that only materials from sustainable sources are used. The Service will investigate how the transition from print to digital can be accelerated on a sustainable basis.
- 8.5 Retail deliveries: the Service will retain its temporary retail warehouse in its non-city-centre location to eliminate multiple merchandise supplier delivery journeys into central Bath.
- 8.6 Electric van: in tandem with the item above, the Service will acquire an electric van to make consolidated retail merchandise deliveries from the warehouse to the Service's museums.

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 in the Plan 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 recover its level of performance by 2024/25.

9.2 Another option would be for Heritage Services to cease functioning along the business lines of the past fourteen years and return to being a conventional local authority museums and archives 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 through the Heritage Services Advisory Board; Chief Executive; Director of Finance / S151 Officer; Monitoring Officer; Heritage Services' staff; service users; local residents.

10.2 Ongoing sectoral liaison and benchmarking through ALVA has ensured the best possible market intelligence.

10.3 Visitor feedback is gathered and analysed during the year to inform the decision-making process, this has included exit surveys emailed to every visitor since reopening in July 2020, responses have influenced refinement of the COVID secure visitor experience.

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| Background papers | Report of the Council Executive, Thursday 14 October 2004 E3193 February 2020 Report to Cabinet, Heritage Services revised <u>Business Plan 2020-2025</u> |
| Please contact the report author if you need to access this report in an alternative format | |