



REPORT TO EXECUTIVE

PORTFOLIO AREA: HEALTH AND COMMUNITY ACTIVITIES

Date of Meeting: 27 October 2003

Public

Key Decision: Yes

Recorded in Forward Plan: Yes

Inside/Outside Policy Framework

Title: MUSEUM & ARTS SERVICE MANAGEMENT OPTIONS
Report of: HEAD OF CULTURE, LEISURE & SPORTS SERVICES
Report reference: CLS 62/03

Purpose of Report:

At the request of the Executive, this report evaluates the management options of a Trust and a modified in-house arrangement for delivering the Museum and Arts Service in the future.

Recommendations:

1. The modified in-house option is rejected as unsuitable, leaving the development of the status quo management arrangement or a Trust as viable options.
2. The Museum and Arts Service is tasked with producing a Development Plan. The anticipated cost of up to £50k to be taken from the allocated budget assigned to develop a Trust.
3. To note the report and forward it to Community Overview and Scrutiny for consideration and comment, before taking a final decision at a future Executive.

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C:\WINDOWS\TEMP\CLS 6203 Museum Arts Service Management Options.doc Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

1. EXECUTIVE SUMMARY

- 1.1 The fundamental question that needs to be answered when determining the Management Options for the Museum and Arts Service is "What is the outcome sought from providing a Museum and Arts Service?"
- 1.2 Carlisle City's Museums and Arts Service provides an outstanding and highly acclaimed service. It is a service that is meeting the needs of the people of Carlisle and beyond. As such it has brought great credit to the City Council. Its reputation is high at a local, regional and national level.
- 1.3 If the answer to the question in 1.2 is a low cost service that serves the Carlisle residents and visitors, then the type of provision currently delivered is too large for Carlisle. However, if the service is seen in a regional context with a collection including items of regional, national and international significance as well as making a significant contribution to the economic vitality of the City then the current provision is appropriate.
- 1.4 In either scenario investment in the fabric of the building of Tullie House is required, competing as it does for the "leisure £" with sites which have an admission charge. This would need to be combined with re-focusing the work of the staff to align the resources with the outcomes sought. This has already started in part with the re-designation of the Education Officer post to have a broader Education and Access role. Representing the increasing importance of outreach work for the service.
- 1.5 In museum terms, its significance is indicated by it being a constituent partner in the North West Regional Museums Hub established under the Government supported policies stemming from the report "Renaissance in the Regions". That report also stresses the importance of museums governance. In that context, it is appropriate that the council should be looking at the various options for the future governance of the museum.
- 1.6 When compared to museums of a similar size, the visitor numbers place Tullie House in the top quartile. Visitor satisfaction levels according to the Council's own surveys are consistently amongst the highest of all services.
- 1.7 In a head to head comparison, a trust offers considerably more advantages to the delivery of the service than the in-house provision. However, this must be tempered by the wider corporate considerations such as central charges to be apportioned in the event of a Trust being established. Also the impact on the Council's overall size of operation and its ability to direct the service according to

the corporate objectives and priorities. It is clear that a Trust offers little opportunity for savings and the cost of set up will be considerable, York spent £120,000 on legal fees alone, not including the officer time to assist the process. The largest single saving emanates from the rates, although the 20% discretionary relief a charitable trust would seek on top of the 80% mandatory relief would represent a cost to the Council of around £12,000.

1.8

IF A TRUST <u>IS</u> CREATED	IF A TRUST IS <u>NOT</u> CREATED
The delivery of the museum service is transferred to a Trust, legal ownership of the buildings and collections remain with the City Council.	No change to the existing management and ownership.
All staff and budgets associated with the service transfer to the Trust.	No change except for the need to consider the income targets.
Existing central re-charges would remain with the Council and need to be saved or re-allocated. A similar amount would also be required by the Trust to deliver the service.	The service continues to bear its share of the central re-charge budget. If the Museum and Arts core budget is reduced. Then funding from the Hub will be reduced accordingly.
The cost of the service is fixed at current budget levels, giving long term security to the service.	The service is subject to the annual budget cycle and the uncertainty that is attached.
The Trust would be accountable to a Board of Trustees who would assume the responsibility for decisions now taken by the Council. Elected members would represent the City Council on the Trust board but would not have control of the Trust.	The current arrangements of control and responsibility would remain.
An investment fund would be sought by the Trust from the Council to assist in match funding external sources.	Investment in the service is still required if it is to play a major role in the economic prosperity of the area.
Substantial one off set up costs would be needed to establish a Trust along with the officer time across various Council sections to facilitate such a move.	The budget and officer time needed to set up a Trust could be invested in the service or elsewhere in the Council to deliver corporate objectives.
The public may perceive a Trust as privatisation of the museum and collections.	A lack of investment may be seen as letting the service become run down. Conversely investment may not be a priority for some residents.

2. INTRODUCTION

- 2.1 Following the consideration of report CLS 49/03, the Executive approved the evaluation of two options for the Museum & Arts Service. They were:
- Creating a Trust for the Service;
 - Continuing the in-house delivery in a modified form.
- 2.2 The report considered in June 2003 built upon work already carried out by the Authority, TC 233/02 and LCD 22/02.
- 2.3 The following table provides a brief synopsis of the strengths and weaknesses of the options being considered:

FACTOR	STRENGTH OF TRUST	WEAKNESS OF TRUST	STRENGTH OF IN-HOUSE	WEAKNESS OF IN-HOUSE
RATES	Savings available on 80% of rates	Government may remove tax loophole leaving the Council with the liability and 20% discretionary rate relief is at a cost to the Council	Discretionary 20% of rates would not be a cost to the Council	No mandatory savings
CORPORATE ISSUES	Focus on service without corporate responsibility	None	Council can direct service to meet changing corporate directions more easily	Resource issues arising from corporate issues requiring attention
FINANCE	Service has financial security	Council committed to defined level of expenditure.	Service is part of corporate whole enabling resource re-allocation to occur.	Service subject to budget fluctuations
IMPACT ON COUNCIL	None	Size of Council reduces and central re-charges need to be re-allocated or saved by the remaining sections	Council size is unaffected.	
UNITARY STATUS	Trust outside of local government remit and not subject to the changes that might affect the Council	Council increases its enabling role with perhaps a reduction in the ability to influence	No change	
GRANTS	A Trust is able to secure grants that may only be available to charitable bodies.	Requires match funding which is likely to be sought from the Council	Capital funding currently available	Demands on this budget may increase as Council priorities change.

3. BACKGROUND INFORMATION

- 3.1 A specialist Consultant was engaged to analyse the options and his report is summarised in Appendix 1. His work focused on the evaluation of the options being considered and not the wider corporate implications that would apply if a trust were formed.
- 3.2 The Community Overview & Scrutiny Committee considered CLS 49/03, which was previously discussed at the Executive in June.

4. POLICY FRAMEWORK

- 4.1 The Corporate Plan describes five key areas to achieve the stated vision of "to ensure a high quality of life for all in both our urban and rural communities".
- 4.2 The fifth key area is "improving Carlisle's image". This defines specific objectives for Carlisle's cultural and educational facilities, specifying that they should be of a high standard and that the City's heritage and natural surroundings should be promoted.

5. REGIONAL CONTEXT

- 5.1 The report "Renaissance in the Regions: A new vision for England's Museums" identified the potential contributions that Museums can make to society as:
- being an important resource and champion for learning and education;
 - promoting access and inclusion;
 - contributing to regional economic development, using collections to encourage creativity and inspiration ensuring excellence and quality in delivery of core services.
- 5.2 It is recognised that amongst other factors a serious resources deficit was a barrier to achieving this potential and the Government is seeking increased investment in museums and is concerned that the Hub funding does not replace council funding. As a direct result of this strategic alliances of Museums were established to be a focus for excellence within a region.
- 5.3 Tullie House is a part of the North West Hub and will need to increase school visits by 1% to achieve 6,000 new visits from social classes C2, D, E and ethnic groups by the end of 2005/6. The likely allocation to Tullie House in the three years to 2005/6 is £155,000.

- 5.4 Carlisle functions as a regional centre, due to its position and the concentration of services and facilities that the City possesses. Therefore the scale of Museum provision is in excess of what could be anticipated in a district with a population of around 100,000. The Museum has a significant sub-regional role not represented in its funding and structure.
- 5.5 In preparing this report consultation was carried out with both Sheffield and York museum services. Both have become Trusts in the recent past and staff there were able to provide information pertinent to the questions which Carlisle is seeking to answer now. Both regarded it as essential that the rationale for creating a Trust at the outset was established. This is crucial to the final decision on the type of trust established and more importantly the calibre of trustee attracted to the board.
- 5.6 In Sheffield the museum trust was established purely for financial reasons, because an opportunity arose for external funding which was not available to the City Council.
- 5.7 In York the reason was financial but with a different emphasis, there was no capital finance available and the Council wanted to cap the expenditure on the service.
- 5.8 When both of these trusts were created the agreement of a viable budget together with a long-term commitment from the Local Authorities concerned was essential to the process.

6. THE COLLECTIONS

- 6.1 The Museum's collections are considerable in both size and scope, with archaeology of national significance. Overall the scope and quality of the collections represents a major asset not only for Carlisle but also for the sub-region itself.
- 6.2 The collection at Shaddon Mill is currently being assessed and catalogued on behalf of the authority. When this is complete the existing Roman artefacts will form the basis of development to chart the heritage of the area. There exists immense potential in this area for the City to market itself beyond the boundaries of the museum buildings themselves.

7. PREMISES

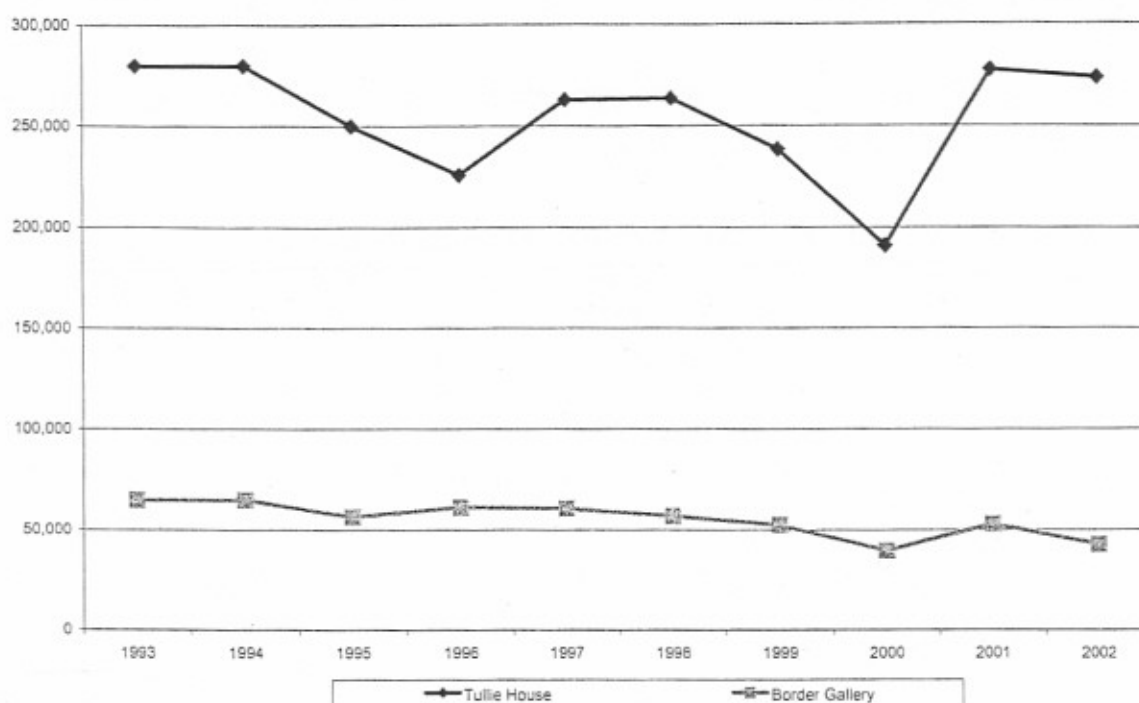
- 7.1 Tullie House is, in fact, a complex of different public spaces which, including circulation areas, covers some 2,910 m². Some of these are free admission, some are chargeable. The table below lists these public spaces:

Chargeable Displays	Free Displays	Other Public Spaces
<ul style="list-style-type: none">➤ Borders Gallery➤ Reivers audio-visual show➤ Special exhibitions gallery➤ Millennium Gallery <p><i>totalling 1,210 m²</i></p>	<ul style="list-style-type: none">➤ Art Gallery➤ Old Tullie House➤ Fine and decorative arts <p><i>totalling 565 m²</i></p>	<ul style="list-style-type: none">➤ Restaurant & function space➤ Gift Shop➤ Lecture Theatre➤ Education room <p><i>totalling 820 m²</i></p>

- 7.2 The admission fees for the chargeable areas is as follows:

Adult	£5.20
Concessions	£3.60
Children 5 – 16	£2.60
Children under 5	Free
Family Ticket	£14.50

Tullie House Admissions 1991 – 2002



Tullie House Museum Admission Profile 2000 - 2002

	2000	2001	2002
<i>Free Admission Areas</i>			
Art Gallery	34,823	53,785	45,064
Old Tullie House	13,189	15,054	15,328
<i>Paid Admission Areas</i>			
Border & Millennium Galleries	39,504	52,920	42,580
of which			
Tullie Card admissions were:	8,691	17,992	11,922

- 7.3 The level of admissions to the Millennium and Border Galleries, apart from 2001 (due to Foot and Mouth), is relatively consistent. Such figures compare well with other paid admission facilities of a similar type outside of the central lakes honey pots. The ability for Tullie to increase the figures significantly on its own are limited, as the footfall of visitors is as much a reflection of Carlisle's popularity as it is one attraction in isolation.

8. PERFORMANCE

- 8.1 A series of tables of performance against comparable services in other historic cities is listed below for Year 01/02

Comparison with Districts - Nearest Neighbours Model

No	Description	Carlisle	Shrewsbury & Atcham	St Edmunds- bury	Lancaster	Average
BVPI	<i>Distance</i>	0	0.031	0.053	0.064	
113	<i>Number of visits in school groups</i>	12,587	3,450	15,716	6,777	9,632
169a	<i>Museums Operated by Local Authority</i>	2	3	4	6	4
169b	<i>% of that number Registered</i>	100	100	75	100	94
170a	<i>The number of visits/usages to museums per 1,000 population</i>	4,966	1,571	520	741	1,949
170b	<i>The number of those visits that were in person per 1,000 population</i>	2,423	841	493	642	1,100

Source: Office of the Deputy Prime Minister

Comparison with other historic cities (1)

No	Description	Carlisle	Chester	Colchester	Exeter
BVPI					
113	<i>Number of visits in school groups</i>	12,587	20,432	24,196	14,366
169a	<i>Museums Operated by Local Authority</i>	2	1	4	3
169b	<i>% of that number Registered</i>	100	100	100	100
170a	<i>The number of visits/usages to museums per 1,000 population</i>	4,966	901	1,349	2,154
170b	<i>The number of those visits that were in person per 1,000 population</i>	2,423	836	1,161	1,760

Comparison with other historic cities (2)

No	Description	Carlisle	Gloucester	St Albans	Winchester
BVPI					
113	Number of visits in school groups	12,587	7,014	41,098	7,761
169a	Museums Operated by Local Authority	2	2	2	4
169b	% of that number Registered	100	100	100	100
170a	The number of visits/usages to museums per 1,000 population	4,966	728	1,263	1.069
170b	The number of those visits that were in person per 1,000 population	2,423	657	789	2858

Comparison with average of other historic cities

No	Description	Carlisle	Average
BVPI			
113	Number of visits in school groups	12,587	18,211
169a	Museums Operated by Local Authority	2	3
169b	% of that number Registered	100	100
170a	The number of visits/usages to museums per 1,000 population	4,966	1,778
170b	The number of those visits that were in person per 1,000 population	2,423	1,850

Source: Office of the Deputy Prime Minister

- 8.2 Tullie House performs very well against comparative Authorities, where it is in or near the top quartile.
- 8.3 The financial trends associated with the budget provision in the past 5 years indicate the need for substantial extra admission income to compensate for increased running costs that arose following the opening of the Millennium Galleries.

9. BUDGETS 2003/4

- 9.1 Below is a table analysing how the current central re-charges costs may be allocated if a Trust is created:

Non-Controllables

Training Re-charge	£19,670	Part of this sum is devolved to Tullie House. A Trust would argue for the whole sum. The amount kept centrally for corporate training would potentially be lost to the MSES budget.
Insurance	£18,910	This covers buildings, personal liability and employers liability. A Trust would need the entire budget apart from that, which is for the buildings.
Building Repairs	£81,500	This is revisable but not necessarily a potential saving.
Rent and Rates	£137,070	Actual revised rates will be £106,560, so a potential £30k exists. However, this covers 75% of the income shortfall annually. A Trust would seek the whole amount. N.B. 100% rate relief will also be a cost to the Council.
Central Administration	£124,440	This covers: Legal and Democratic Services, Financial Services, Strategy & Performance Services, Revenue & Benefits. The options would be to save the sum across the Council, downsize central departments, or recharge other parts of the Council. There is unlikely to be any TUPE and such a saving in one section presents a viability issue.
Departmental Administration	£59,790	Covers CLS management and administration, plus a proportion of the central admin costs of CLS. No TUPE applicable. Potential saving would be nil due to costs of establishing the client function for the Trust.

- 9.2 The total figure for the central charge budget exclusive of rates is £304,310. Of this sum £79,330 would need to go to the Trust to cover the cost of training, insurance and building repairs. It is assumed that the Council for the maintenance of the external fabric would keep 50% of the repair budget. Central and departmental charges amount to £184,730, these would need to be either saved or re-allocated. The opportunities to make savings are lower than was the case following externalisation of Leisure and Housing. The impact therefore is that the bulk of this sum would have to be re-allocated.

- 9.3 The increase in the existing corporate costs are a reflection of the greater proportion of overheads that the service has to contribute following the outsourcing of other Council services.
- 9.4 The cost ratios for staff and premises in relation to museum averages show that they are at the lower end of the range providing excellent value for money. This suggests that it would be impossible to sustain current levels of activity if there were reductions in these areas.
- 9.5 Current income levels need to be re-estimated at a realistic and achievable level. To achieve this the Council has two alternatives available,
1. Increase the level of subsidy to fill the gap.
 2. Reduce expenditure but with staffing and premises ratios at the lower end of the range nationally any expenditure reduction is likely to have a disproportionate impact on the level of public service provided.
- 9.6 Any reduction in the net expenditure would compromise future investment from the Renaissance in the Regions programme currently being distributed in proportion to net expenditure.

10. THE TRUST OPTION

- 10.1 There are undoubted benefits for the service in becoming a Trust not least the financial security of knowing what the subsidy level will be for the length of the contract with the Council. This aspect is potentially the most fundamental to the service.
- 10.2 The type and details of Trust were provided in the previous report to members as well as in the consultant's report and it is not proposed to duplicate that information here. However the cost of setting up a trust was not and they are substantial.
- 10.3 The legal fees for York were around £120,000, and it is anticipated that a similar figure would need to be budgeted for given the need for specialist advice in this area and the need to ensure that the Council position is fully protected. There is £85,000 budgeted for in the current financial year.
- 10.4 In addition to the legal fees there would be the need to set up an officer group from within the Council to see the transfer through to completion. There would be an opportunity cost for this group which would involve the Head of CLS and officers from finance, legal, property, personnel, communications, audit and CTS on the Council side plus staff from Tullie House itself on the Trust side.

11. MODIFIED OPTION.

11.1 There are two main elements to this proposal:

- A development Trust with charitable status to act as a vehicle for external funds for investment purposes in the building.
- Internal management arrangements that seek to mirror a NPDO with an internal board of directors.

11.2 Development Trusts:

11.2.1 Development trusts have had a successful history in specific capital projects.

However in order to achieve charitable status it would have to be independent of the Council. The creation of such a body is relatively straightforward and inexpensive. A Development Trust for the Museum Service would have administrative costs to be borne by the Council. All discussions in this respect would involve the Friends of Tullie House.

11.2.2 The use of a development trust to generate revenue funds is at best limited and unlikely to reduce the burden to the Council of the cost of the service. Similar Trusts across the country have successfully supported capital projects but not revenue funding.

11.3 Internal management arrangements:

11.3.1 The Council's adoption of the Cabinet model that is very different to the committee system that preceded it precludes the appointment of a management board with decision-making powers. All decisions are made by the Executive or where delegated the PFH. Therefore any committee could only be advisory and as such have limited influence.

11.3.2 It would be possible to have a management board made up of internal managers with some non-executive members. It would be this board and not the individual manager who would advise the executive and PFH. Such an approach is substantially less beneficial than the arrangement which would exist with a NPDO which would have a fully independent Board.

11.3.3 Even with such changes to the internal arrangements the modified approach would still be subject to the Council's general policies, financial standing orders and regulations. The service's development plan/strategy would by necessity be subordinate to the Council annual budget cycle which increases the risk of reducing funding which impacts directly on the level and scope and quality of service.

- 11.3.4 There are no revenue benefits from a modified approach although there exists some opportunities in relation to fund raising for future capital projects through a development trust.

12. CONCLUSION

- 12.1 The future development of the Museum and Arts Service is an integral part of Carlisle's increasing role as a sub-regional centre. A strong and vibrant service can contribute to this especially given the considerable potential that exists with the City's Roman heritage.
- 12.2 It is important that a decision on the future gives a clear message to the staff, local residents and our partners such as the Friends that the City Council wants to move the service forward in a direction which is going to add to the excellent work which has already been done.
- 12.3 In the analysis of the two options which the Executive asked to be considered, the Trust at this time would provide the financial security for the service which is a primary concern for the staff and would enable a greater focus on service development.
- 12.4 However this may not be the best corporate decision at a time when the future of Local Government in Cumbria is subject to review. The size of the authority would reduce and the influence over the service would be via a management agreement rather than the direct route as at present.

13. CONSULTATION

13.1 Consultation to Date:

Executive, Overview and Scrutiny, Friends of Tullie House, Labour and Liberal Democrat Parties and the Portfolio Holder.

13.2 Consultation proposed:

Overview and Scrutiny, Friends of Tullie House, Arts Council North West, North West Museums Libraries and Archives Council.

14. RECOMMENDATIONS

- 14.1 The modified in-house option is rejected as unsuitable, leaving the development of the status quo management arrangement or a Trust as viable options.
- 14.2 The existing Museum and Arts Service is tasked with producing a Development Plan. The anticipated cost of up to £50k to be taken from the allocated budget assigned to develop a Trust.
- 14.3 To note the report and forward it to Community Overview and Scrutiny for consideration and comment, before taking a final decision at a future Executive.

15. REASONS FOR RECOMMENDATIONS

- 15.1 To ensure that a decision is reached to determine the future direction for the service and work can be undertaken to implement it.

16. IMPLICATIONS

- Staffing/Resources – Significant depending on the outcome of the decision
- Financial –

Experience from the Leisuretime partnership has shown that the Audit Commission will expect the business case for any change in the delivery of this service area to be clearly set out, particularly if considerations do result in some form of external arrangement.

As stated in paragraph 9 there is very limited scope to realistically implement further revenue cost reductions to the service in its current form, whether provided by the council or in partnership.

Without some form of capital investment there is also the risk that levels of income generated may reduce over time causing an increased budget requirement.

- Legal –
 "In view of the specialist nature of the work in setting up a trust of this nature, it is the case that it would be necessary to Commission some external legal services and a budget would be required accordingly, as indicated in the main body of the report by the Head of Culture, Leisure and Sport".
- Corporate –
 The corporate implications of the decision are whichever route is taken it is going to impact on other business units within the Council.
- Risk Management –
 The risk of choosing a direction for the service is that staff and public become dissatisfied with the service. Leading to possible
- Equality Issues –
 The achievement of specific targets for the Museum is a part of its service plan and integral for Resource funding, these will need to be achieved irrespective of the management option chosen.
- Environmental – N/A
- Crime and Disorder –
 Outreach work the museum and particularly the arts service are delivering currently is assisting in the Council drive to deal with these issues. Whichever option is eventually chosen will need to make more use of this service to increase the impact.

MARK BEVERIDGE

Head of Culture, Leisure & Sports Services

MB/DR

16 October 2003

Appendix 1

Criterion	A	B	C
	Do nothing	NPDO	Modified Arrangement
Revenue savings	Financial savings only available by service reductions	Opportunities for savings likely to be balanced by additional costs	Financial savings only available by service reductions
Limiting Council's exposure on future expenditure/certainty of funding for Museum	Council has sole responsibility for all future funding; no guarantee of future funding levels	Council shares funding responsibility: NPDO has guaranteed funding for period of Agreement	Council has sole responsibility for all future funding; no guarantee of future funding levels. But independent members of management board provide additional advocacy
Opportunities for securing additional external funds	Museum is subordinate to Council financial planning	Board has unlimited opportunity to seek funds both for projects and day-to-day expenses	Development trust provides opportunity to seek funding for one-off projects
Continued Council control over direction of the service	Executive continues to provide strategic direction of service	Executive provides strategic direction of service through Funding Agreement and reporting arrangements	Executive continues to provide strategic direction of service, influenced by advice of independent management board members
Continued Council control over management of the service	Council management continues to control the service	NPDO has own management structures and systems	Council management continues to control the service, subject to advice by independent management board members
Increase in City Council corporate costs	No increase	Increase to the extent that the NPDO administration costs are in addition to current budget provision	No increase
Links to City Council's corporate objectives	Plans linked (but few Council objectives have direct link to Museum)	Plans linked through Funding Agreement (but few Council objectives have direct link to Museum)	Plans linked (but few Council objectives have direct link to Museum)
Need for strategy/development plan	Need	Need	Need

Criterion	A	B	C
	Do nothing	NPDO	Modified Arrangement
Capital improvements to Tullie House Museum	Subject to funding availability of Council funding as matching funds	Other funds available as matching funds	Subject to funding availability of Council funding as matching funds; other funds may be available through development trust
Improved operational efficiency and effectiveness of the museums and gallery service	None	NPDO would be able to act entrepreneurially to increase efficiency and maximise income	Only insofar as these can be negotiated and are compatible with Council systems
Partnerships with other stakeholders	Through the Council corporately	NPDO would encourage participation by others in both governance and management, both locally and to represent the Museum's wider significance	Through the Council corporately and through development trust
Stable operating environment for the Museum	Subject to any reorganisation in local government structures	Agreement between Council and NPDO would pass on to successor body until date of renewal	Subject to any reorganisation in local government structures