

HSB

Copy to: Chris Watkins, PIC

Stirling Castle Project: Business Case

1. PIC will present the business case for the restoration of the Royal Apartments at Stirling Castle. Clearly Finance have been involved in the preparation of this case and I would make the following comments:
2. The visitor numbers are important part of the business case rising from a base of 385,000 to a peak in option 4b of 500,000 levelling to 480,000. We need to be comfortable that these numbers are deliverable against a backdrop of a flat or declining Scottish tourism market. However the sensitivity analysis which tested the options against a 10% reduction in total visitor numbers showed that option 4b continued to show a positive NPV. With a 10% reduction the visitor numbers peak at 459,000 and level off at 432,000.
3. The visitor mix remains constant for all options. This is unlikely to be the case. While the costumed performers should deliver increases in overall visitor numbers we would expect to see increases within this for domestic visitors, families and social groups C2, D and E. This may impact on the spend per visitor (SPV).
4. With PIC agreement I have amended the consultant's estimates for admission prices. These initially showed increases every two years whereas I believe a smoother pattern of annual increases is more appropriate. The price increases included are modest and deliverable. For options 1 – 3 the annual increase is 25p and for options 4a and 4b the increase is 50p. We may actually be able to charge more and this would mitigate any effect of the visitor mix on the SPV.
5. The project will be the largest which Historic Scotland has ever completed and will require significant levels of funding. Without support from the spending review it will dominate the PIC capital programme absorbing approximately 60% of their budget.
6. The levels of investment required increase markedly after option 1 and if we commit to that level of increase then Option 4b gives the best return and represents our one opportunity to achieve a stepped increase in commercial income. I agree with the conclusion that option 4b is the preferred option.

Laura Petrie
Director of Finance
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