

HISTORIC SCOTLAND BOARD
COMMERCIAL REVIEW OF 2008-09

1. SUMMARY OF YEAR END PERFORMANCE

This paper sets out the final audited sales results from the 2008-09 financial year and provides a brief overview of our commercial performance against our Key Performance Target. It also details our performance against our KPT for service. These results have been audited against the final position produced by the Finance team for the final accounts.

1.1 Results

April 2008 – March 2009	Actual	Budget	+/- Bgt	+/- Ly
Visitor Numbers	2,911,197	3,077,744	-5%	-9%
<i>Site Income:</i>				
Admissions – Site Ticket Sales	£10,063,623	£11,567,431	-13%	-6%
Admissions – Site Exp. Passes	£1,044,716	£1,260,920	-17%	-1%
Admissions – Site Membership	£266,885	£272,668	-2%	5%
Total Admissions	£11,375,223	£13,101,019	-13%	-8%
Retail	£5,888,962	£6,240,950	-6%	-3%
Subtotal Site Income	£17,264,185	£19,341,969	-11%	-7%
<i>HQ Income:</i>				
Day Catering	£422,011	£443,000	-5%	-1%
Evening Catering	£310,342	£379,000	-18%	-15%
Corporate	£684,514	£799,731	-14%	-9%
Weddings	£342,681	£405,832	-16%	-14%
Events	£304,717	£285,000	7%	-7%
Membership	£1,153,153	£1,089,722	6%	14%
Travel Trade	£2,462,033	£2,561,000	-4%	-2%
HQ Admission Sales	£209,301	£0	-	-
Subtotal HQ Income	£5,888,752	£5,963,285	-1%	1%
<i>Total VSBD Income:</i>				
	£23,152,937	£25,305,254	-9%	-5%
Other Site Income	£205,786	£219,444	-6%	25%
Rental	£154,909	£95,000	63%	46%
Education	£39,354	£30,000	31%	32%
Audio Guide	£227,206	£229,297	-1%	33%
Total PIC Income	£23,780,193	£25,878,995	-8%	-4%
Variance		-£2,098,802		

*Please note that these figures have been reconciled against FMIS and adjusted accordingly.
As a result, each area of income has been amended to equal FMIS.*

1.2 General Overview

2008-09 was by recent standards a disappointing year with visitor numbers and income both down on budget and last year. The downturn in the global economy, the lack of an Easter and another poor summer were the main factors affecting our performance. However, given that these significant factors were out with our control a drop in income of only 4% and a 9% drop in visitor numbers is not necessarily a bad outcome.

1.3 Admissions

Admissions income was the biggest area of loss this year, with walk-up admissions in particular showing a decline on last year of 6%. This was due to a number of factors including an increase in the use of Explorer Passes and Memberships, the introduction of bundles at Edinburgh Castle, which give a discount on entry and guidebooks and audio guides, the displacement of income from traditional walk-up admissions to third parties (within the HQ Admissions Sales line), and partly due to the overall decline in visitor numbers.

The Explorer Pass site sales budget was always going to be tough to achieve as it was increased on the back of the challenging figures set out in the Edinburgh Castle Visitor Reception Project business plan. Site sales of Explorer Passes were strong this year with particularly good sales at Edinburgh Castle – up 26% year on year. Explorer Pass sales at Stirling Castle and Urquhart Castle were more disappointing with declines of 18% and 19% respectively. However, the introduction of a reduced priced Winter Explorer Pass was a great success with sales up 39% and income up 13% over the November to March period.

Sites sales of Memberships were up 5% on last year but narrowly missed budget by 2% due to the increased number of Memberships being bought by Direct Debit which is reported within the HQ Membership line. The number of Memberships sold at sites was however up 9% on last year.

1.4 Retail

The retail performance for 2008/09 is admirable given the current economic climate and on the back of such a buoyant 2007/08 season. In spite of the economic downturn Retail income was down only 3% on last year and down 6% on budget and this against a background of a significant downturn of 9% in visitor numbers. The drop in numbers resulted in a shortfall against the challenging retail budgets in most areas.

The Retail team rose to the challenge of ensuring that retail sales were maximised through various initiatives, including carrying out range reviews on our top sites with improved year on year results. This process was also rolled out to our seasonal sites for the first time this year. There was continued focus on product, clearing out poor performing stock, which allowed us to focus on our best selling lines and make room for new products. The result is that we now have approximately 5,500 active product lines within the estate, almost halving the number of active products available two years ago.

We continued to focus on Edinburgh Castle, in particular the main gift shop which had a full year trading from one floor. Considering the ground floor was lost which accounted for a third of earned income (in excess of £400,000) and visitor numbers to the castle were down 10%, retail income at the Main Gift Shop was up 18% on budget but down 7% on the previous year in what was a difficult trading year. The upper floor alone now generates around 96% of income where previously it generated about 67% of the income. A major refurbishment of the main Gift Shop was due to take place in January/February 2009, however due to budget constraints this did not happen. However a minor refurbishment was carried out.

Action was taken in July 08 to reverse the downturn in sales at the Book Shop and the Crown Gift Shop. The product ranges were reviewed, additional lines were introduced and changes made to the displays. The Book Shop (now Book and Whisky Shop) was completely overhauled with a range of whisky and associated merchandise introduced, a programme of whisky tastings was also put in place. The changes made certainly had an impact on the performance of both shops and in particular the Book and Whisky Shop which saw retail income up both on target and last year. The Crown Gift Shop also finished with a year on year sales increase of 1%.

A number of other initiatives were introduced - following on from the introduction of the Retail Sales Meetings at our Top Sites, an all site visit programme was initiated with each site being visited at least once during the season by the Retail Team.

2. VISITOR NUMBERS

2.1 Monthly Breakdown

Month	2007-08	Budget	2008-09	+/- Bgt	+/- Ly
Apr	322,016	293,494	252,715	-14%	-22%
May	296,494	295,691	308,145	4%	4%
Jun	354,195	349,236	331,756	-5%	-6%
Jul	532,349	520,292	468,430	-10%	-12%
Aug	602,410	583,712	538,514	-8%	-11%
Sep	328,218	318,854	288,696	-9%	-12%
Oct	217,455	213,946	195,028	-9%	-10%
Nov	106,911	105,417	129,659	23%	21%
Dec	90,284	89,572	91,398	2%	1%
Jan	70,744	68,286	78,603	15%	11%
Feb	97,270	95,914	99,026	3%	2%
Mar	173,117	143,329	129,227	-10%	-25%
Annual Total	3,191,463	3,077,744	2,911,197	-5%	-9%

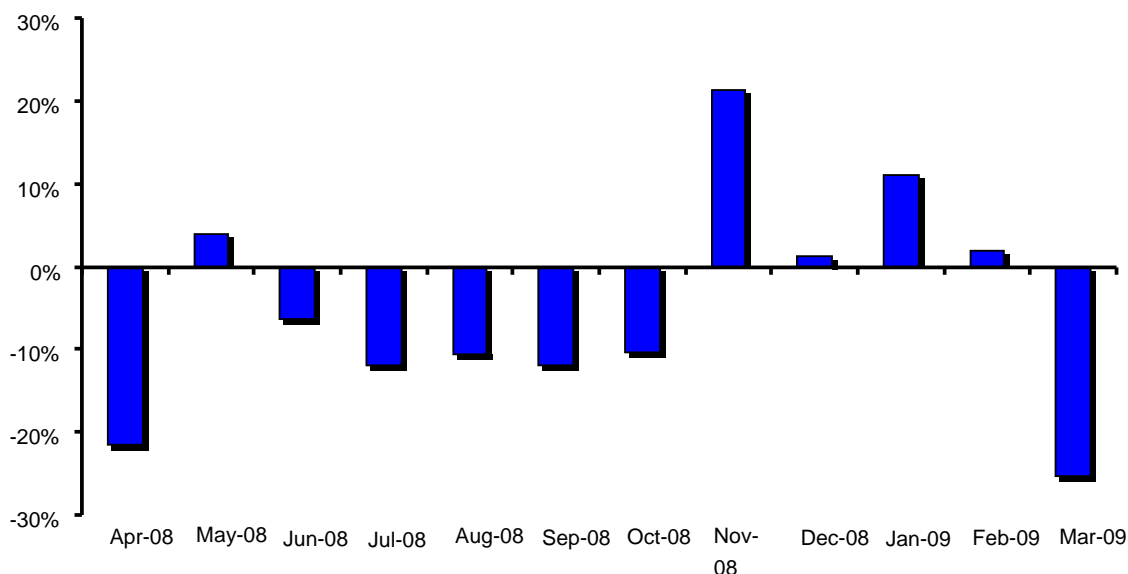
2.2 Key Trends

The graph below clearly shows the extent of the downturn in visitor numbers throughout the key months of the year. April was a slow start to the year due to the lack of an Easter, and May was the only month in the first half of the year to show any year on year growth. The summer period when we welcome the majority of our visitors was consistently poor with an average decline of 10% on the previous year.

November did however mark the beginning of a small recovery, with the free opening for St Andrew's Day across the estate producing a huge boost for visitor numbers. Thereafter December through to February were all good months, followed by a disappointing March which was down mainly due to the successful Easter period the previous year.

The combined effect of having no Easter in either April or March (from two Easters in the previous year) is estimated to have led to a 56,000 loss in visitor numbers and a decline in admissions and retail income of around £350,000.

Visitor Numbers - Year on Year Variance



3. ANALYSIS OF SITE/REGIONAL PERFORMANCE

3.1 Top 3 Sites

2008-09	Edinburgh Castle			Stirling Castle/Site			Urquhart Castle		
	000s	+/-Bgt	+/-Ly	000s	+/-Bgt	+/-Ly	000s	+/-Bgt	+/-Ly
Visitor No	1,120	-8%	-10%	400	0%	-11%	263	-6%	-7%
Admissions	£7,022	-16%	-11%	£1,642	-8%	-9%	£637	-9%	-10%
Retail	£2,583	-1%	2%	£954	-8%	-2%	£651	-6%	0%
Total Sales	£9,604	-13%	-8%	£2,596	-8%	-7%	£1,288	-8%	-5%

Unfortunately it was our biggest earning site, Edinburgh Castle that experienced the brunt of the downturn, where admissions income was the worst affected area showing an 11% decline on last year and a 16% shortfall against budget. Part of this decline can be explained by the displacement of admissions income from the traditional walk-up channel to pre-paid tickets sold through third parties. The main success of this approach was ticket sales sold by Lothian Buses which generated over £200,000 in 2008-09. This income is reported within the HQ Admission Sales line.

In contrast retail sales at Edinburgh Castle were strong - only 1% down on budget and 2% up year on year. Despite the change in operations at the main gift shop which moved from trading on two floors to just the one, sales at the main gift shop only dropped by 5%.

Stirling Castle as shown above includes Argyll's Lodging which also changed the way it operates, moving from a paid site to a free site available to be visited on guided tours with a Stirling Castle admissions ticket. Taking Argyll's Lodging out of the equation Stirling Castle's visitor numbers were only down 7% on last year and down 4% on budget.

Urquhart Castle also saw a 7% decline in its visitor numbers, but retail sales fared better with a flat performance on last year.

3.2 Regional Performance

2008-09	North (Less Urquhart)			Central (Less Stirling)		
	000s	+/-Bgt	+/-Ly	000s	+/-Bgt	+/-Ly
Visitor No	704	-5%	-8%	790	-3%	-6%
Admissions	£1,534	-8%	-7%	£1,302	-13%	-9%
Retail	£1,365	-5%	-2%	£1,079	-6%	-4%
Total Sales	£2,899	-7%	-5%	£2,381	-10%	-7%

The landwards sites also experienced declines in their visitor numbers and income. It was again the admissions line which shows the greatest drop against budget, while retail income has fared slightly better.

It's worth noting that Stanley Mills had its first year of opening in 2008-09, welcoming 23,589 visitors over the year and bringing in over £50,000 of income.

3.3 Top Ten Sites

2008-09	Visitors	+/-Bgt	+/-Ly	Income	+/-Bgt	+/-Ly
Edinburgh Castle	1,119,752	-8%	-10%	£9,604,357	-13%	-8%
Stirling Castle	400,124	0%	-11%	£2,596,158	-8%	-7%
Urquhart Castle	263,382	-6%	-7%	£1,287,722	-8%	-5%
Skara Brae	64,960	-7%	-8%	£375,252	-5%	-3%
Iona Abbey	61,179	-5%	-8%	£357,572	-14%	-18%
Fort George	56,859	-7%	-5%	£285,709	-6%	-4%
St And's Castle	53,323	-7%	-10%	£207,698	-10%	-8%
Melrose Abbey	39,933	-9%	-13%	£174,881	-8%	-7%
Linlithgow Palace	47,507	-9%	-24%	£163,987	-13%	-17%
Caerlaverock Castle	29,592	-15%	-18%	£137,660	-18%	-16%
Total Top 10	2,136,611	-7%	-10%	15,190,997	-11%	-8%

The Top 10 sites portray a fairly consistent picture; with each site showing considerable declines in both visitor number and income terms. The biggest year on year decline is at Caerlaverock Castle, while the 18% drop at Linlithgow Palace is due to the jousting event, which brought in record visitor numbers in 2007-08.

3.4 Spend Per Visitor Performance

2008-09 SPV	Admissions			Retail		
	Actual	+/-Bgt	+/-Ly	Actual	+/-Bgt	+/-Ly
Edinburgh Castle	£6.27	-9%	-1%	£2.31	8%	14%
Stirling Castle	£4.10	-8%	2%	£2.38	-8%	10%
Urquhart Castle	£2.42	-4%	-3%	£2.47	-1%	8%
Top Ten Sites	£4.78	-8%	-1%	£2.33	2%	10%
Landward Sites	£1.38	-8%	-3%	£1.24	-4%	2%
ALL SITES	£3.91	-8%	-1%	£2.02	0%	7%

The admissions spend per visitor was well short of budget, down by 9% with the biggest shortfall occurring at Edinburgh Castle. However, admissions SPV was only down 2% on the previous year.

Retail spend per visitor was very encouraging with the majority of sites showing strong growth on last year and a number of sites achieving their targets. This actually goes against the expectation of visitors spending less at our sites during an economic downturn.

4. ANALYSIS OF HQ BUSINESS

2008-09	Actual	Budget	+/- Bgt	+/- Ly
Catering - Day	£422,011	£443,000	-5%	-1%
Catering – Evening	£310,342	£379,000	-18%	-15%
Corporate	£684,514	£799,731	-14%	-9%
Weddings	£342,681	£405,832	-16%	-14%
Events	£304,717	£285,000	7%	-7%
Membership (non-site sales)	£1,153,153	£1,089,722	6%	14%
Travel Trade (non-site sales)	£2,462,033	£2,561,000	-4%	-2%
HQ Admission Sales	£209,301	-	-	-
TOTAL SALES	£5,888,752	£5,963,285	-1%	1%

4.1 Day Catering

Our day catering income is largely linked to our visitor numbers, so income has ended the year down 5% on budget and down 1% on last year. Within this figure, catering at Edinburgh Castle performed particularly well achieving a 1% increase on last year bolstering the other sites that performed less well. Aberdour Castle also had a good year in terms of day catering with income up 60% year on year. Ice cream income at Holyrood Park increased by 60% despite the poor summer weather. Coupled with an increase in commission rate from 20% to 25%, this led to an increase in commission received of 101%.

4.2 Evening Catering, Corporate & Weddings

Since the downturn in the economy in September 2008 corporate bookings at Edinburgh Castle and Stirling Castle have been affected and the number of events has decreased. The financial industry has been the worst affected, and as 20% of our client base is from this sector this has led to a number of cancellations. There is also a perception that organisations cannot be seen to spend money which has also had a negative impact on our business. However, a number of short lead time bookings were made at the start of 2009 which helped close the income gap slightly. The year ended with corporate income down 14% on budget and down 9% on last year.

2008-09 was a successful year for weddings at our smaller sites – up 5% on budget. However, the larger sites targeting high spend weddings have been affected due the economic climate. Overall the number of weddings held at our sites was not far behind 2007-08, however as there were less weddings at our larger earning sites income was down 16% on budget and down 14% year on year.

Evening Catering suffered as a result of the decline in the number of high end functions and weddings at our top sites, clients opting for lower spend events, and less people in general attending these events. Evening Catering was down 18% on budget and down 15% year on year. This figure may have been worse if the caterers at Edinburgh Castle were not now obliged to cater for all ministerial functions.

4.3 Events

Overall, the Events and Filming Team had a successful year, beating their income budget by 7%.

Income generated from filming was considerably reduced, as 2007/2008 had brought the major feature film 'Doomsday' which attracted the largest facility fee ever achieved. The highest profile activities in the year area all involved the BBC. The well received A History of Scotland series presented by Neil Oliver which involved a number of properties, a production of the 39 Steps starring Rupert Penry-Jones which used Stirling and Dumbarton castles and the return of the full live broadcast of the Hogmanay Show from Edinburgh Castle.

Once again, the main income generators were the Edinburgh Military Tattoo and the series of concerts from Edinburgh Castle. The five concerts staged (Leonard Cohen, Boyzone, Proclaimers, Girls Aloud and Runrig) were the second largest number ever staged and the most since six were held in 2004. Other high profile events in the year included the Bank of Scotland and Hogmanay Fireworks from Edinburgh Castle and the World Cross-Country Championships in Holyrood Park.

Our own Events Programme continues to play an important role. In 2008/2009, events were staged as far north as Fort George, where over 4,000 visitors enjoyed a spectacular jousting show to down to a special medieval activity programme in the south at Caerlaverock Castle. The varied programme covered Easter and Christmas events, music, activity days, magic shows, living history, drama and ghost walks.

We were also involved in very successful partnership events, most notably with the famous Globe Theatre who staged a sell-out production of Romeo and Juliet at St. Andrews Castle and a sell-out concert from the Scottish Chamber Orchestra at Stirling Castle. The Events Team also delivered the successful launch event for the opening of Stanley Mills.

4.4 Membership

2008-09 was an excellent year for the Membership team with the year end position for the team up 14% on last year and up 6% on budget. The HQ income was helped by the increase in the number of Direct Debit Memberships which were up 17% on last year. Overall the combined Membership income was up 4% on budget and up 12% year on year.

Membership numbers peaked at 90,726 this year, which is 10% up on last year. This is the third year in a row that Membership numbers have increased by 10%. Retention is currently 81.37% for UK customers, which is up half a percent on last year.

4.5 Travel Trade

Overall the HQ Travel Trade business finished the year down 4% on budget and 2% down on last year. Given the various factors that have affected our visitor numbers and admissions products this year, this is a reasonable position. Despite experiencing significant decline during the peak months of the year the Voucher Incentive Programme (VIP) ended up with only a 1% drop on budget and last year. Unfortunately one of the largest clients, Jacobite Cruises, who bring business to Urquhart Castle had a disappointing year; otherwise the VIP picture would have been more positive. VIP business at Edinburgh Castle was up 2% for the year, while Stirling Castle was down 12% and Urquhart Castle was down 13% year on year.

As expected, business from 'one-offs' has decreased as customers have moved to pre-paying for their group visits at Edinburgh Castle by credit card. The total income from these areas is up to £34,000 from £24,000 in 2007-08.

The Royal Ticket had another fantastic year, with sales up 46%. In contrast, the Great British Heritage Pass was down 13%; effected by the international markets.

Business has continued to move from the Trade Explorer Pass to the Group Explorer Pass. Trade sales were down 30%, while sales of the Group Explorer Pass were up 40%. This has led to an overall increase in business of over £2,000, which is great given the economic climate.

4.6 HQ Admission Sales

This year saw the introduction of the new income line – HQ Admission Sales. This area predominately covers third party admissions business, with year one focussing on the advanced ticket sales to Edinburgh Castle sold through Lothian Buses. In this its first year of business, over £200,000 was made through this new channel.

5. INDUSTRY PERFORMANCE

Competitive Benchmarking – Visitor Numbers	% Yr-on-Yr	Time Period
Historic Scotland	-9%	1 April 2008- 31 March 2009
Historic Scotland	-6%	1 January 2008 – 31 December 2008
VisitScotland (Paid Attractions)	-3%	1 January 2008 – 31 December 2008
VisitScotland (All Attractions)	-4%	1 January 2008 – 31 December 2008
ALVA (Like for Like Attractions)	1%	1 January 2008 – 31 December 2008
ASVA	-7%	1 February 2008 – 31 January 2009
NTS	-5%	1 March 2008 – 28 Feb 2009
Holyrood	-10%	1 April 2008- 31 March 2009

Almost every area of the industry that we measure has experienced a downturn in visitor numbers over the last year (some areas have been measured over slightly different time periods but each will contain the key summer months). Historic Scotland does seem to have suffered a slightly greater decline than other areas, however it must be remembered that this is on the back of two record breaking years. The ALVA attractions are showing a 1% increase due largely to the high proportion of free London based attractions within the group. It's also worth noting that where calendar year comparisons have been used this takes out the movement of Easter.

6. MYSTERY VISIT PERFORMANCE

	2008-09 Actual	%+/- VSB D Target
Edinburgh Castle	90.3%	0.3%
Stirling Castle	93.1%	3.1%
Urquhart Castle	91.6%	1.6%
North/Central	94.7%	4.7%
Central/South	94.1%	4.1%
ALL SITES	93.5%	3.5%
	Three Yr Average	92.0%
	Key Performance Target	88.5%
	%+/- KPT	3.5%

2008-09 has been our best year ever for Mystery Visits. Each of our Top 3 sites and all of our districts beat their targets of 90%. Overall we were 3.5% ahead of our 90% target for the year and 3.5% ahead of our three year average KPT target of 88.5%. Moreover, 55 of our sites achieved 100% mystery visit scores – up from 44 100% in 2007-08.

In terms of comparing our service with other providers, we use the same Mystery Visit audit at the National Trust for Scotland and the Forestry Commission. Comparative performances for the last financial year are shown below:

Competitive Benchmarking	HS	NTS	FCS
Cleanliness & Maintenance of site	99.4%	96.3 %	96.6 %
Walks	N/A	N/A	95.6 %
Exhibitions	N/A	N/A	96.2 %
Promotion of Products & Services	89.3%	73.4 %	N/A
Retail Process	93.6 %	88.3 %	92.0 %
Staff Service Skills & Image	98.7 %	95.3 %	95.6 %
Non Company staff	N/A	N/A	99.5 %
Enhancing Visitor Experience	91.9 %	84.3 %	83.3 %
Visitor Enquiry	99.5 %	97.2 %	96.4 %
Guided Tours	99.4%	N/A	N/A
Catering	93.3%	90.8 %	93.2%
Overall Rating*	94.2%	87.4%	92.6%

**Note that the Historic Scotland performance excludes our Top 3 sites for comparison purposes with NTS/FCS*

Looking at the breakdown of the key elements of the Mystery Visit audit we were ahead of the NTS and the Forestry Commission in every comparable area, and well ahead in terms of overall performance.

7. SUMMARY

Overall, 2008-09 was a mixed year, with disappointing performances in some areas on the back of our two most successful years ever in 2006-07 and 2007-08. However, given the underlying economic conditions, our end position of 9% down on visitor numbers and 4% down on income could have been worse, and is balanced by the increase in service levels to 93.5%. There are other areas of excellence to celebrate: our membership – aimed at the Scottish domestic audience - goes from strength to strength, and our retail sales were strong given the downturn in visitor numbers.

PETER BROMLEY

Director of Properties in Care

10th June 2009