



Transforming Derby Museums – Options, Feasibility and Recommendation for New Governance

SUMMARY

- 1.1 In October 2010 Cabinet received a report on the Museums Transformation Programme. One of the key proposals was to restructure the Museums Service to create a new governance model which would give greater entrepreneurial and commercial freedom and build local and national partnerships.
- 1.2 Cabinet agreed the key principles in the Transformation Programme and at its February 2011 meeting it considered and approved a business plan which set out a methodology for realising the programme.
- 1.3 To bring forward detailed proposals to identify and explore alternative governance models experienced consultants were appointed. This report gives a summary of the consultant's findings and their key recommendations. A copy of the consultant's full report can be found on the following link: [Item 09 - Appendix - Consultants Report.pdf](#)

RECOMMENDATIONS

- 2.1 To agree that a non profit distribution organisation (NPDO) otherwise known as 'Trust Option' is taken forward as the chosen model to deliver the Council's vision for Derby Museums.
- 2.2 To approve the establishment of the Trust as a company limited by guarantee and a registered charity.
- 2.3 To agree the date for establishment of the new Trust and handover of responsibilities to the new Trust by 1 April 2012 in line with external funding support of £286,000 that has been provided by the Museum, Archives and Libraries Council.
- 2.4 To agree that the Leader of the Council and Cabinet Member with responsibility for Leisure & Culture, the Strategic Director for Neighbourhoods and the Strategic Director for Resources provide the required support and ownership of this initiative especially during the timetable towards implementation of the new Trust as set out in the consultant's report.
- 2.5 To agree that the remit for the proposed Trust is informed through discussions with key potential partners along the Derwent Valley Mills World Heritage Site.

REASONS FOR RECOMMENDATION

- 3.1 The Transforming Derby Museums Programme has been developed as a means to realise much greater impact and value from the city's museums. The programme is intended to develop the museums and provide the city with a vehicle to understand and realise the significance of its living heritage of world class creativity. This programme has been conceived as a driving force in the strategic development of the city. The development of a new governance model is integral to the programme and was endorsed by Cabinet in October 2010 and February 2011.
- 3.2 The preferred option for governance is the most appropriate vehicle for combining a close strategic alignment with the Derby Plan, and an outward looking perspective through which the city can develop its regional, national and sometimes international leadership in relation to a living history of creativity.
- 3.3 The Transforming Derby Museums programme is being supported by the Museums, Libraries and Archives Council (MLA) who have committed £521,000 of funding to the programme in 2011/12. This includes £286,000 allocation to establishing a new model for devolved governance. This funding is time-restricted and is not available beyond March 2012.

SUPPORTING INFORMATION

4.1 The proposed establishment of a Museums Trust

- 4.1.1 This Cabinet Report is founded on a rigorous assessment process as carried out by Winckworth Sherwood on behalf of the Council. A copy of the consultant's full report can be found on the following link: [Item 09 - Appendix - Consultants Report.pdf](#)
- 4.1.2 Winckworth Sherwood were appointed to carry out this task following a procurement process overseen by the Strategic Director of Neighbourhoods. The company has an impeccable record in supporting local authorities in identifying appropriate governance models, and in setting up new and successful organisations. The lead consultants both have strong associations with the city and demonstrate a key grasp of the specific issues and opportunities for the city.
- 4.1.3 It is both the consultants and our recommendation that the NPDO option or "Trust Option", established as a company limited by guarantee and registered charity, is the option most likely to deliver the Council's vision for the museum services as set out in the Museums Transformation Programme.
- 4.1.4 Such a model would be a fit for purpose and tax efficient legal structure able to optimise future opportunities. It would also be an enormously flexible structure with opportunities for expansion, diversification and collaboration going forward. These advantages are set out in detail in Section 12 of the consultant's report but in summary are:

- Demonstrate the Council's commitment to exploring new ways of working to

achieve the Council's aspirations for the city and drive forward the Museums Transformation Programme.

- Provide the vehicle to enhance Derby as a premier visitor destination and lead the Joseph Wright of Derby Campaign and the Silk Mill Redevelopment.
- Be a key partner in delivering the Council's cultural strategy and regeneration strategy and act as a catalyst for other regeneration initiatives.
- Exploit Derby's world class heritage assets for the benefit of Derby, promoting Derby as a centre of excellence for innovation, technology, engineering and hence for investment.
- Have freedom of operation to make quick decisions to maximise funding and partnership opportunities.
- Take a more entrepreneurial, commercial approach to service and financial improvement but operating within the ethos of the public sector.
- Be an opportunity to secure stakeholder involvement in the strategic direction of the new organisation as well as fostering community engagement at a more local level.
- Attract external funding not available to the local authority including, in particular, charitable trust funding and better access to national lottery funding.
- Deliver immediate business rate savings which over five years would represent £250,000 which can be reinvested in the services and act as a lever to attract additional external funding. Please note comments on this in Appendix 1.
- Reinvest 100% of any surpluses generated to continuously improve the heritage offer and drive forward the Museums Transformation Programme.
- Be tax exempt including exemption from corporation tax thus ensuring that all income generated by the organisation is reinvested to achieve the Council's vision of the heritage services.
- Maximise VAT reliefs. Please note comments on this in Appendix 1.
- Maximise gift aid opportunities, creating new sources of income such as opportunities for corporate donations and sponsorship.
- Be able to develop innovative group structures to attract investments from public and private sources in return for a dividend.
- Establish a trading subsidiary to maximise commercial opportunities in a tax efficient structure.
- Provide stability to the services to allow for longer term business planning and thus deliver better outcomes.
- Allow for council representation on the Board of the NPDO thus ensuring the Council continues to be involved at the strategic decision making level.
- Establish a robust contractual arrangement to ensure the Council retains significant strategic control, setting key strategic outcomes for the organisation and monitoring the delivery of these outcomes.
- Be a flexible legal structure which would allow the Council to transfer other

leisure cultural heritage services to the NPDO.

- Establish a strategic partner to fully engage in, contribute to and promote the Derwent Valley Mill's World Heritage Site and collaborate with other charities involved in the Derwent Valley World Heritage Site.
- Be a low risk option for the Council.

4.1.5

The Critical Success Factors for this initiative would be as follows:

- Lead member and officer support and “ownership” of the project throughout the implementation stage of the project and in the long term
- A robust business plan
- Continued council funding on a fixed or rolling basis to facilitate business planning and deliver better outcomes
- A commitment to recycle business rate savings
- An equitable sharing of maintenance responsibilities for the existing buildings with a potential for transferring additional risk to the NPDO in relation to any new facilities
- A partnership approach to service planning and identifying and delivering future development and improvement opportunities
- A fully resourced budget for buying back existing support services and/or procuring support services from alternative third parties in the future, with a potential sharing of any future savings in relation to support services
- A shared vision between the two organisations
- High calibre trustees with a range of skills and expertise to contribute to the success of the organisation
- Regular and continuous dialogue between the new organisation and lead members and officers of the Council to identify opportunities for ongoing collaboration and joint working
- Regular dialogue with key stakeholders involved in the World Heritage Site to maximise the opportunities the World Heritage Site presents for all parties

4.2

Option for Leisure and Other Cultural Services

4.2.1

At the same time as embarking on the Museums Transformation Programme the Council may also be minded to explore alternative delivery options for other council services including:

- Leisure Facilities (including Parks and Open Spaces)
- Libraries
- Leisure and Cultural Development
- Performing Arts and Events

4.2.2

The establishment of an NPDO for museum services does not in any way preclude the Council exploring alternative delivery options for these other services. If the Council was minded to explore the NPDO option for the wider leisure and culture

portfolio, then there are a number of ways in which this could be structured including:

- Extending the role and remit of the museum NPDO
- Creating a group structure which includes the museum NPDO as well as a newly established leisure NPDO.

4.2.3

A diagrammatic summary of these potential structures is set out in the Appendix 6 of the full consultant's report. None of these options are precluded by establishing the museum NPDO at this stage.

4.2.4

Conversely, it is suggested that there are significant advantages of establishing the museum NPDO at this stage. It would give both the Council and the NPDO an opportunity to establish the new working arrangements. Most significantly, it would give the NPDO an opportunity to build capacity and mobilise before taking responsibility for a wider portfolio.

4.2.5

Potentially transferring all of the facilities including the new facilities to a newly established organisation would be of higher risk and thus this risk can be significantly mitigated by transferring to an organisation (or group structure) with an established management team and proven track record in delivering services in partnership with the authority.

4.2.6

The consultants recommend that the Council establishes the museum NPDO whilst it gives further consideration to the options for the wider leisure and culture portfolio.

4.2.7

Significant progress has been made with regards to the Museum Transformation Programme which has gained tremendous support from key stakeholders in the public, private and voluntary sectors. There is a significant risk that this goodwill would be jeopardised and funding and partnership opportunities lost if delays are incurred.

4.3

Consideration of a Trust remit that extends beyond the city boundaries

4.3.1

Since being awarded its UNESCO inscription in 2001, there have been no major developments of heritage assets along the Derwent Valley Mills World Heritage Site. One important barrier to development may be the proliferation of partners responsible for heritage assets within the Site.

4.3.2

However there are now two major development plans in place or emerging along the World Heritage site. In addition to the Transforming Derby Museums Programme, a £20 million, ten year, phased development of the Cromford Mills complex is also being embarked upon by the Arkwright Society. It will be necessary to ensure that these programmes do not compete against each other for external resources – to the detriment of both initiatives and to the World Heritage Site.

4.3.3

Therefore consideration needs to be given to whether the concept for a Derby Museums Trust should be broadened into a wider Derwent Valley Trust. This could take many forms, but would typically involve the voluntary pooling of assets by two or more existing organisations into one major heritage Trust. The viability of this concept needs to be investigated with potential partners and key stakeholders.

4.3.4

Equally it may not be possible or appropriate to align relevant bodies behind this concept by April 2012 – the planned launch date of the new Derby Museums Trust. However, an assessment of the medium term value of this concept would inform the precise make up of the new Trust from this date.

4.3.5

The Ironbridge Gorge Museum Trust is the obvious and successful template for this model of organisation.

4.3.6

The potential benefits of this approach include:

- International profile - a big, powerful, living story of world changing creativity to capture the imagination
- Clear and purposeful strategy
- Efficient decision making
- Attractive to funders
- Attractive to strategic authorities (Arts Council England, LEP)
- Overcoming competition between individual facilities
- The alignment of complimentary assets - such as Joseph Wright of Derby, Derby and Derbyshire engineering excellence – alongside existing world heritage assets
- Economies of scale
- A modern affirmation of the historic and cultural relationship between the city and county
- Optional membership – one size fits all will not work for all facilities
- Potential growth – once the appropriate organisational model was formed, there could be the potential for other partners to join at a later date
- The affirmation of the Derwent Valley as one of the most culturally and historically significant landscapes in the UK

The realisation of a highly attractive visitor destination combining modern urban and traditional rural qualities around the theme of ‘the river that changed the world’.

OTHER OPTIONS CONSIDERED

- 5.1 The full range of options for future governance of Derby Museums is set out in the full consultant’s report. This includes an assessment of the merits of maintaining in-house Museums Service provision.

This report has been approved by the following officers:

Legal officer	Stuart Leslie
Financial officer	Michael Kirk
Human Resources officer	Celia Dyson
Service Director(s)	Claire Davenport
Other(s)	

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Background papers:	None
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial and Value for Money

- 1.1 The costs of transition to the preferred governance model will be accommodated through external funding already secured from the Museums, Libraries and Archives Council.
- 1.2 Future council revenue commitments have been set out within the Transforming Derby Museums Cabinet report of October 2010 as follows “the revenue budget to Derby Museums will be £1.234 million in 2011/12, before budget process adjustments. It is proposed that this revenue support is retained in real terms for the next three years.” The current 2011/12 revenue budget however is £1.169m, as reductions were made as part of the budget savings required for 2011/12.
- 1.3 The development of the Silk Mill is a priority for the City Council. Where the Regeneration development of key heritage facilities is taken forward within the city, the Transforming Museums Programme is designed to maximise external funding. It should be factored in that the redevelopment of the Silk Mill will typically require a foundation commitment of not less than £5 million over five to ten years from the City Council, as part of a possible total development cost of around £15 million. Currently the Council has earmarked £680,000 within the current capital programme. There are no new capital funding requirements directly associated with establishing a Museums Trust.
- 1.4 The Trust option currently does offer substantial savings on the business rates costs currently incurred by the service. However the Local Government Resource Review (LGRR) may mean that future business rate receipts are retained by the Council rather than being pooled by central government and re-distributed back to Councils. The consequence of this is that the business rates benefits that are currently available to trusts may in the future result in decreased funding for the Council, if charitable rate relief is maintained.
- 1.5 The full VAT consequences on the Council’s partial VAT exemption position is yet to be ascertained. This will form part of the future appraisal review if the trust option is taken forward.

Legal

- 2.1 The project board to establish the preferred option will include Legal representation.

Personnel

- 3.1 The staffing structure of Derby Museums has been significantly realigned prior to the current financial year. This process was carried out in line with preparations towards establishing an alternative governance and management model.
- 3.2 Further changes to staffing posts are likely to be required, although these may be limited on the basis of substantial realignments already made.

- 3.3 The process of transferring council employed Museums staff to the preferred governance model will be carried out in consultation with Trade Unions and staff, and through TUPE arrangements.

Equalities Impact

- 4.1 Research in the UK museums sector has revealed that ethnic minority groups are under-represented in museums employment. The development of an organisation with a much broader skill set than a traditional museums service is one step to helping realise a more representative workforce.

Health and Safety

- 5.1 There are no Health and Safety issues rising from this report.

Environmental Sustainability

- 6.1 The rationale for the proposed new Derby Museums organisation places a strong emphasis on celebrating, developing and promoting the city's world class living heritage of creativity. The envisaged organisation will be positioned to embrace the Council's commitments to environmental sustainability as well as inspire innovation and best practice in this field.

Asset Management

- 7.1 Through its commitment to core funding, together with a strategic approach to the city's museums, the Transforming Museums programme will help maximise external funding opportunities to support and develop the Council's museums assets.

Risk Management

- 8.1 The Council will satisfy itself that the NPDO has a robust business plan and with continued grant funding is viable and sustainable in the long term. The project documentation will include a robust monitoring and review regime with regular reporting in relation to financial and operational matters. The Council will also retain audit rights. In certain circumstances the Council can step in – for example in the case of major health and safety risks. In certain circumstances the Council can terminate the arrangements and take back responsibility for the service to protect the Council's assets eg financial failure.

Corporate objectives and priorities for change

- 9.1 The Transforming Derby Museums programme will enable the proposed new Derby Museums organisation to make a maximum contribution across all council priorities