

Maidstone Museums Governance Review

Final Decision-Maker	Heritage, Culture and Leisure
Lead Head of Service/Lead Director	Dawn Hudd, Head of Regeneration and Economic Development
Lead Officer and Report Author	Victoria Barlow, Museums Director
Classification	Public
Wards affected	ALL

Executive Summary

In April 2017, consultant Julie Cole was commissioned to carry out an options appraisal of governance models for our two museums; Maidstone Museum and Maidstone Carriage Museum, with the objective of recommending a model which could incorporate a minimum 20% revenue savings for Maidstone Borough Council (MBC).

This report makes the following recommendations to this Committee:

1. That the current governance arrangements for the Museum be retained.
2. That the Museum's future governance arrangements be reviewed in three years.

Timetable

Meeting	Date
Heritage, Culture and Leisure Committee	06/03/18

Maidstone Museums Governance Review

1. INTRODUCTION AND BACKGROUND

- 1.1 This work has been carried out in parallel with a development of a Museums 20 Year Plan working with the Museums Strategic Board, which sets out our mission:

"Maidstone Museums inspires, educates and challenges its visitors and users through the use of its collections, staff and buildings. We do this by telling the story of Maidstone, its people, their natural environment and the wider world in which they live, through the artefacts and specimens we collect and interpret."

- 1.2 In October 2017, the Mendoza Report, commissioned by the Department for Culture Media and Sport following the 2016 Culture White Paper, outlined key recommendations for how government can support the museums sector in England. The report looked at those museums funded by central or local government. Among its recommendations were that DCMS would:

"...facilitate the development of a Museums Action Plan with ACE (Arts Council England) and HLF (Heritage Lottery Fund) to deliver on [nine] priorities by September 2018."

"...work closely and through the Local Government Association to support Local Authorities in their work with museums. This includes producing and disseminating best practice guidance on Independent (Museum) Trusts. This guidance should be complete by September 2018."

Financial position

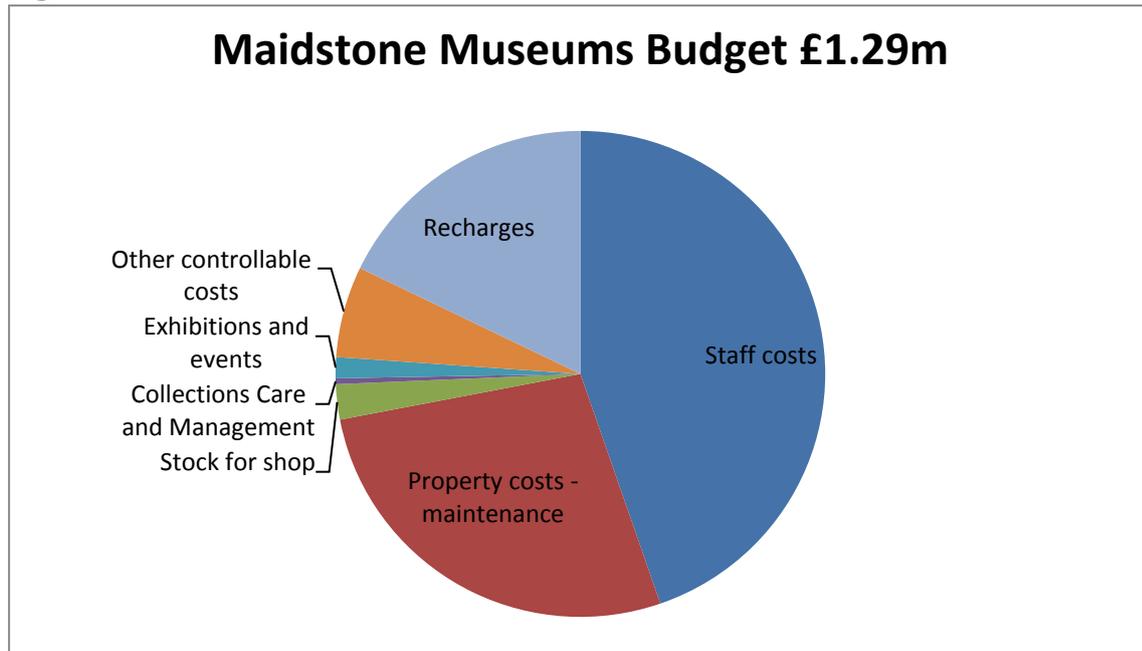
- 1.3 Although the purpose of this review was first and foremost to decide the most sustainable and effective governance model for the museums, the financial context can not be ignored.

- 1.4 The current budget for Maidstone Museums (not including depreciation) is £1,076,930; this includes £229,710 of recharges. Recharges, and the mandatory use of internal support services, was identified in the Mendoza Report as a barrier to best practice in museums:

"Financial constraints reduce the incentive to generate commercial income, low pay scales hamper recruitment and the controls placed on communications and marketing can limit museums' ability to engage audiences and engage in their commercial activity... LA museums report particular constraints on their digital activities [including] the requirements to use in-house services rather than external experts..."

- 1.5 The Chart below (Figure 1.) shows the breakdown of the current budget into areas of operation.

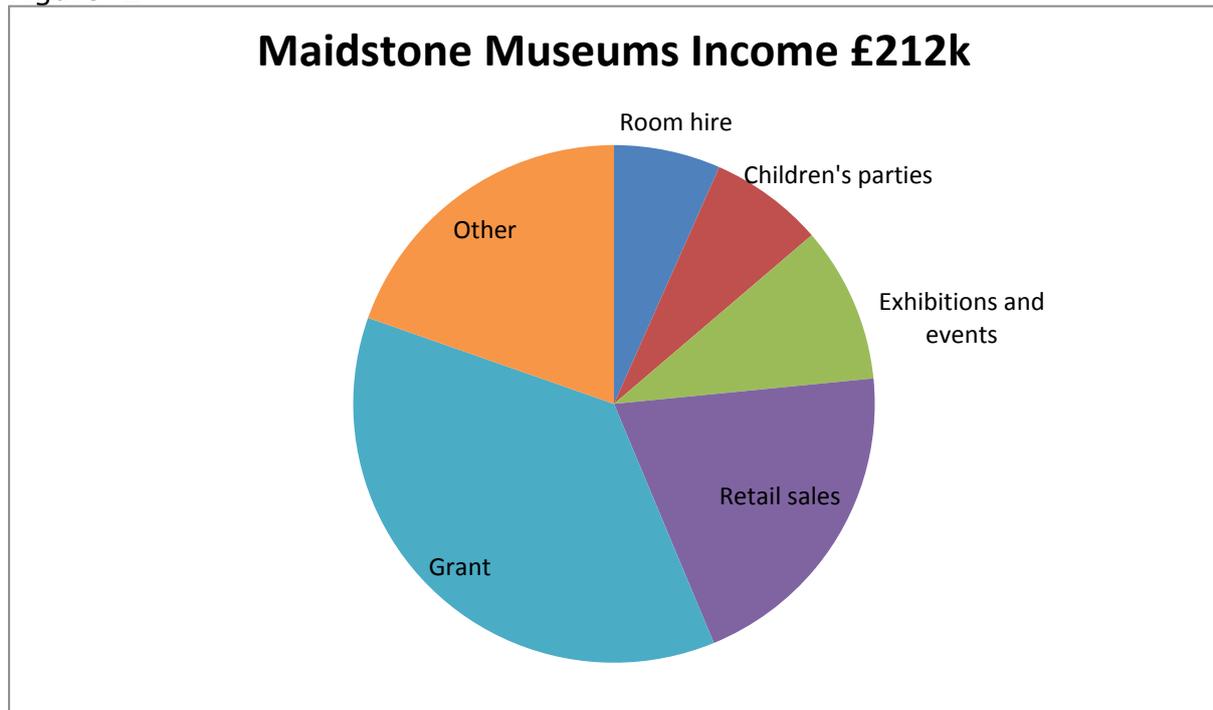
Figure 1.



- 1.6 The largest single area of expenditure is staffing. At 45% of the total budget this is slightly higher than a cross-industry standard of 40% but this not only reflects the number of people required to safely operate two complex buildings but to offer a satisfactory level of customer service. In addition, museum collections require professional knowledge to catalogue, care for and make accessible through a variety of methods such as exhibitions and events. This means a higher proportion of the team than might be expected in other areas, earn scale 9 or above i.e. the national average wage. In order to make savings here, a charitable trust would have to delete posts and/or offer vacant posts at a lower rate of salary and benefits. TUPE regulations would effectively prevent them doing this to current staff although a review of staff structures and service delivery may be possible.
- 1.7 27% of revenue is taken up with just maintaining the current fabric of the two museum buildings. Works to provide greater physical access to the building have been carried out with a combination of external grant funding and the museum capital fund. Maidstone Museum is a Grade 2* listed building with elements dating from the 1560s, late 1600s, 19th, 20th and 21stcenturies. The Grade 1 listed Carriage Museum dates to the 1300s. Under a move to trust status, ownership of these buildings would remain with Maidstone Borough Council but maintenance would become the responsibility of the trust. Short of failing to maintain them, there are few ways a trust could save money in this area. One possible area of interest is in the museums' combined NNDR charge of £120,000. A Trust would be able to apply for discretionary rate relief of 80%. However, MBC has lodged an appeal against the current listing based on a recent case by York Museum which reduced its rateable value to £1 per year in the first case of its kind.

1.8 The museums have increased income generation in the last five years with every department now generating earned income. As shown in the chart (Figure 2.), the largest part of this comes from grant funding for project based work and especially the Museums and Schools programme which currently provides for the museum learning service, including staff. This funding has now been confirmed until 2020.

Figure 2



1.9 What is clear from projections is that there are no opportunities to make immediate significant savings from the transfer to charitable trust apart from an NNDR discount. In fact, for the first two years of the process, there would be additional costs associated with the work of setting up, recruiting to and creating operational procedures for the trust.

1.10 However, over a five to ten year period, there would be significant opportunities to increase income and thus decrease the necessary subsidy. These include:

- Restructure and change of terms and conditions of employment
- Greater ability to generate philanthropic giving
- Greater access to grant schemes
- Ability to access external services and negotiate deals
- Greater commercial freedom
- Greater access to partnership and sponsorship opportunities
- Removal of barriers to enterprise such as inability to retain generated surpluses.

Existing Trusts

1.11 The Trusts that currently exist in connection with the museum are the Bently, Brenchley, Queens Own Royal and Maidstone Museums Foundation (MMF). These Trusts are the subject of a second review for

which a report will be brought to this committee later this year. MMF is primarily a friends of the museum organisation and currently carry out fund raising activities to support projects in the museum such as the Ancient's Lives Gallery.

2. AVAILABLE OPTIONS

2.1 Julie Cole's report examined 4 governance options:

- i. Status quo.
- ii. Create a new charitable trust and transfer full management & operational responsibility. The museum collections and buildings would remain in the ownership of Maidstone Council so they could not be disposed of by the Trust without the permission of MBC. Staff and operations would be the responsibility of the Trust and defined through a SLA.
- iii. Partner with existing charity already managing a museum and transfer full management and operational responsibility- *This option was rejected as there is no potential partner able or willing to enter such an agreement.*
- iv. Create a new charitable trust and transfer partial management & operational responsibility. *This option was rejected as it would create a two tier staffing structure with current staff remaining as MBC employees. This offered the Council no benefits but considerable liabilities.*

2.2 In order to make a recommendation, the first two options were judged against their ability to best deliver business as usual and the programme for the Museums 20 Year Plan as set out on page 17 of that plan (Figure 3.).

Figure 3

Item	Preferred option	Comment
Potential for income generation inc donations, sponsorship and grant funding	Trust	More ability to apply for grants and other external funding for items which contribute to core functions and which a local authority is expected to provide to its own museums, whether this is feasible or not. E.g.: staffing and other running costs.
Procurement of support services and expert advice	Trust	This not relate to the quality of support services but merely the flexibility and savings that could be achieved by the museum being able to negotiate individual contracts, even without the economies of scale delivered by central procurement.
Recruiting volunteers	Trust	Traditionally volunteers have been more

		willing to volunteer for charities rather than council services which they perceive as already taxpayer funded.
Ability to achieve 20% savings for MBC	Status Quo	The removal of recharges from the museums would create savings in the area of £200,000 for the museum/new trust but these could not be counted as savings to MBC as a whole unless restructure of support services led to in reduction of staffing.
Carriage Museum project	Trust	Greater potential for grant funding and other external income
Gallery redisplay framework created and phase 1 agreed	Status Quo	This work can be undertaken immediately without the need to divert staff hours to the setting up of the new trust
Learning Service funding secured	Trust	Greater potential for grant funding and other external income
Capital programme completed	Status Quo	The current programme is funded
Storage improvement plan created	Status Quo	No uncertainty about which spaces may be available
Programme of in-house-only exhibitions launched	N/A	Not affected by governance
Raised awareness and resident satisfaction	Trust	While MBC recognition is undeniably helpful, there is a perception that museums are already tax-payer funded and of lower priority than other MBC services. Charities, largely, have a positive image among residents.
Gallery redisplay phase 2	Trust	Greater potential for grant funding and other external income
Japanese gallery move	Trust	Greater potential for grant funding and other external income
Community Action plan in operation	Trust	Greater flexibility for planning and funding activities over an extended period
Advisory panels operational	Trust	People more willing to give time to independent organisations and better understanding of their constraints
Address parking issues	Status Quo	Easier to consult and work with colleagues to find a solution that benefits the council a whole.
National award such as Kids in Museums or Museum of the Year	N/A	Not a criterion for awards.
Resilient governance and funding achieved		See conclusion
Review success of advisory panels	N/A	Not affected by governance
Gallery reviews	N/A	Not affected by governance
National Non Domestic Rates	Trust	A Trust would be able to apply for an

		80% reduction on the business rates bill from MBC. However, MBC has lodged an appeal against the NNDR based on the recent York Museums case.
VAT	Quo	A trust would be unable to recover all of the VAT which MBC is able to do.

3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 3.1 It is clear that both Charitable Trusts and Local Authorities have aspects which provide benefit to the museum and the community of Maidstone.
- 3.2 The local authority, in one form or another, has run the museum for over a century. The relationship between the ethos of museums and public service, education and entertainment for local residents is clear. However, museums are not statutory services and there is a danger that, however much MBC values the two museums in the town, central funding cuts combined with the cost of running two listed buildings means that the authority is not best placed to provide the management and operation of the museum.
- 3.3 Charitable Trusts have been used by many local authorities to ensure the long term survival of their museums. Greater flexibility in financial and operational procedures means that independent museums are generally more agile and able to react to entrepreneurial opportunities. They are able to apply for grants not available to local authorities and offer more to sponsors or external funders than would be appropriate for the local authority, e.g. naming rights for galleries etc.
- 3.4 However, it must be stressed that Trusts are not fool-proof and like any other business may fail. Museums cannot pay for themselves from shop and café sales or admission tickets. In order to be sustainable, trusts rely on a significant level of grant funding over a sustained period; at least a decade (usually from the local authority where they are the original parent organisation) or 'dowry' in the form of assets such as property to collect rental. Even with a reduction of 20% to the current budget, MBC would need to agree a funding commitment of £862,000 per year. The first ten years alone would cost £8.6million without any of the set up costs for the trust added. In her report, Julie Cole advised that these would be in the area of £69,200 in the transition year taking into account charges for legal and financial services, staff and newly incurred VAT expenditure.
- 3.5 In addition, there have been a number of failures among trusts (Bexley Museum and Bede's world in Jarrow being two of the better known) and in this situation, MBC would still be responsible for the protection and preservation of collections and buildings. Maidstone Borough Council would need to be satisfied that any such move would meet acceptable levels of risk. The completion of several improvement projects in the next two financial years, including the possible relocation of the museum café to a more advantageous spot near reception, the conclusion of the NNDR

appeal and completion of the masterplan for improvements laid out in the 20 Year Plan, would be of significant benefit in reducing uncertainty and risk before a final decision was made.

- 3.6 In summary, it would be beneficial to the museum and for the services it provides to transfer governance to a charitable trust in order to release it from the constraints of local authority regulation and processes. As recognised in the Mendoza Report, the ability to negotiate individual contracts and manage its finances over a number of years, able to keep surpluses for reinvestment etc would allow the museums to operate as a business. However, the risk of financial failure is not negligible and this would cause more financial and operational issues for the authority. It is also clear that transfer to Trust would not achieve the savings of 20% sought by MBC within a short to medium timescale although it would deliver this over the longer term of perhaps 5-7 years.

Recommendation

- 3.7 Bearing in mind the work being carried out in response to the Mendoza Report, to review best practice and the ability of Local Authorities to free museums from some regulations, the recommendation of officers is to retain the status quo for three years and then review the options again. This will allow for both a clearer national picture to emerge and also for the initial phases of the Twenty Year Plan to commence without disruption.
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4. RISK

- 4.1 The risks associated with this proposal, including the risks if the Council does not act as recommended, have been considered in line with the Council's Risk Management Framework. [That consideration is shown in this report at Figure 3. We are satisfied that the risks associated are within the Council's risk appetite and will be managed as per the Policy.
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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 A review of the Museum's governance options if included in the Museums 20 Year Plan which was adopted by HCL committee in 2017. The Museum's Strategic Board has been consulted and is supportive of the recommendation in this report.
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6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 Stakeholders will be advised of the outcome of the review and a reassessment of the situation will be planned for three years time.
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7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's overall achievement of its aims to ensure there are good leisure and cultural attractions.	Head of Regeneration & Economic Development.
Risk Management	Already covered in the risk section.	Head of Regeneration & Economic Development.
Financial	The proposals set out in the recommendation are all within already approved budgetary headings and so need no new funding for implementation.	[Section 151 Officer & Finance Team]
Staffing	We will deliver the recommendations with our current staffing.	Head of Regeneration & Economic Development.
Legal	<ul style="list-style-type: none"> • Under Section 3 of the Local Government Act 1999 (as amended) the Council as a best value authority has a statutory duty to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness. The options appraisal and this report assist in demonstrating best value and compliance with the statutory duty. 	Keith Trowell, Interim Team Leader (Corporate Governance)

	<ul style="list-style-type: none"> If, at any stage, the charitable trust option is pursued further advice should be sought from the Head of Legal Partnership. 	
Privacy and Data Protection	There are no specific privacy or data protection issues to address	Keith Trowell, Interim Team Leader (Corporate Governance)
Equalities	The recommendations do not propose a change in service therefore will not require an equalities impact assessment	[Policy & Information Manager]
Crime and Disorder	N/A	
Procurement	N/A	

8. REPORT APPENDICES

None.

9. BACKGROUND PAPERS

None.