

**HISTORIC SCOTLAND BOARD MEETING  
26 OCTOBER 2006  
AGENDA ITEM NUMBER tbc**

**SECOND QUARTER COMMERCIAL REVIEW**

**1. OVERVIEW OF TRADING PERFORMANCE**

<b>September 2006</b>	<b>Actual</b>	<b>Budget</b>	<b>Reforecast</b>	<b>+/- Bgt</b>	<b>+/- Ly</b>	<b>+/- Ref</b>
Visitor Numbers	445,713	355,991	401,991	25%	6%	11%
Total VSBD Income	£3,053,083	£2,892,424	£2,919,420	6%	7%	5%
Total PIC Income	£3,079,224	£2,921,491	£2,943,779	5%	6%	5%
Variance		£157,733	£135,445			
<b>April-September 2006</b>	<b>Actual</b>	<b>Budget</b>	<b>Reforecast</b>	<b>+/- Bgt</b>	<b>+/- Ly</b>	<b>+/- Ref</b>
Visitor Numbers	2,405,410	2,284,206	2,419,271	5%	8%	-1%
Total VSBD Income	£15,796,731	£16,436,818	£16,094,338	-4%	6%	-2%
Total PIC Income	£15,988,368	£16,618,798	£16,266,351	-4%	6%	-2%
Variance		<b>-£630,430</b>	<b>-£277,983</b>			

*These are un-audited figures and subject to minor adjustments.*

- 1.1 A much stronger September thanks to better than expected visitor numbers, which were almost 90,000 ahead of budget and 44,000 ahead of our reforecast for the month. This resulted in improved sales, which for PIC as a whole finished £158,000 ahead of budget and £135,000 ahead of our reforecast.
- 1.2 Year to date our visitor numbers continue to perform strongly, 5% ahead of budget and 8% ahead of last year. As we explore later in this paper, Historic Scotland continues to perform more strongly than any other heritage operator in the paid attractions sector in Scotland (see section 5).
- 1.3 Strong September sales have also helped to erode our budget deficit. At the end of August this stood at -£890,000. We have improved the situation to -£630,430.
- 1.4 Whilst we continue to miss our budget targets for the year; we are achieving good year on year growth of 6%, with additional income of around £965,000 generated year to date.

## 2. BREAKDOWN OF SEPTEMBER PERFORMANCE

Visitor Numbers	Actual	Budget	%+/- Bgt	+/- Bgt	%+/-Ly
All Sites	445,713	355,991	25%	89,722	6%
Site Sales	Actual	Budget	%+/-Bgt	£+/-Bgt	%+/-Ly
Admissions	£1,429,572	£1,250,627	14%	£178,945	5%
SEPs/Memberships	£175,243	£170,696	3%	£4,547	21%
Retail	£860,819	£796,301	8%	£64,518	6%
<i>Subtotal</i>	£2,465,634	£2,217,624	11%	£248,010	6%
HQ Sales	Actual	Budget	%+/-Bgt	£+/-Bgt	%+/-Ly
Day Catering	£40,038	£38,000	5%	£2,038	16%
Evening Catering	£41,555	£48,439	-14%	<b>-£6,884</b>	-10%
Corporate	£122,467	£131,000	-7%	<b>-£8,533</b>	11%
Weddings	£51,648	£70,000	-26%	<b>-£18,352</b>	-10%
Events	£24,237	£68,300	-65%	<b>-£44,063</b>	36%
Membership	£95,421	£89,061	7%	£6,360	20%
Travel Trade	£212,083	£230,000	-8%	<b>-£17,917</b>	9%
<i>Subtotal</i>	£587,449	£674,800	-13%	<b>-£87,351</b>	9%
Total Income	Actual	Budget	%+/-Bgt	£+/-Bgt	%+/-Ly
Total VSBD	£3,053,083	£2,892,424	6%	£160,659	7%
Other Income	£23,037	£19,538	18%	£3,499	-13%
Rental	£2,259	£8,029	-72%	<b>-£5,770</b>	-55%
Education	<b>-£100</b>	£500	-120%	<b>-£600</b>	-114%
Business Club	£945	£1,000	-6%	<b>-£55</b>	-26%
<b>TOTAL PIC</b>	£3,079,224	£2,921,491	5%	£157,733	6%

*These are un-audited figures and subject to minor adjustments.*

- 2.1 Visitor numbers surged ahead of target in September by 25%, and against last year by 6%. This was partly due to the continued good weather; to the push on membership and explorer sales; and to our drive to count every visitor to our property which has helped boost our visitor numbers overall.
- 2.2 Income generated at our sites was also ahead of last year by 6%. However, both our Admissions and Retail Spends per Visitor are behind on target: -10% and -20% respectively (see 4.4). Our visitor numbers are being buoyed up by more free, membership or explorer pass visitors than anticipated. This in turn is affecting our SPV targets for the year.

2.3 HQ sales were slower than anticipated in September. The general downturn in Corporate Functions and Weddings business continued to affect this month's income. The team have been busy drumming up business for later in the year, particularly at Stirling and hosted two client familiarisation visits last month. Lower than expected Events and Travel Trade business is more a question of invoicing and should balance out next month. Both areas are well ahead of last year. Membership sales continued strongly for the month: 7% ahead of budget and 20% ahead of last year.

### 3. BREAKDOWN OF YEAR TO DATE PERFORMANCE

Visitor Numbers	Actual	Budget	%+/- Bgt	+/- Bgt	%+/-Ly
All Sites	2,405,410	2,284,206	5%	121,204	8%
Site Sales	Actual	Budget	%+/-Bgt	£+/-Bgt	%+/-Ly
Admissions	£7,093,520	£7,530,221	-6%	-£436,701	6%
SEPs/Memberships	£1,026,731	£955,670	7%	£71,061	30%
Retail	£4,286,171	£4,448,132	-4%	-£161,961	4%
<i>Subtotal</i>	£12,406,422	£12,934,023	-4%	-£527,601	7%
HQ Sales	Actual	Budget	%+/-Bgt	£+/-Bgt	%+/-Ly
Day Catering	£293,403	£270,160	9%	£23,243	14%
Evening Catering	£191,354	£241,163	-21%	-£49,809	-25%
Corporate	£415,684	£460,240	-10%	-£44,556	-11%
Weddings	£228,447	£272,200	-16%	-£43,753	-18%
Events	£107,282	£104,800	2%	£2,482	7%
Membership	£569,215	£519,232	10%	£49,983	26%
Travel Trade	£1,584,924	£1,635,000	-3%	-£50,076	11%
<i>Subtotal</i>	£3,390,309	£3,502,795	-3%	-£112,486	5%
Total Income	Actual	Budget	%+/-Bgt	£+/-Bgt	%+/-Ly
Total VSBD	£15,796,731	£16,436,818	-4%	-£640,087	6%
Other Income	£114,923	£101,600	13%	£13,323	-6%
Rental	£30,950	£41,750	-26%	-£10,800	-24%
Education	£20,888	£21,800	-4%	-£912	-1%
Business Club	£24,876	£16,830	48%	£8,046	46%
<b>TOTAL PIC</b>	£15,988,368	£16,618,798	-4%	-£630,430	6%

*These are un-audited figures and subject to minor adjustments.*

- 3.1 Despite very encouraging visitor numbers, our income deficit still stands £630,000 behind target. 84% of this deficit relates to site admission and retail sales. There are three key reasons for this:
- As mentioned earlier we are welcoming more 'free' visitors than anticipated this year – visitors who have purchased Explorer Passes, Memberships or are eligible for free entry. Whilst this is good news, is skewing our admissions and retail forecast for the year.
  - With hindsight we believe that we have 'front loaded' the budget too heavily towards the first six months of the year and that our profiling for the year is affecting our performance against budget.
  - September and October are becoming increasingly important months, as the Scottish tourism season extends and we focus on promotions such as Autumn Gold and 'Kids Go Free'. Income generated from these two months is now starting to make a significant difference to our out-turn at the end of the year. Again we may not have fully reflected this in our profiling at the start of the year.
- 3.2 Turning to HQ sales year to date: day catering, events and membership both continue to deliver strong performances, well ahead of last year and ahead of budget to the end of September.
- The Membership Team have passed their target of 75,000 memberships for the year; 11% ahead of 2005 and a significant step forward, thanks to the Free Weekend and the spring promotion of '15 months for the price of 12'.
  - Many of the recent Events have performed better than expected. The Monty Python event at Doune was a sell out. The majority of the Macbeth theatrical performances are fully booked. And Stirling hosted a successful 'Castle of Magic' event last month.
  - Travel Trade appear to have lost ground year to date against budget. However, this is largely due to the processing of Voucher Incentive Programme and the phasing of budgets and there is every indication that this is a temporary 'blip'. Indeed the team have now processed and analysed August business, which is 4% ahead of target and 20% ahead of last year. There has been a clear upturn in trade business, most notably from the cruise liner business. New business from John O'Groat Ferries (to Skara Brae) and from Travelplan (to Stirling Castle) has helped boost summer sales. Scottish Explorer Passes also continue to sell strongly and Stirling Castle in particular performed well in the month, growing sales by 68% over last year.
  - Corporate functions forward bookings for later in the year are looking more encouraging, which should help the team pull back on their current deficit.
- 3.3 Looking forward, we anticipate a strong October performance with the 'Kids Go Free' campaign kicking off for the month; and the associated promotion of child friendly events at Edinburgh Castle. We are also backing VisitScotland's Autumn Gold promotion this year, keeping the majority of our sites open for the month of October.

## 4. TRENDS – YEAR TO DATE

### 4.1 Top 10 Sites

Top Ten Sites Yr To Date	Visitors			Income		
	Actual	%+/-Bgt	%+/-Ly	Actual	%+/-Bgt	%+/-Ly
Edinburgh Castle	835,528	2%	5%	£6,451,904	-3%	7%
Stirling Site	336,633	5%	4%	£1,961,366	18%	7%
Urquhart Castle	203,971	2%	6%	£891,313	-3%	10%
Skara Brae	60,210	-9%	-4%	£338,349	-15%	-8%
Iona Abbey	57,708	13%	7%	£414,186	2%	1%
Fort George	52,866	-4%	1%	£249,432	-10%	3%
Melrose Abbey	40,302	1%	10%	£153,473	0%	8%
St Andrew's Castle	50,294	3%	22%	£170,070	-1%	14%
Linlithgow Palace	41,738	12%	18%	£126,030	7%	-1%
Caerlaverock Castle	29,323	-4%	6%	£128,617	-10%	4%
<b>Total Top 10</b>	<b>1,708,573</b>	<b>2%</b>	<b>8%</b>	<b>10,884,740</b>	<b>-2%</b>	<b>5%</b>

*These figures have not been adjusted to include monthly membership direct debit payments recorded centrally.*

In almost every area, visitor numbers are ahead of last year, which is very encouraging. Skara Brae is the exception, thanks to fewer cruise liner ships visiting Orkney this season. However, Fort George has also seen slower growth in visitor numbers, which mirrors the experience of our other sites in the North (see 4.3).

In terms of income, Skara Brae and Fort George have struggled to meet their income targets because of slower visitor numbers. Caerlaverock Castle is also down 10% on target. Their budget was set relatively high this year as the site has undergone a minor shop refit. We are yet to see the benefits in increased income.

### 4.2 Top 3 Sites

Year to Date	Edinburgh Castle			Stirling Castle/Site			Urquhart Castle		
	000s	+/-Bgt	+/-Ly	000s	+/-Bgt	+/-Ly	000s	+/-Bgt	+/-Ly
Visitor Numbers	836	2%	5%	337	5%	4%	204	2%	6%
Admissions	4428		7%	975		10%	405		13%
SEPs/Memberships	257		23%	260		93%	49		29%
Total Site Admissions	4685	-5%	7%	1235	8%	11%	454	-2%	13%
Retail	1,690	-3%	6%	649	27%	1%	436	-5%	6%
<b>Total Sales</b>	<b>6,375</b>	<b>-5%</b>	<b>7%</b>	<b>1,884</b>	<b>14%</b>	<b>7%</b>	<b>891</b>	<b>-3%</b>	<b>10%</b>

The Top 3 sites are well ahead in terms of visitor numbers thanks largely to the Free Weekend/Spring Campaign boost at the start of the season. Sales of Explorer Passes and Memberships have gone exceptionally well this year, particularly at Stirling Castle. This has helped the site achieve its income targets year to date, which is very encouraging given that we have a new Visitor Services & Business Development Manager on site, on secondment for the year.

#### 4.3 Regions

Regions Yr to Date	North (less Urquhart)			Central (less Stirling)			South		
	000s	+/-Bgt	+/-Ly	000s	+/-Bgt	+/-Ly	000s	+/-Bgt	+/-Ly
Visitor Numbers	267	-5%	4%	337	7%	14%	429	38%	18%
Admissions	439		3%	416		18%	422		4%
SEPs/Memberships	157		13%	77		20%	222		0%
Total Site Admissions	596	-9%	3%	493	-4%	16%	644	-1%	2%
Retail	498	-7%	4%	542	-13%	1%	399	0%	6%
<b>Total Sales</b>	<b>1094</b>	<b>-8%</b>	<b>4%</b>	<b>1035</b>	<b>-9%</b>	<b>8%</b>	<b>1043</b>	<b>-1%</b>	<b>4%</b>

The North is suffering more than most from a slower growth in visitor numbers, which has depressed its overall income targets for the year. However, there is good year on year growth all round in the North.

Central has seen good increases in visitor numbers. However, its retail and admission sales are down on target which is more worrying. Retail sales at the larger sites in the region are causing concern. Iona has fallen behind last year by 18% and St Andrews Castle by 9%. This is dragging the region's overall performance down. South Region have performance exceptionally well year to date in all areas. This is largely due to the success of the management team in the Region who have worked hard at site level to drive sales and service targets.

#### 4.4 Spend Per Visitor

SPV Year To Date	Admissions			Retail		
	Actual	+/-Bgt	+/-Ly	Actual	+/-Bgt	+/-Ly
Edinburgh Castle	£5.61	-7%	2%	£2.08	-3%	0%
Stirling Castle	£3.67	6%	6%	£1.93	11%	-2%
Urquhart Castle	£2.23	-4%	7%	£2.14	-7%	-0%
Top Ten Sites	£4.17	-3%	3%	£1.96	-2%	-4%
Landward Sites	£1.69	-17%	-5%	£1.42	-61%	-8%
<b>All Sites</b>	<b>£3.38</b>	<b>-8%</b>	<b>1%</b>	<b>£1.71</b>	<b>-10%</b>	<b>-5%</b>

SPV will have been affected by the higher number of Free Weekend entries. More significant, will be the impact of monthly direct debit sales of membership. Nearly 6,000 memberships were sold at sites in the first two months of the year, compared with 1,354 in the previous year. Whilst this is good news, it is skewing our Admissions SPV targets for the year.

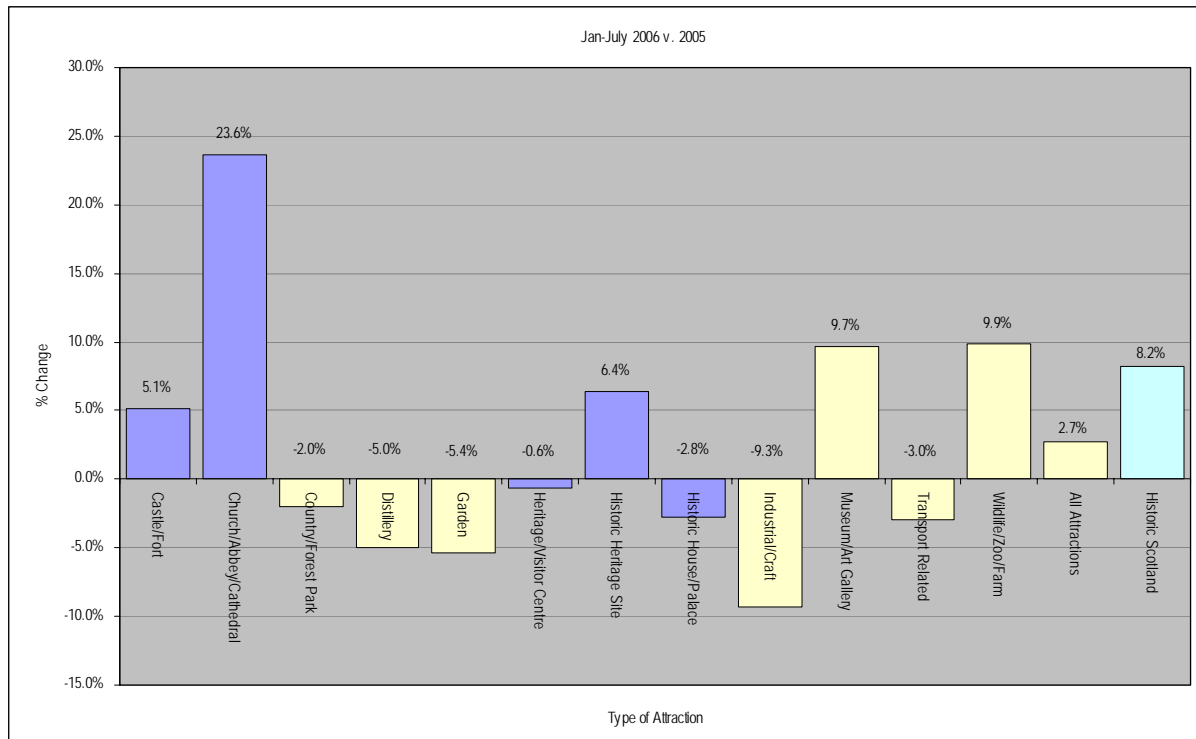
## 5. INDUSTRY PERFORMANCE

### 5.1 Scottish Visitor Attractions Barometer

We now have data from the July Scottish Visitor Attraction Barometer, which shows a 12.5% year on year increase in visitors to all 507 attractions surveyed in July and a 2.7% rise from January to July 2006 versus the same period last year. Unsurprisingly, Greater Glasgow saw a 30% increase in visits in the month, attributable to the re-opening of the Kelvingrove Art Gallery (which has recently welcomed its millionth visitor). Shetland also registered 23.4% growth, due to strong promotional activity.

Free attractions registered a stronger growth in July (20.1% ahead of the previous year) compared with paid attractions (0.4% improvement on July 2005). Historic Scotland visitor numbers were ahead by 6.8% for the month. Overall though this is a worrying trend for the paid attractions sector in Scotland as July 2005 was not a particularly strong one to compete against due to the disruption caused by the London bombings and the G8 conference. To see little or no improvement this year should give the sector cause for concern.

From January to July, free attractions saw an increase of 2.9%; whilst paid attractions grew at a slower 2.2% rate (HS visitor numbers grew by 8.2% for the same period). The gap between the paid and free sector is likely to widen later in the year as the full force of Kelvingrove’s popularity starts to register in the autumn barometer and beyond. The Scottish Visitor Attractions barometer breaks down the performance by category so that we can compare HS, with other paid attractions from January-July:



## 5.2 ASVA & NTS Comparisons

Visitor Numbers	Historic Scotland		VS Attractions (All)		ASVA		NTS	
	Visitors	+/-ly	000s	+/-ly	000s	+/-ly	000s	+/-ly
January	79,112	5.0%	1,558,953	17.4%	738,589	10.0%	16,592	30.5%
February	74,172	-4.0%	1,664,736	4.0%	690,289	7.6%	20,659	0.5%
March	140,086	-18.3%	1,700,001	-22.7%	838,140	-24.4%	26,632	-45.8%
April	304,392	63.2%	3,127,286	13.7%	1,208,218	25.0%	107,137	-13.8%
May	226,804	2.6%	2,887,020	-6.0%	724,800	-0.7%	174,135	-6.6%
June	424,157	1.6%	3,350,854	-0.6%	1,421,689	0.1%	184,618	-1.8%
July	443,559	6.8%	4,874,193	12.5%	2,162,775	1.8%	267,610	-6.9%
August	560,868	0.4%	n/a	n/a	2,721,821	1.1%	235,066	-15.4%
Cumulative	2,253,150	5.9%	*19,163,043	2.7%	10,506,321	1.5%	1,032,449	-8.5%

\* VS Attractions Cumulative to July 2006

Again when we look at the available data from ASVA and the NTS to the end of August, we can see that Historic Scotland is out-performing the sector in terms of growth in visitor numbers. To the end of August we achieved almost 6% growth.

## 5.3 UK Trends

Both English Heritage and CADW have supplied us with their visitor numbers to the end of August. English Heritage is behind -3.7% on last year. CADW is ahead by 3.3%. Within the national context, Historic Scotland is again performing strongly.

## 6. REFORECAST TO YEAR END

We anticipate continued growth in visitor numbers to year end, with a 7% growth on last year and a 3% improvement on budget. In many ways this drives our final income position.

We believe that the current budget deficit will remain around the current levels: -£615,810 for VSBD activity and -£645,510 for PIC as a whole. This is a fairly conservative estimate, suggesting that we will continue to meet but not exceed our income targets for the rest of the year.

However, if our October promotional campaign delivers stronger than expected results; if we see good Hogmanay visitor numbers at Edinburgh Castle; if we benefit from stronger early spring visitors in February/March, we are likely to further improve on this position.

2006/07 Reforecast	2006/07 Budget	Actual +/- Ly	+/- Ly	2006/07 Reforecast	Actual +/- Ly	+/- Ly	Actual +/- Bgt	+/- Bgt
Visitor Numbers	2,910,000	124,802	4%	2,989,400	204,202	7%	79,400	3%
Site Sales:								
Admissions	£10,761,338	£976,270	10%	£10,323,822	£538,754	6%	-£437,516	-4%
SEPS & Membership	£1,145,064	£198,898	21%	£1,201,531	£255,365	27%	£56,467	5%
Retail	£5,938,576	£390,837	7%	£5,769,649	£221,910	4%	-£168,927	-3%
<i>Subtotal</i>	<i>£17,844,978</i>	<i>£1,566,005</i>	<i>10%</i>	<i>£17,295,002</i>	<i>£1,016,029</i>	<i>6%</i>	<i>-£549,976</i>	<i>-3%</i>
<b>HQ Sales:</b>								
Catering Evening	£438,000	£57,206	15%	£367,544	-£13,250	-3%	-£70,456	-16%
Corporate	£802,128	-£1,069	0%	£753,160	-£50,037	-6%	-£48,968	-6%
Weddings	£431,915	£24,676	6%	£338,294	-£68,945	-17%	-£93,621	-22%
<i>Subtotal Functions</i>	<i>£1,672,043</i>	<i>£80,813</i>	<i>5%</i>	<i>£1,458,998</i>	<i>-£132,232</i>	<i>-8%</i>	<i>-£213,045</i>	<i>-13%</i>
Catering	£380,000	£30,241	9%	£418,000	£68,241	20%	£38,000	10%
Events	£242,553	-£2,538	-1%	£242,553	-£2,538	-1%	£0	0%
Membership HQ	£819,149	£91,551	13%	£929,713	£202,115	28%	£110,564	13%
Travel Trade HQ	£2,221,277	£197,862	10%	£2,219,924	£196,509	10%	-£1,353	0%
<i>Subtotal HQ Sales</i>	<i>£5,335,022</i>	<i>£397,929</i>	<i>8%</i>	<i>£5,269,188</i>	<i>£332,095</i>	<i>7%</i>	<i>-£65,834</i>	<i>-1%</i>
Total VSBD Income	£23,180,000	£1,963,934	9%	£22,564,190	£1,348,124	6%	-£615,810	-3%
Other Income	£346,700	£59,199	21%	£317,000	£29,499	10%	-£29,700	-9%
<b>Total PIC Income</b>	<b>£23,526,700</b>	<b>£2,023,133</b>	<b>9%</b>	<b>£22,881,190</b>	<b>£1,377,623</b>	<b>6%</b>	<b>-£645,510</b>	<b>-3%</b>

## 7. MYSTERY VISIT PERFORMANCE SEPTEMBER 2006

<b>Mystery Visit Targets</b>	<b>September Actual</b>	<b>+/- VSBD Target of 90%</b>	<b>Year To Date</b>	<b>+/-VSBD Target of 90%</b>
Edinburgh Castle	82.1%	-7.9%	91.3%	1.3%
Stirling Castle	96.2%	6.2%	93.9%	3.9%
Urquhart Castle	88.0%	-2.0%	90.5%	0.5%
North	94.2%	4.2%	92.3%	2.3%
Central	77.3%	-12.7%	86.3%	-3.7%
South	90.1%	0.1%	90.9%	0.9%
<b>ALL SITES</b>	<b>84.7%</b>	<b>-5.3%</b>	<b>90.4%</b>	<b>0.4%</b>

*NB The KPT: Key Performance Target is set at 88% (based on a rolling three year average). The VSBD target for 2006-07 is set higher at 90% to ensure that we achieve our KPT commitment. 24 audits were carried out in September; year to date 178 have been completed.*

The Central Region is struggling to achieve the same standard as the rest of the Estate currently, which the team are working hard to address. Unusually, Edinburgh Castle dropped below 90% for the second month in a row in September. More encouragingly for the Central Region, two sites achieved 100% in their September Mystery Visits: Meigle and Dunfermline Abbey and Palace, bringing our total for the year to 20 compared to nine last year. Other good news in September came from Smailholm Tower in the Borders, which achieved VisitScotland Five Star status in their recent quality audit.

The table above shows our 'in year' performance, which is very encouraging with almost every area achieving over 90%. Our Key Performance Target is judged over a longer term, against a three year rolling average. Using this as the basis for measuring our performance we are currently achieving 89.7% against a target of 88%, which puts us ahead of our KPT by 2% year to date.

## 8. SUMMARY

The success story this year has been our strong growth in visitor numbers which currently sit cumulatively 8% ahead of last year and 5% ahead of budget. September helped to consolidate this strong performance, with visitor numbers ahead of last year by 6% and ahead of budget by 25%. September income was ahead of last year and budget by 6%, helping to reduce our budget deficit by over £250,000. This is a positive step forward. Year to date, we have grown revenue by £965,000 ahead of 2005, but remain £630,000 behind our target for the year.

The July VisitScotland Attractions Barometer shows Historic Scotland out-performing the paid attractions sector, registering 6.8% growth in the month against 0.4% growth for the sector as a whole. This view is further reinforced when we compare our calendar year to date performance. Historic Scotland is registering 5.9% growth in visitor numbers compared with ASVA (1.5%), NTS (-8.5%), English Heritage (-3.7%) and CADW (3.3%) to the end of August.

Year to date, we are also on track to achieve the VSBD Mystery Visit target of 90% for the year.

### FIONA DOCHERTY

Head of Visitor Services & Business Development  
19 October 2006