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## **EXCERPT FROM THE MINUTES OF THE RESOURCES OVERVIEW AND SCRUTINY PANEL HELD ON 7 DECEMBER 2010**

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### **ROSP.103/10 TULLIE HOUSE GOVERNANCE ARRANGEMENTS**

The Strategic Director (Mr Crossley) submitted report GD.43/10 concerning the project currently in place to transfer Tullie House Museum and Art Gallery to a Trust which emanated from a decision taken by the Executive on 14 April 2009 (EX.068/09). The City Council had, on 14 July 2009, approved a budget of £150,000 to support the work programme.

Mr Crossley introduced Roger Cooke, Chair of the Tullie House Trust Shadow Board, Alison Watts, Armstrong Watson and Adam Wellings of Adam Wellings Consulting Limited to the Panel.

Mr Crossley outlined the background to the Council's deliberations regarding the establishment of a Tullie House Museum and Art Gallery Trust, reminding Members that a Project Group had been established; various work streams initiated; and a 'critical friend' appointed with relevant experience to offer advice and assistance to the Council in relation to the project. Key to those work streams was the preparation of a Business Case to support the Trust proposal and, following a recruitment process, Armstrong Watson were engaged to produce the document, a copy of which was set out at Appendix 2 to his report. He then outlined the rationale for the Business Case, pointing out that the establishment of a Trust also brought financial and structural benefits such as relief from business rates. In addition to the financial opportunities outlined, the Business Case also brought the proposed arrangements into the Council's Transformation Programme.

A Shadow Trust Board had been established and, after a rigorous recruitment process, Mr Roger Cooke had been appointed as the Chair. He had subsequently gone on to appoint Mr Alan Niekirk (Charities Lawyer and ex-Chair of the Friends of Tullie House) and Mr Andrew Smith (background in Accountancy) as fellow Shadow Board Members.

Tullie House Museum and Art Gallery was a very important part of the cultural offer available in the Carlisle City Region and the Tullie House Trust would play a vital role in safeguarding and enhancing the Museum's status. To that end, it was felt important that, in establishing a Trust, the Council identified its vision for the future of the institution as it became established and moved forward. The Assistant Director (Community Engagement) had worked with the Shadow Board and had produced the draft Vision Statement included at Appendix 1 to the report.

Details of the financial and legal context were also set out within the report. Mr Crossley gave the Panel two small amendments to the risk register which had previously been circulated.

In conclusion, Mr Crossley reported that the Business Case prepared by Armstrong Watson indicated that the establishment of a Trust was a viable way forward for the

Museum and the City Council. The Executive would, however, wish to come to its own view on the Business Case and, to assist in that process, comments from the Community and Resources Overview and Scrutiny Panels would assist in that process.

The matter had been considered by Executive on 8 November 2010 (EX.178/10).

The Executive resolved that:

“That the Executive:

1. Noted the content of Report GD.43/10, together with the draft Vision Statement and Business Case appended thereto.
2. Referred the draft Vision Statement and Business Case to the Council's Community and Resources Overview and Scrutiny Panels (25 November and 7 December 2010 respectively) for scrutiny and comment. Such comments being referred back to the Executive for its meeting on 13 December 2010.”

Mr Crossley, Mr Cooke and Ms Watts gave a brief presentation to the Panel which outlined the values, principles and vision for the Trust.

In considering the arrangements Members raised the following comments and questions:

- *At a time of cut backs where would the grant money come from?*

Ms Watts explained that the Business Case had been prepared with a very prudent level of income and a budget of no more than 12% which it was at present. It was hoped that becoming a Trust would draw in different income but it had not been included in the Business Case. The Business Case also took in to account the reduction in funding.

Mr Crossley agreed that the Business Case was not heavy with expectations but the Trust would have the ability to attract other investors.

Mr Cooke reminded the Panel that the Trust had not yet been established and so plans could not be developed and resources could not be raised. There were different ways in which the Trust could raise funds; Tullie House was already very successful in extracting public funding and this would be nurtured, there would also be an opportunity to attract private funding through donations and legacies and there would be an opportunity to raise funds for specific projects.

- *Would the funds be used for the general running costs of the Museum and support the base budget or would they be for the development of the Museum?*

Mr Cooke responded that the Trust would have the responsibility to start to build long term reserves using donations or legacies that were unspecific. This would be a long term process and would involve long term fund raising. Many people will donate for specific developments but new developments result in operational and revenue

implications and the Trust will want to use long term fund to support revenue demands of new projects. It would be good if the Trust could achieve a reduction in grant from the Council.

- *What were the advantages and disadvantages of moving towards a Trust for the City Council?*

The Performance and Development Portfolio Holder stated that the primary reason for the move would be to provide a successful thriving museum on less than the Council currently spent. Even without savings it was felt that the Trust was an opportunity for the organisation to grow independently and improve services for the citizens of Carlisle.

Mr Crossley stated that a clear advantage was the saving on the Discretionary Rate Relief of £116,000 per annum. He added that the Business Case was viable in the current climate and a further advantage was the additional funding streams in the future. There was some danger with a change in control, the future direction and being a minority on the Board. There were also issues around the success of the Trust and how to deal with it if it was not successful. There was a range of issues but they were counter balanced with legal and performance arrangements that would be put in place.

- *A Member questioned the actual savings for the City Council.*

The Performance and Development Portfolio Holder stated that the savings for the Authority would be between 16% and 20% which included the recharges. The savings would be achieved largely from the Rate Relief.

- *What was being considered in terms of public relations to ensure people understand the reasons for the Trust and don't feel like this would be a loss?*

Mr Cooke understood why there may be a feeling of civic loss and stressed that it would not be a loss, Tullie House would remain Council owned and would remain deeply involved with the Trust.

- *It was understood that National Museums who did not charge for admission did not pay VAT, should Tullie House be the same?*

Ms Watts explained that National Museums had a special dispensation for VAT and it was being looked at for Tullie House. The admission income in the Business Case had been kept at the same level of budget as it was currently.

- *There were 5 museums in the North West and Tullie House was the only museum that charged for admission, what was the other museums position with regard to VAT? It would not be clear to Members until the situation regarding VAT and admissions was known.*

Mr Crossley stated that the Authority was looking to make an in principle agreement to move to a Trust, in order for the agreement to be completed the admissions policy would have to be completed. Each organisation had a different charging policy and there was further work required to specify the position for this Authority.

Mr Mason confirmed that the Authority had asked for advice with regard to VAT and although it was a complicated process it was understood that it was better for VAT maximisation if Tullie House kept a charging policy.

- *A Member commented that the admissions policy and VAT situation had raised concerns and Members needed more clarity on a number of areas. They were also concerned with the quick timeframe.*

Mr Crossley explained that the Business case had included the existing admissions policy but there was issues regarding potential challenges over preferential rates and it did need further consideration.

The Assistant Director (Governance) (Mr Lambert) explained that there was a potential risk of challenge to the current charging policy but there could still be ways of constructing a scheme where local residents could benefit, it was just that any such scheme should not be based on residency. This had been discussed with the Chair of the Shadow Board for further consideration.

- *Members would like to see the paragraph on page 5 of the Draft Vision Statement regarding the historic quarter strengthened. They felt that Tullie House was vital to the economic regeneration in terms of cultural tourism and should be the focus of economic regeneration.*

- *A Member had concerns with regard to the loss of finances to provide educational resources and suggested that consideration be given to using £150,000 of funds from the Capital Programme over three years to support the educational budget as one off capital to ensure its success in the future.*

- *Why had there not been any public consultation carried out with regard to the Trust proposals?*

The Performance and Development Portfolio Holder confirmed that although there had not been consultation carried out with all members of the public, which would require a large budget, consultation had been carried out with the Friends of Tullie House, all Tullie House staff and Elected Members as representatives of the City.

- *A Member asked for clarification on the following points in the report:  
What did the Impact on Customers mean on page 7?  
How would the Trust be able to dispose of collections if the Council still owned them?  
Paragraph 4.1 of the Business case does not address the maintenance of the collections*

Mr Cooke explained that the report was a draft document and the issues raised would be investigated.

Mr Lambert reminded the Panel that the ownership of the assets would remain with the City Council but would be cared for by the Trust and an agreement would be in place to

protect the collections and acquisitions. If the Trust wanted to dispose of some exhibits they would have to receive consent from the Council.

- *Would new staff be recruited on the same terms and conditions as the staff that were transferred under TUPE arrangements from the Council?*

Mr Cooke responded that new staff would have comparable terms and conditions, the salaries and holidays would be on the same scale but the pensions would be different.

RESOLVED – 1) That the comments and observations of the Panel be referred to the Executive for their consideration.

2) That the Panel commend the excellent work of the Tullie House staff over the years and in the preparation of moving to a Trust;

3) That the Panel recommend that the Executive explore the possibility of using £150,000 of funds from the Capital Programme over three years to support the educational budget as one off capital to ensure its success in the future