



**PORTFOLIO AREA: HEALTH AND WELLBEING**

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Date of Meeting: 25 NOVEMBER 2002

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Public

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Key Decision: No

Recorded in Forward Plan: Yes

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Inside Policy Framework

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**Title:** TULLIE HOUSE - SAVINGS PROPOSALS  
**Report of:** TOWN CLERK AND CHIEF EXECUTIVE  
**Report reference:** TC. 233/02

**Summary:**

At the request of the Executive, this report identifies options for service reduction at Tullie House requested as part of the budget process.

**Recommendations:**

To consider this report as part of the budget process.

**Contact Officer:** Peter Stybelski

**Ext:** 7001

## **1. INTRODUCTION**

Officers have been asked to identify significant savings from the Tullie House net expenditure for 2003/04 and thereafter for subsequent years.

This report will outline the consequences of further savings options from the operating budget of the museum and arts service. This report does not consider the financial implications and savings that may accrue should Trust status be obtained. This report gives additional information to that of the Director of Leisure & Community Development reported to the Executive on 29 July 200 (LCD 22/02) a copy of which is appended.

## **2. BACKGROUND INFORMATION**

The following appendices accompany this report and provide further background information for consideration.

Appendix 1 - Extracts from the Corporate Plan and City Vision.

Appendix 2 - Tullie House Forward Plan – key issues.

Appendix 3 - Update on *Renaissance in the Regions*

Appendix 4 - Visitor Trends for 2002

Appendix 5 - Savings Options

Appendix 6 - Analysis of budget 2003/4

## **3. SAVINGS**

- 3.1 Appendix 5 details a schedule of savings options prepared in consultation with Tullie House Management Team. Because a high proportion of expenditure on direct provision of services to the public is on salaries and their associated costs, any savings in reality would lead to job cuts and reductions in front line public services. There are no savings, which could be made which will not have an effect on the public using the service and also on the overall performance of the organisation. Notes are given detailing the effect the impact of each option.

- 3.2 Appendix 6 contains a breakdown of the costs and income at Tullie House for 2003/4. As previously reported, some 70% of the total net budget is made up of Maintenance, Insurance, Central Administration and Capital Charges, and this figure are largely irreducible.

#### **4. TIMESCALE**

- 4.1 If these savings are to be attained then an early indication is needed - preferably before December 2002, as contracts are being placed on an ongoing basis for events/activities/initiatives during the next financial year. For example contracts are being placed with some artists for Brampton Live, publicity leaflets are being prepared, which include the Guildhall, to be ready for distribution early next year.

#### **5.0 IMPLICATIONS OF THESE SAVINGS**

- 5.1 Consideration should be given to the effect the savings will have on a potential Trust, as reductions in funding will seriously affect the sustainability of the operation, making it more difficult to attract trustees.
- 5.2 Participation in the NW HUB initiative (see Appendix 3) will be made extremely difficult, possibly resulting in the museum service being unable to attract additional funding through lack of adequate infrastructure and resources.
- 5.3 The Museum Registration Scheme requires that minimum standards are maintained in a range of services and activities. Care must be taken to ensure that any savings made do not effect the ability to meet these standards, as this would result in an inability to act as a fully professional museum service and to attract funding from Government and related sources.
- 5.4 Partnership development work with the Victoria & Albert Museum would be affected if registration standards are not met; also the ability to participate in this prestigious venture could be jeopardised through lack of staff resources.

## **6.0 SAVINGS IMPLICATIONS**

- 6.1 All options identified within this report have serious consequences for the operation, further development and services provided at Tullie House, particularly bearing in mind the recent opening of the Millennium Gallery and the Council's intentions to progress in cultural management arrangements. The Executive may therefore wish to be cautious in its approach to operational savings at Tullie House.

## **7. STAFFING/RESOURCES COMMENTS**

Identified in report.

## **8. CITY TREASURER'S COMMENTS**

The City Treasurer has been consulted in the production of this report.

## **9. LEGAL COMMENTS**

None.

## **10. CORPORATE COMMENTS**

None.

## **11. RISK MANAGEMENT ASSESSMENT**

N/A

## **12. EQUALITY ISSUES**

N/A

## **13. ENVIRONMENTAL IMPLICATIONS**

N/A

**14. CRIME AND DISORDER IMPLICATIONS**

N/A

**15. RECOMMENDATIONS:**

15.1 To consider this report as part of the budget process.

**Contact Officer:** Peter Stybelski

**Ext:** 7001

## Appendix 1 Extracts from the Corporate Plan and City Vision

Performance Indicators within the Corporate Plan are:

<ul style="list-style-type: none"> <li>• % respondents satisfied with standards of facilities: a) Cultural b) Educational</li> </ul>	Surveys to be undertaken and targets established by March 2003		Culture, Leisure and Sports Service
<ul style="list-style-type: none"> <li>• Number of visits to museums per 1,000 population</li> </ul>	2500	2550 during 2003/04	Culture, Leisure and Sports Services
<ul style="list-style-type: none"> <li>• Level of investment in museums &amp; cultural sector</li> </ul>	Ascertain baseline measurements		Culture, Leisure and Sports Services
<ul style="list-style-type: none"> <li>• Develop a programme of events with supporting resource material for schools and community groups on the concept of citizenship</li> </ul>	Develop an events programme around the Anne Frank exhibition Oct 02. This work resulted in <b>2561</b> children visiting the exhibition from <b>75</b> schools in the region during the month the exhibition was open.	Participate in the North West Museums and Galleries Education programme Phase 2 Citizenship initiative 2003.	Culture, Leisure and Sports Services
<ul style="list-style-type: none"> <li>• Review access to culture via museums, arts development and places of interest</li> </ul>		Undertaken a review by March 2004	Culture, Leisure and Sports Services
<ul style="list-style-type: none"> <li>• Develop and support a public arts programme</li> </ul>	Set up a public arts steering group.		Culture, Leisure and Sports Services
<ul style="list-style-type: none"> <li>• Integrate our museums and galleries within Cumbria and the North West</li> </ul>	Secure the position of Tullie House as part of the Northwest regional museums HUB in accordance with the central government timetable. (Year 1 and 2) Examine the management of Tullie House in the context of other Cumbrian museums.		Culture, Leisure and Sports Services

<ul style="list-style-type: none"> <li>Review funding mechanisms (including consideration of "Trust" status) for the museum service (Tullie House) with a view to providing more effective operational control</li> </ul>	Undertake Review by March 2003		Corporate Management Team
<ul style="list-style-type: none"> <li>Support Prism Arts programme of work with people with special needs and disabilities</li> </ul>	Establish a performing arts group for young adults with learning difficulties by March 2003		Culture, Leisure and Sports Services
<ul style="list-style-type: none"> <li>Support the development of Cumbria Arts and Health Steering Group</li> </ul>	Develop an Arts in Health strategy for Cumbria by March 2003	Implementation of an Arts in Health strategy for Cumbria by March 2004	Culture, Leisure and Sports Services
<ul style="list-style-type: none"> <li>Support the development of the Cumberland Infirmary Arts Steering Group</li> </ul>	Provide officer support for the management of the arts programme for the staff and patients of Cumberland Infirmary by March 2003		Culture, Leisure and Sports Services

## **Appendix 2 Tullie House Forward Plan – Update of Key Issues**

The next three years are a crucial time for Carlisle City Council's Museums and Arts service. The key pressures for this period are outlined below and present significant challenges for both the Council as a whole and for the staff at Tullie House. It will be a time of change, but also one of opportunity with culture higher on the national political agenda than ever before.

### **Governance and Funding**

As identified in the Corporate Plan, the funding mechanisms for the service will be reviewed during this plan period. The service has been asked to identify potential savings for the City Council as the Authority comes under financial pressure due to the externalisation of large parts of its operations. One of the options being considered is the externalisation of Tullie House to a Trust as a mechanism to produce savings without cutting services.

If the Council decides to progress the Trust option, there is an opportunity to create a North Cumbria Museums and Arts Trust with a broader remit than the one Tullie House presently holds. The service faces the constant challenge of sustainability, and transferring to a Trust may be a way of creating greater management flexibility to explore new funding opportunities and new partnerships. It is however essential that a strong funding package is negotiated with the Council on behalf of Tullie House if a Trust option is to be sustainable. Therefore the request to save £100,000 for budget year 2003/04 has grave consequences for the future success of the Trust option.

A major opportunity for Tullie House is the development of the North West HUB partnership, with the opportunity to benefit from additional government funding, as detailed in Appendix 3.

The Designation of Collections scheme is being re-launched by Re:source to include collections or parts of collections held by museums and which link to already designated collections in the UK. This brings the opportunity to benefit from government funding for projects such as the digitisation of collections, and increased access initiatives if applications are successful. Also, our current full Registered Museum status is to be reviewed when Re:source introduces Registration Phase 3 in 2004. This will be under new, and more rigorous, guidelines. Retention of Registration is essential if Tullie House is to retain its hard-won position within the NW region as a HUB partner, as well as to ensure that it can continue to attract funding from a wide variety of national sources.

### **Future Development Priorities**

The issue of product development is directly linked to that of visitor trends (see Appendix 4). One possible development is the "block buster" show concept, requiring continued careful planning and research. Another is to extend this idea to the Border Galleries by developing a large new temporary exhibition space and creating a new post of exhibition officer to support it. This would allow access to more of the museum's collections and create a flexible space where there are now permanent displays. This type of development may be possible through the HUB partnership, which will encourage the development of regional and national touring



exhibitions and potentially provide funding for both the capital and revenue aspects of the projects.

Another priority development for this plan period is accessible storage. The current museum storage situation has reached crisis level and new storage is now a priority. In addition to this there is the problem of the future of archaeological and excavated archive material which will soon be added to the Tullie House collections. A feasibility study needs urgently to be commissioned to identify suitable sites. This project is being progressed in partnership with Cumbria County Council Libraries and Archives. If new storage can be developed the contents of the main store could be moved and this space returned to public use for exhibitions. This is an ambitious capital project, which will take several years to complete however, it impacts on the museum's central function of collection management. This could also be a project would receive support through the HUB partnership, Heritage Lottery bids and Designation Challenge Fund, should Tullie House's collections achieve Designated status.

### **Partnerships and Outreach**

The Museum and Arts service currently works in partnership with a wide variety of organisations such as HUB partners outlined in Appendix 3. Another partnership, which the service is currently negotiating, is with the Victoria & Albert Museum. It will be a priority in this period to develop this into a formal partnership agreement. The Arts Development service is currently developing a new relationship with North West Arts after the transfer from Northern Arts boundaries in April 2002. It will be a key issue to continue to develop this relationship to ensure funding levels are continued.

After carrying out a SWOT analysis on the Museums and Arts service, one key issue continually reappeared; this was the need for continued development of outreach work. This plan period will see the development of two projects in particular which will help to strengthen links with the local community and develop new partners: these are the Blue Streak project and the F&M Documentation project.

Outreach work will also take place through the new partnership with Surestart and through the Education departments participation in the North West Museums Service Citizenship initiative. The Arts Development Unit will continue to work with the local community of Brampton in the delivery of the Brampton Live Festival now in its 9<sup>th</sup> year. The festival brings economic benefits to an area identified as an area covered by the EEC Objective 2 Funding.

A feasibility study will be commissioned to consider increasing the scale of the festival and future management options.

### **Appendix 3 – The North West HUB Partnership (Renaissance in the Regions)**

Funding of 70 million pounds has now been announced for the *Renaissance in the Regions* initiative running over 4 years. The Government body Re:source is due to confirm which museums are included in the nine regional HUBs during December 2002. Tullie House fully expects to become a partner in the North West HUB as it is the lead museum for Cumbria. An announcement will be made in the New Year stating which regions have been identified as being in the first phase of funding.

*Renaissance in the Regions* is a major opportunity for Tullie House with participation in the hub already raising the profile of the museum within the North West region. It is a key issue for the service to continue to participate in the HUB process to ensure Tullie House benefits from the central government funding of the initiative. There is also a governance issue for the HUB partner museums to address with contractual agreements needing formalised before government funding is invested.

For information the current hub partners for the North West are:

*Manchester consortium consisting of:*

Manchester City Art Gallery  
Manchester Museum  
Whitworth Art Gallery  
Museum of Science and Industry  
Peoples History Museum

*Preston consortium consisting of:*

Harris Museum and Art Gallery, Preston  
Lancashire County Council

Tullie House Museum and Art Gallery

Bolton Museum & Art Gallery

The Grosvenor Museum, Chester

Already, much work has gone into preparing documents for the partnership, and it is apparent that participating museums need to demonstrate what they can do to benefit the region, not just themselves. The following table details areas where Tullie House could contribute through existing skills and expertise, using additional funding generated through the HUB. This has been based on areas already contained in the Forward Plan.

*Name of organisation]* - **Tullie House Museum and Art Gallery, NEEDS ANALYSIS**

<b>Activity</b>	<b>Proposals</b>	<b>Cost</b>
Display and Interpretation	See both capital projects	See below
Collections Care	Included in major capital project below to improve storage conditions and security.	See below
Public Programmes	Create public art with local community groups and schools from throughout the County and with local artists.	£20,000
Improving Access	Digitisation and imaging project for all collections held in the Cumbria Registered museums with public access outcomes.  Website development to provide wide ranging collections access; develop income streams through retailing activities with an international bias; provide links to other regional museums web sites.	£500,000  £75,000
Exhibitions Development	Create unique public art space in the grounds of Tullie House to encourage additional tourists to Cumbria.	£250,000
Repairs and Maintenance	Re-roofing historic Grade 1 Listed building to secure Government Indemnity standards and improve security of collections and improve energy consumption and provide long term protection historic buildings.	£100,000
Project Development	Major capital development with partners English Heritage and Cumbria County Council Archive Service. Main elements to provide improved access to wide range of archive material, provide new cross-domain education facilities. Large scale accessible storage museum and archive collections including archaeological archive store for the far North West. Extension of public galleries to provide new collections access. Redisplay of existing galleries including Old Tullie House to maximise potential of historic building. Development of sustainable commercial facilities. HLF etc etc.  Guildhall Museum: Redisplay medieval Grade 1 Ancient Monument to provide access and DDA compliance, project includes compulsory purchase of ground floor to remove incompatible usage. This would result in the interpretation of the only existing timber framed building within Cumbria providing an educational facility for County.	£15 million  £3.5 million

Marketing and Publicity	<p>Purchase a computer package to analyse market research which could also service other Cumbria museums. Create a specific market research post to prepare surveys and analyse results on regional basis.</p> <p>Produce travelling display to promote North West museums, galleries and attractions for use at Travel Trade fairs nationally with the intention being to increase cultural tourism to the North West.</p>	<p>£15,000 Equipment</p> <p>Cost of post £20,000 annually.</p> <p>Projected cost £30K over 4 years</p>
Collections Development	See Project Development	
Staff Training and Organisational Development	Develop a training consortium for all aspects of museum practice.	Projected cost £35,000 per year

## Appendix 4 – Visitor trends

A key issue related to sustainability and funding is the use of the service and the income which visitors generate.

Visitor numbers to Tullie House have risen from 190,992 in 2000/1 to 288,766 in 2001/2. This increase was not however reflected in the income, and this can be partly accounted for by FMD, which affected the customer profile. The % of local visitors to the Border Galleries increased massively with free Tullie card visits rising from 22% of the customer profile to 34% in 2001/2. Early indications are that this has dropped back to 28% in 2002/3, which shows that the outbreak may have encouraged people to return, and keep returning to the museum.

Tullie card admissions account for 5% of the total footfall. The Tullie card was re-launched in July 2001, with over 14,000 new cards been issued to date, which again accounts for the high percentage of users from this sector.

There is an apparent trend to a reduced rate of conversion of visitors to Tullie House into paying admissions to the Border and Millennium Galleries. This has fallen from 24% of the door count in 2000/01 to 21% in 2001/02. Early indications show that this has dropped further to 19% in the first half of the financial year (2002).

It is a key issue that the reversal of the trend is addressed: priorities will be a targeted marketing campaign to raise the profile of the product on offer.

The current Marketing campaign includes:

- 1 Group travel has been heavily targeted over the past two months. Three mail-outs have gone to group travel and tour planners, resulting in over 10,000 pieces of literature distributed (also includes WI's, community groups etc within a 1.5 hour travel time). A familiarisation visit on Sunday 17<sup>th</sup> November, in partnership with English Heritage will bring around 20 coach operators with a particular interest in Tullie House as a visitor destination. Further work on this is in progress.
- 2 Working in partnership continues with other organisations, including Rheged, Carlisle City Council Tourism, CTB, HWTP and English Heritage. Leading on from 1 above, we are pursuing a partnership approach to marketing in order to fully maximise the marketing spend, and make the visitor more aware of the "places to visit" when coming to the area.
- 3 A PR programme supporting the newly opened exhibition "The Hills are Alive" includes profiling the curator concerned, and a prize competition in partnership with the sponsors, English Nature; work to highlight current exhibitions and events at Tullie House continues.

- 4 Sign boards already erected at both front and rear entrances that highlight current exhibitions and direct the visitor around the museum.
- 5 Review of the text for the generic brochure. Research shows that the visitor wants to be directed around the venue by the leaflet, and not just given information about what to expect on a visit. With this in mind, the Marketing Section is re-writing the text to make the visit more of a "mini guided-tour". The 140,000 print run will be distributed widely
- 6 A face-to-face market research campaign is being implemented to research exactly what the visitor to Tullie House does on their visit, i.e. to ascertain why footfall is high, but the flow of visitors around the whole of museum is not reflected in this. This will provide information about who uses the facility, and for what reason, enabling us to provide an accurate visitor profile. This may result in the need to look at new/niche markets to meet our income targets, as our loyal local market is fairly buoyant, but brings in less income than full paying visitors.

## Appendix 5- Potential Areas of Savings

These savings have been prepared on the basis of possible options together with a projected shortfall in admissions income for 2003/04 of £20,000 against budget. The first priority in any savings would be to meet the current income shortfall.

### Option: Visitor Services

- To introduce a Tullie Card Scheme for non-residents. An annual scheme, it would be aggressively marketed into adjoining Local Authority areas with additional benefits through sponsorship deals.  
Cost implications and VAT production have been taken into account and existing computer software would be used.  
Anticipated sales of 5000 based on £10.00 per card.

Potential Increase in Net Income £40,000

### Option: Reduce Gallery Maintenance

- Reduce gallery maintenance, which would result in longer downtime of exhibitions, poor quality of AV Reivers show through slides being changed less often. The effect on the visitor experience may well result in making it more difficult to sell the product and an eventual decline in visitors through negative PR.

Potential Saving £4,000

### Option: Building Services

- Bring the cleaning contract to direct management by Tullie House staff, thus increasing the flexibility and allowing use of existing supervisor.

Potential Saving £10,000

### Option: Closure of Guildhall Museum

- By closing this Grade 1 Ancient Monument, (one of the four most important historic buildings in Carlisle) to the public. Closure would entail removal the collections for security purposes to Tullie House – at some cost and the action is not easily reversible. The Guildhall is a Registered museum.  
Consequences of this saving would be:
  - Possible permanent reduction in tourism resources of the city, which once lost as a museum, may be difficult to re-instate.
  - Negation of recent work to promote the Guildhall, including major partnership working with English Heritage.
  - Loss of visitors, which has risen year on year and now stands at 7174 from circa. 2000 just a few years ago; many of these are pupils on school education visits.
  - Disaffection of the Guilds.

Potential Saving £ 10,000

#### **Option: Exhibition Programme Reduction**

- Cease using the Special Exhibitions Gallery as a temporary exhibition space and make it a permanent gallery. This would result in removing the opportunity to display the full range of our stored collections through the rolling programme which in turn would affect visitor figures to the Border Galleries as this is currently the only element of change in this area. (The current exhibition programme is especially important to our local market generating repeat visits through the changing programme.)

Potential Saving £10,000

#### **Option: Training Budget**

- Reducing the overall budget. Currently Tullie House has an active development programme for all its staff resulting in the museum being held as an example of best practice in terms of the development of Front of House staff. Investors In People may also be a victim of this action.

Potential Saving £7,000

#### **Option: Reduced Arts Development**

- Reduce Arts budget resulting in the loss of Brampton Live Festival. This is the biggest event of its kind in the north of England with national reputation and of economic benefit to the market town of Brampton which is in an area covered by the EEC Objective 2 funding.

Potential Saving £ 8000

#### **Option: Reduced Events Programme**

- Discontinue the Events programme at Tullie House along with Community projects and schools work. This would result in the lost of one part-time post and around 75 events a year.

Events range from practical art or craft-based workshops for all ages to small scale theatre for children, lectures and poetry readings and also outreach initiatives to schools which includes multi-cultural dance and music projects with African and Asian artists. The demise of this area of development would also result in the inability to benefit from new funding to support adult learning in museums, a new area of funding available from Department of Education and Skills.

Potential Saving £ 16,000

#### **Option: Reduced Marketing Budget**

- Reduce the Tullie House marketing budget. This would seriously damage ability to effectively market and promote all the services. It is difficult to envisage where most impact would fall but the current hard work on driving up visitor numbers and securing sponsorship would, no doubt, be seriously hampered. No allowance has been made for any reduction in income.

Potential Saving £15,000



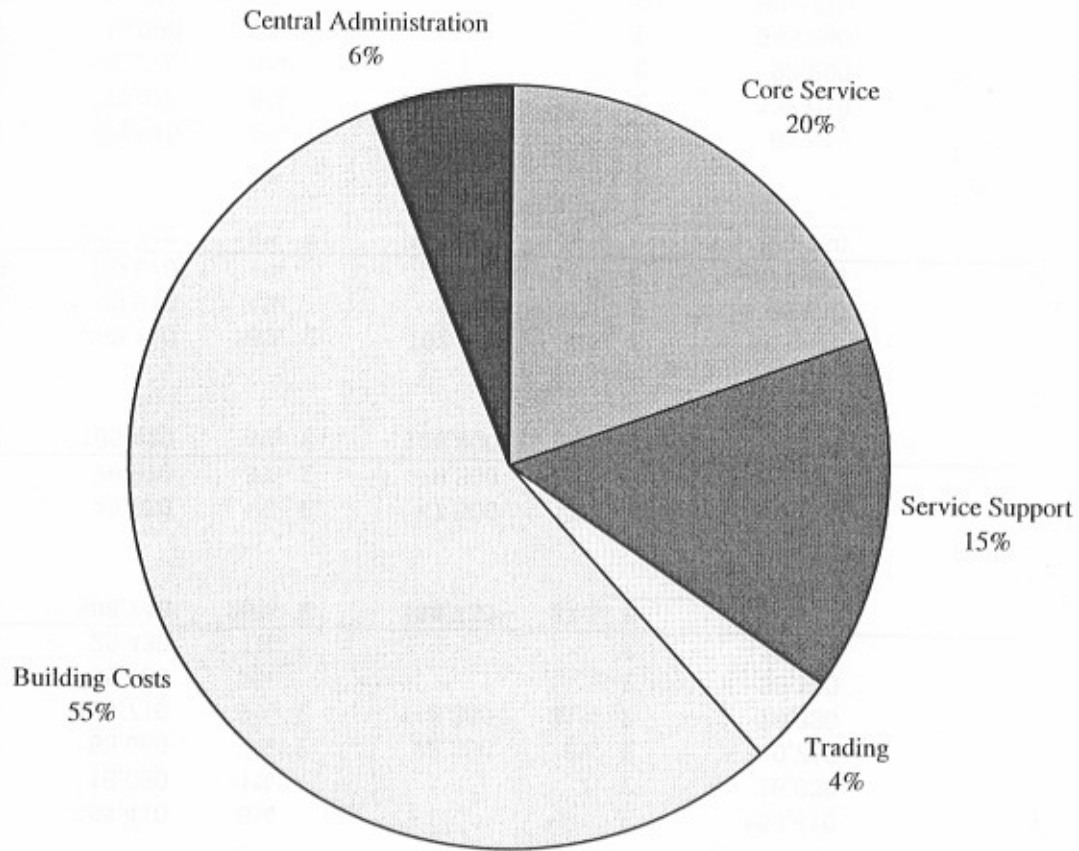
**TULLIE HOUSE EXPENDITURE/SAVINGS - 2002/3 Budget**

**APPENDIX 6**

	Expenditure	Exp%	Income	Inc%	Net Cost
<b>Core Service</b>					
Curatorial	£ 154,410	6%			£ 154,410
Events	£ 16,030	1%			£ 16,030
Visual Arts	£ 63,060	2%	£ 22,350	6%	£ 40,710
Arts Development	£ 194,710	7%	£ 116,380	31%	£ 78,330
Education	£ 55,100	2%			£ 55,100
Guildhall	£ 25,430	1%			£ 25,430
	<b>£ 508,740</b>	<b>20%</b>	<b>£ 138,730</b>	<b>37%</b>	<b>£ 370,010</b>
<b>Trading Services</b>					
Conferences/Catering	£ 29,050	1%	£ 47,500	13%	-£ 18,450
Shop	£ 76,370	3%	£ 79,300	21%	-£ 2,930
	<b>£ 105,420</b>	<b>4%</b>	<b>£ 126,800</b>	<b>34%</b>	<b>-£ 21,380</b>
<b>Service Support</b>					
Visitor Services	£ 269,160	10%	£ 107,690	29%	£ 161,470
Marketing	£ 98,610	4%			£ 98,610
Training Costs	£ 19,670	1%			£ 19,670
	<b>£ 387,440</b>	<b>15%</b>	<b>£ 107,690</b>	<b>29%</b>	<b>£ 279,750</b>
<b>Building Costs</b>					
Utilities	£ 64,510	2%			£ 64,510
Rates	£ 137,070	5%			£ 137,070
Maintenance Insurance	£ 92,200	4%			£ 92,200
Building Services	£ 245,290	9%			£ 245,290
Capital Charges	£ 905,710	35%			£ 905,710
	<b>£ 1,444,780</b>	<b>55%</b>	<b>£ -</b>		<b>£ 1,444,780</b>
<b>Central Admin.</b>	<b>£ 160,570</b>	<b>6%</b>			<b>£ 160,570</b>
<b>Total</b>	<b>£ 2,606,950</b>	<b>100%</b>	<b>£ 373,220</b>	<b>100%</b>	<b>£ 2,233,730</b>

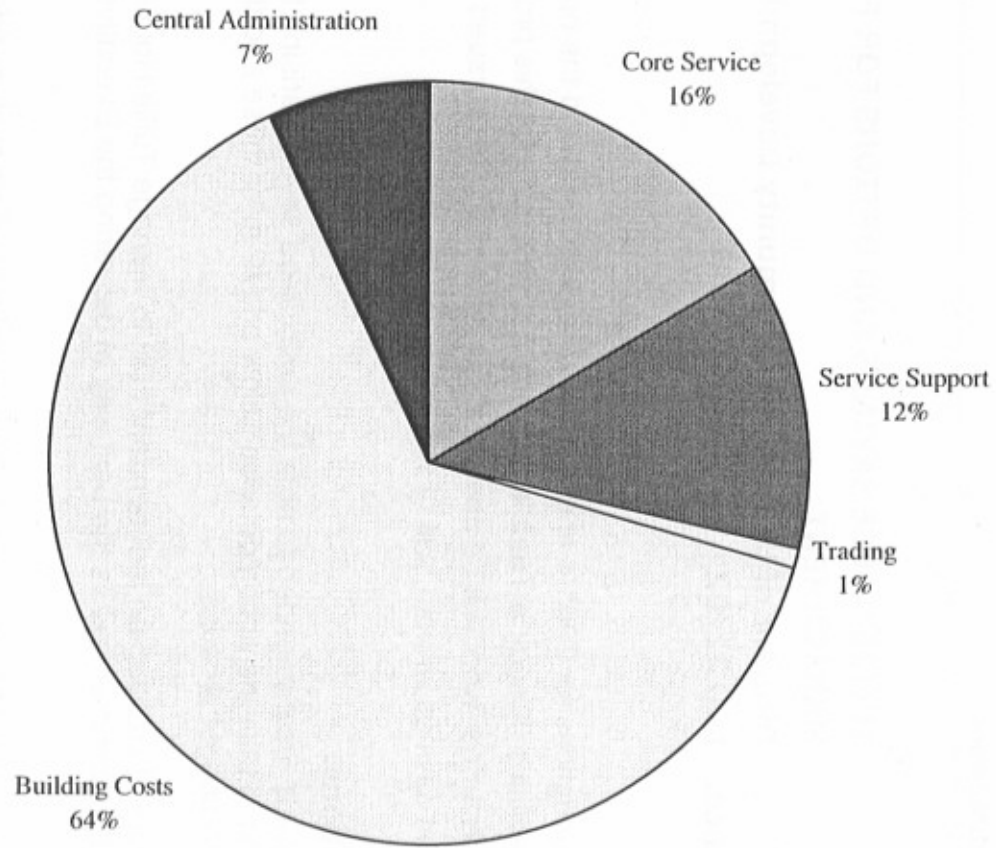
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### Tullie House Gross Costs -£2.6m



18.

### Tullie House Net Costs - £2.2m



19.



**PORTFOLIO AREA: HEALTH AND WELL BEING**

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Date of Meeting: 29th July 2001

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Public

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Key Decision: Yes

Recorded in Forward Plan: No

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Outside Policy Framework

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Title: TULLIE HOUSE SAVINGS AND OPTIONS FOR FUTURE  
MANAGEMENT

Report of: Director of Leisure and Community Development

Report reference: LCD 22/02

**Summary:**

Potential cost reductions for 2003/4 and onwards are discussed and the option of managing the facilities through a Trust is explained. A timetable for this process is suggested. Much further work will be needed if this option is to be pursued but it does enable significant savings without loss of service.

**Recommendations:**

1. The Executive is recommended to note the anticipated savings arising from trust formation and to take the action detailed below and to refer these and the other savings options to the budget process.
2. That the option of creating an independent trust to manage Tullie House on behalf of the Council is recommended as the best way of delivering the Executive's long term objectives.
3. This represent a significant change in Council policy and as such needs the approval of the full Council. The Executive is recommended to refer this report to the Overview and Scrutiny (Community) Committee and consider their views before referring the issue to Council.

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

4. It is recommended that the senior post in the museum be regraded to PO15-18 and that the regrade for the current year should be found from within base budgets until such time as any transfer to a Trust takes place when it will need to be allowed for in the Business Plan proposed by the Board. The post will be titled Arts and Museums Manager initially but with the expectation that they will become the chief officer of the trust, should it proceed, with a title to be determined by the board.
5. The officer group <sup>in con with f/t L</sup> which is leading the client work on the externalisation of Leisuretime should extend it's work to encompass this externalisation. The group should be asked to report on options for the client function post externalisation.
6. The Director and the Portfolio holder should be asked to explore potential membership of an initiating group and commence discussions with that body. Their first task would be to agree with the Council a resourced project plan for the transfer.

**Contact Officer:** Euan Cartwright

**Ext:** 7350

**1. BACKGROUND INFORMATION AND OPTIONS**

See paras 1-5 of the report.

**2. CONSULTATION**

**2.1 Consultation to Date.**

The Portfolio Holder and Chief Officer have met with the staff to appraise them of the options being considered. There will be further consultative meetings as the matter is progressed.

**2.2 Consultation proposed.**

The proposal should be referred to Overview and Scrutiny (Community).

**3. STAFFING/RESOURCES COMMENTS**

Not applicable at this stage though detailed consideration of these issues will be needed as the proposal is progressed.

**4. CITY TREASURER'S COMMENTS**

Incorporated into the report.

**5. LEGAL COMMENTS**

Incorporated into the report.

**6. CORPORATE COMMENTS**

Incorporated into the report.

**7. RISK MANAGEMENT ASSESSMENT**

See para 12.

8. EQUALITY ISSUES

N/A

9. ENVIRONMENTAL IMPLICATIONS

N/A

10. CRIME AND DISORDER IMPLICATIONS

N/A

11. RECOMMENDATIONS

See para 14.

12. REASONS FOR RECOMMENDATIONS

See report.

## TULLIE HOUSE SAVING REQUIREMENTS AND OPTIONS FOR FUTURE MANAGEMENT

### 1. Objectives

Officers have been asked to identify significant savings from the Tullie House net expenditure for 2003/4 and subsequent years.

We have also been asked to investigate the possibility of establishing a charitable trust to manage the operations of Tullie House Museum. The objectives for this change as outlined by the Executive are

- To provide greater management freedom for the operation of the museum and art gallery
- To assist in the reduction of the costs of the service.

This report has been prepared drawing from our experience of the externalisation of Leisuretime and in the light of discussions held with officers of York City Council. They are just completing the transfer of their museums' management to a trust (although the circumstances of their transfer are different to our own in a number of significant ways).

### 2. Background

The following appendices accompany this report and provide background information for consideration.

- Appendix 1 – Tullie House Forward Plan
- Appendix 2 – Current Programme of Events
- Appendix 3 – Savings Options
- Appendix 4 – Analysis of budget 2002/3
- Appendix 5 – Draft Timetable for Trust Transfer

### 3. Scope of the Service

- 3.1. Tullie House Museum and Arts Gallery encompasses a wide range of services. These are described in some detail in Appendix 1 the Tullie House Forward Plan. They are also set in the context of the Council's Corporate Plan and other local and regional contexts.



- 3.2. Appendix 2 is a copy of the current brochure promoting events at and organised through Tullie House. It provides a more vivid illustration of the nature and range of activities than does the forward plan.

#### 4. **Savings**

- 4.1. Appendix 4 contains a breakdown of the present costs and income at Tullie House. The costs of the direct public service amount to only 36% of the net costs of £1.6m. Rates, Capital Charges, Central Administration, Insurance and Building Maintenance absorb 65% of the budget and these figure are largely irreducible.

- 4.2. Appendices 4 &5 detail a schedule of savings proposed in consultation with the Tullie House Management Team. Notes are included on the impact of the proposed reductions. These savings have been chosen because it is believed that of all the options available they would have the least impact on services to the public. Option such as the reductions in Arts Development or the Education programme could be considered if further savings are required but with significant service impact.

- 4.3. Savings options are further considered in paragraph 10.

#### 5. **Options for Change in Management**

Options available for changes in the management arrangements include continuation of the existing arrangements, closure of the service, external procurement/partnering and trust formation.

##### 5.1. **Continuation**

If significant reduction in cost are to be found (£150-250k) without the rates savings achievable through the trust option then they would have a devastating effect of the range and quality of services at the museum. It would reduce user number and user satisfaction and would take the museum out of top quartile performance. It is difficult to see how such changes would enable the delivery of Corporate Plan and City Vision objectives. This option would not deliver the savings objective without serious service impact and is therefore not recommended.

## 5.2. Closure

No estimate has been prepared of the cost of closure of the museum. Whilst core service costs of £329k might be saved residual costs which would continue to be incurred with no service. Some grants would also have to be repaid notably that from the Millennium Commission. The continuing need to store the museum collections which have been gifted to the city in perpetuity and which cannot be disposed of etc. It is difficult to calculate these costs with detailed consideration. The Council's commitment to the service as reflected in the City Vision and the Corporate Plan is such that this detailed work is considered unjustified.

## 5.3. External Procurement

Faced with similar objectives at the Sands Centre etc the Council pursued the option of a competitive tender. A well established market for the provision of sports and recreation exists and the tender process enabled the Council to use this competitive climate to secure Best Value for the services. Such a market does not exist for museum and art gallery operation. A significant number of independent trusts exist around the country but we have no knowledge of them tendering for the provision of services elsewhere. There are examples of partnership working elsewhere but this is where some common factor (normally geography) drives them together. There is no known opportunity for such a partnership in Carlisle. If it were achieved the such an arrangement may be capable of delivering Corporate Plan objectives but these would depend on the nature of the contract entered in to.

## 5.4. Trust Formation

A substantial proportion of existing museums are managed by charitable trusts. Two major local authority services, Sheffield (2000) and York (completing August 2002) have recently transferred to trusts. In the case of Tullie House an immediate saving of £92k is available from the statutory charitable rate relief and such an arrangement would secure the management freedom which is one of the Council's objectives. Such an arrangement may be capable of delivering Corporate Plan objectives but these would depend on the nature of the contract entered in to.

## 5.5. Summary of Options

	Continuation	Closure	Tender	Trust
Savings	Not achieved without loss of service.	Probably achieved	Unknown	<£150k(?) without loss of service
Management Freedom	Unchanged	Not applicable	Yes – but no known alternative providers	Yes
Service Impact	Diminished service if savings are to be achieved	Loss of all/most services but substantial residual costs.	Specification would determine level of service.	Specification would determine level of service.
Corporate Plan	Not if savings are to be secured	No	Dependent on contract	Dependent on contract
City Vision	Not if savings are to be secured	No	Dependent of Contract	Dependent on contract

## 6. Trust Formation – How?

It is proposed that if a Trust were to take over the responsibility for the management of Tullie House then the following steps would need to be taken.

- 6.1. *Trust Formation*  
The Council does not have powers to establish a "Trust". Instead an Initiating Group would be drawn together (and probably financially supported by the Council) which would draw up the necessary documentation to form a Company Limited by Guarantee or an Industrial and Provident Society. They would also lead the "contractor side" in negotiation with the Council. Once the company had been formed they would draw together the Board which would manage the "trust" there after.
- 6.2. *Service Specification*  
The Council would continue to pay a substantial fee to the trust on an annual basis. A specification or service level agreement would have to be drawn up which outlined what the Council expected from the Trusts in consideration of the fee paid. This would cover the management of the collections and the contribution to the achievement of Corporate Plan Objects, BVPI's , maintenance of the buildings etc. (A similar document was prepared for the Leisuretime externalisation.)
- 6.3. *Contract*  
Instead of a Service Specification and Contract, York have opted for a Partnership Agreement. This is a statement of common aims and objectives prepared in a spirit of partnership. Whether such an arrangement offers the best long term security to both partners needs further consideration. An alternative would be a clearly defined contract under which both parties are certain of the nature and extent of their obligations. The documents prepared for Leisuretime may be capable of adaptation to this purpose.
- 6.4. *Lease Preparation*  
The Council would need to prepare leases for the proposed transfer of the property. This would include securing the permission of the Millennium Commission and the County Council who have interests in the Millennium Gallery. Building condition surveys will need to be completed together with costed planned maintenance schedules.
- 6.5. *Financial Issues*
- 6.5.1. *Set Up Costs*  
In York this process has cost in excess of £100k. This sum was given as a grant to the Initiating Group and they employed lawyers who have acted on behalf of both parties. The Leisuretime externalisation has a budget of £80k. The detailed mechanism for Carlisle is a matter which will be reported on further and which will require to be developed in partnership with the Initiating Body. The initiating body might be invited to report back to the Executive on anticipated costs.

#### 6.5.2. *Continuing Viability*

The trustees and the Council will wish to be confident of the continuing viability of the services. York has particular problems, which we do not face, concerning building maintenance and declining visitor numbers but by way of example their agreement provides for:

- A base budget (equating to the current budget) increasing annually with inflation through the life of the contract (25 years)
- A dowry of £345k to assist the trust in resolving certain building maintenance issues (with the potential of a further dowry in 3 years time if needed.)
- A commitment of £1.9m as a contribution to a Heritage Lottery project for redisplay and refurbishment.

York recognises the importance of the service to the City's tourism economy and sees this externalisation as a way of bringing in new expertise and finance to solve problems which are beyond their own powers rather than a way of saving money. The circumstances at York are different to Carlisle in a number of ways:

- They have declining visitor numbers – ours are increasing.
- They have intense competition from other attractions in the City.
- They have a massive back log of building maintenance (estimated £10m +)
- There has been no recent investment in new displays

Nevertheless the Council can expect that an Initiating Group and a Trust Board established to manage Tullie House would only assume responsibility for the service if they were confident that the level of support available, and the commitment to provide that support in to the future, were such as to provide security for the Trust and it's employees.

#### 7. **Timescale?**

The York transfer will have taken 14 months from the decision to proceed to completion. Officers in York believe that it could have been achieved in six month but for certain local circumstances. At the present time the City Council is under significant pressure to complete:

- LSVT
- Leisuretime Externalisation
- Organisational Review

There are also many unknowns in this process and with these factors in mind I have prepared a draft timetable (Appendix 5). This can form a basis for planning and discussions with the Initiating Group and can be amended at a future date if necessary.

## 8. Other Implications

### 8.1. *Project Champion*

The Chief Officer in York acknowledged that a weakness in their process was the lack of a project champion on the contractor side who was able to see the project through from start to finish. This had delayed completion and weakened some aspects of the work. The Executive will be aware that the Director of Tullie House will be leaving in September. A number of factors need to be considered.

- We need to attract a high quality candidate into this post, capable of steering Tullie House in to this new arrangement, working with the trustees, managing an independent business and developing the services provided.
- The present post is entitled Director of Tullie House graded PO9-12 (<£29800) and, after the Organisational Review will be called the Museum and Arts Manager. The York service has appointed a Chief Executive, previously Chief Executive of the Craft Council, and is paying £55k. Their service is significantly larger than ours (Gross Exp £3.5m, Income £1.9m Net cost £1.6m)
- A permanent appointment by the City Council now will probably lead to a TUPE transfer to the chief officer post of the trust.
- The Trustees, when the board has been convened may prefer to make their own appointment on their own conditions of service. (This is what happened at York.)

The options available are:

- 8.1.1. Appointment on the present grade with the proposed post title of Museum and Arts and Manager. If a candidate with the skill necessary to secure the future of the service can not be found then other options could be followed.

Or

- 8.1.2. Regrading (<£35,000) / retitling of the present post to secure the early appointment of a candidate with the ability to steer Tullie House towards it's new status and to secure the confidence of the Trust Board. Such a post might be on a fixed term (3 years?) contract initially.

Or

- 8.1.3. Making short term arrangements for the management of Tullie House, until the trust board is in a position to make its own arrangements for the appointment of a director for the Museum.

- 8.1.4. In the light of the experience at York I would recommend the second option. It is proposed that the cost of the regrade for the current year should be found from within base budgets and that for subsequent years it will need to be allowed for in the Business Plan proposed by the Board. The post will be advertised as "someone to lead the service into it's operation by a trust" and referred to as the Arts and Museums Manager initially but with the expectation that they will become the chief officer of the trust with a title to be determined by the board.

- 8.2. *Project Management and the Organisational Review*  
Whilst the Trust is being established the Council will need a similar degree of support and expertise to that available for the Leisuretime Externalisation. As with Leisuretime this can best be provided by a multidisciplinary team, lead, initially at least, by the Director of Leisure and Community Development. After the Management Re-organisation the team might be lead by an Executive Director or the Head of Culture and Sports or the Procurement Officer. The client role, post transfer, within the authority will need to be considered at a later stage however the re-organisation has been designed to avoid a multiplicity of clients in the authority. The Leisuretime documentation places client and monitoring responsibilities on the contractor so far as reasonable and a similar principle might be adopted in the Tullie House documentation. The proposed Head of Culture and Sport is responsible for the management of the Arts and Museum service in the proposed structure. Upon it's externalisation these responsibilities would be lost. The monitoring role might be split between the procurement section and self monitoring by the Trust. The impact of this on the structure of the organisation needs further thought.

8.3. *Central Services*

As an independent charitable body the trust may choose to purchase support service from where it will. In the case of York it has chosen to purchase some from the Council but this may not happen in Carlisle. In 2002/3 Tullie House absorbs £153k of central administration. This may well rise in 2003/4 as a result of the Organisational Review. More detailed work needs to be done to see how much of this can be saved by the trust but central services will face the challenge of reducing costs again. Options for how this might be done require early consideration.

8.4. *Staff Involvement*

Experience of the LSVT and Leisuretime process encourages us to involve staff at the earliest possible moment. The Portfolio Holder and Director have already address the staff to explain the Executive's thinking in this matter and it is proposed that a staff consultative group will be convened to ensure good communications and staff involvement with the process. We intend to take this group, perhaps with other staff members, to York in the near future to meet their opposite numbers who have already been through this process.

9. **Future Opportunities**

9.1. We are aware that other authorities in the region are facing challenges in the provision of elements of their own cultural services. In some instances their future provision through a Trust is an option which is already under consideration or which may be considered in the near future. The opportunity may exist for a single trust to provide services to a variety of organisations. This is a possibility which the Council and the Initiating Body/Board of the trust will wish to examine and we may wish to ensure that the trust is constituted in such a way as to allow for future expansion or set the trust up so that it encompasses certain other services from the start.

10. **Savings Options Under the "Trust" Model**

10.1. As an alternative to the savings proposed in Appendices 4 and 5 it is suggested that the initiating body/trust board could be asked for their own ideas on how the service might be operated so as to produce the necessary cost reductions. In essence the Council would be offering the trust a grant of the present operating costs less the required savings and asking the trust to operate the service, in accordance with the service plan, for that amount. The trust would consider whether that was achievable in preparing it's business plan and report back to the Executive on any the consequences.



## 11. Next Steps

If the Executive resolve that the transfer of Tullie House management to a trust should proceed then the next steps to be taken will be the formation of an Initiating Body. The client team will then work with the Initiating Body and the Director of Tullie House/ Arts and Museums Manager to:-

- *Jointly Prepare a project plan*
- *Prepare a risk assessment for the project*
- *Prepare a Business Plan for the Trust*
- *Prepare the transfer documentation*

As with the Leisuretime externalisation it is proposed that the staff of Tullie House and the Overview and Scrutiny (Community) Committee should be closely involved in the process. The details of this involvement remain to be resolved in the project plan.

## 12. Risk Assessment

A detailed risk assessment for this process has yet to be prepared but will be needed at an early stage in the process. It will need to encompass risks to the Council and risks to the Trust. It will need to cover:

### 12.1. *Property*

The Council will be leasing important buildings to the trust. We will need to be confident that their future use and their fabric are properly protected.

### 12.2. *Collections*

The collections will remain the property of the Council. These are of great financial and cultural value. We will need to be confident that they will remain secure, stable and accessible whilst they are in the safe keeping of the trust.

### 12.3. *Financial*

Because the freehold and the ownership of the collections will remain with the Council we will need to consider the financial implications of any failure of the trust at some point in the future.

- 12.4. *Political*  
The trust board are likely to want assurances that they will have reasonable stability of funding and support whatever political changes may arise in the period of the agreement.
- 12.5. *Personnel*  
The risks associated with large scale staff transfer are becoming well understood by this authority.
- 12.6. *Strategic*  
Any agreement will tie-up substantial revenue budgets and property for the period of that agreement (25 years in York). This may constrain the Council in future years.
- 12.7. *Service Risks*  
The Council will need to be confident that the services will at least sustained (and probably improved) during the contract. They will also wish to see safeguards in place in the event of the failure of the trust.
13. **Initiating Group - Membership**
- 13.1. Initial discussions have already been held with a number of potential members of an initiating body. The preliminary idea has been favourably received and there is good cause for optimism that an effective and talented group could be convened to form the basis of an effective trust board.
14. **RECOMMENDATIONS**
- 14.1. The Executive is recommended to note the anticipated savings arising from trust formation and to take the action detailed below and to refer these and the other savings options to the budget process.
- 14.2. That the option of creating an independent trust to manage Tullie House on behalf of the Council is recommended as the best way of delivering the Executive's long term objectives.
- 14.3. This represent a significant change in Council policy and as such needs the approval of the full Council. The Executive is recommended to refer this report to the Overview and Scrutiny (Community) Committee and consider their views before referring the issue to Council.

- 14.4. It is recommended that the senior post in the museum be regraded to PO15-18 and that the regrade for the current year should be found from within base budgets until such time as any transfer to a Trust takes place when it will need to be allowed for in the Business Plan proposed by the Board. The post will be titled Arts and Museums Manager initially but with the expectation that they will become the chief officer of the trust, should it proceed, with a title to be determined by the board.
- 14.5. The officer group which is leading the client work on the externalisation of Leisuretime should extend it's work to encompass this externalisation. The group should be asked to report on options for the client function post externalisation.
- 14.6. The Director and the Portfolio holder should be asked to explore potential membership of an initiating group and commence discussions with that body. Their first task would be to agree with the Council a resourced project plan for the transfer.

Euan Cartwright  
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