LANCASTER CITY COUNCIL

Promoting City, Coast & Countryside

Committee: **BUDGET AND PERFORMANCE PANEL**

Date: **TUESDAY, 6TH FEBRUARY 2018**

Venue: **LANCASTER TOWN HALL**

Time: **6.10 P.M.**

A G E N D A

1. **Apologies for Absence**

2. **Minutes**

   Minutes of the Meeting held on 23rd January, 2018.

3. **Items of Urgent Business authorised by the Chairman**

4. **Declaration of Interests**

   To receive declarations by Members of interests in respect of items on this Agenda.

   Members are reminded that, in accordance with the Localism Act 2011, they are required to declare any disclosable pecuniary interests which have not already been declared in the Council's Register of Interests. (It is a criminal offence not to declare a disclosable pecuniary interest either in the Register or at the meeting).

   Whilst not a legal requirement, in accordance with Council Procedure Rule 9 and in the interests of clarity and transparency, Members should declare any disclosable pecuniary interests which they have already declared in the Register, at this point in the meeting.

   In accordance with Part B Section 2 of the Code Of Conduct, Members are required to declare the existence and nature of any other interests as defined in paragraphs 8(1) or 9(2) of the Code of Conduct.

5. **Treasury Management Strategy 2018/19** (Pages 1 - 26)

   Report of the Chief Officer (Resources).

   The City Council's Treasury Adviser will give a Presentation to the Panel.

   Note: All Members of Council have been invited to attend.

6. **Museums** (Pages 27 - 173)

   Report of the Chief Officer (Regeneration and Planning).

7. **Performance Monitoring 2017 - 2018 - Quarter 3** (Pages 174 - 181)

Report of the Chief Officer (Environmental Services).

8. **Corporate Financial Monitoring 2017 - 2018 Quarter 3**

Report of the Chief Officer (Resources) to follow.

9. **Work Programme Report**

Report of the Chief Officer (Governance) to follow.

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Susan Sykes (Chairman), Tim Hamilton-Cox (Vice-Chairman), Tracy Brown, Nathan Burns, Kevin Frea, Jean Parr, John Reynolds, Peter Williamson and 1 Labour vacancy

(ii) Substitute Membership

Councillors Dave Brookes, Claire Cozler, Ron Sands, John Wild, Nicholas Wilkinson and Phillippa Williamson

(iii) Queries regarding this Agenda

Please contact Tessa Mott, Democratic Services - telephone 01524 582074 or email tmott@lancaster.gov.uk.

(iv) Changes to Membership, substitutions or apologies

Please contact Democratic Support, telephone 582170, or alternatively email democraticsupport@lancaster.gov.uk.

SUSAN PARSONAGE,
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TOWN HALL,
DALTON SQUARE,
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Published on Monday, 29th January, 2018.

Budget and Performance Panel

Treasury Management Strategy 2018/19
06 February 2018

Report of Chief Officer (Resources)

PURPOSE OF REPORT
To seek the Panel's views regarding the proposed treasury management framework for 2018/19.
This report is public.

RECOMMENDATIONS:

1) **That Budget and Performance Panel considers the attached Treasury Management Framework documents for 2018/19 and makes recommendations as appropriate.**

1 **INTRODUCTION AND OVERVIEW**

1.1 Each year the Council must review and approve its treasury management framework for the forthcoming year. At its February meeting Cabinet will consider the attached documents (as updated for its final budget proposals), for referral on to Council. Budget and Performance Panel have explicit responsibility for scrutiny of the treasury management function, including review of the proposed annual strategy. This is in line with regulatory requirements.

1.2 Over the years, the regulatory and economic environment has changed significantly and this has led the sector to consider more innovative types of investment activity. Reflecting this, Members will be aware that changes are underway regarding the capital and treasury management framework.

1.3 Following consultation, Cipfa have now published updated codes of practice on both Treasury Management and on the Prudential Code for Capital Finance and a very brief outline on the main changes and messages is provided at ***Appendix A.***

1.4 Furthermore the Government has also recently consulted on changes to the statutory guidance on Local Government Investments, and on Minimum Revenue Provision. It has not yet issued the final guidance, however.

1.5 More information on these matters will be included in the training session to be provided by the Council's treasury advisors, in support of this agenda item.

1.6 Given the lateness of the Code updates and the uncertainty regarding future statutory guidance, Cipfa has recognised that many authorities are unlikely to be able to implement the required changes for the start of the 2018/19 financial year.

1.7 Instead therefore, the changes can be implemented during the course of 2018/19. This fits well with the Council's budget strategy; it is already planning to undertake a mid-year review and future capital investment strategy is a fundamental part of that work.

1.8 In context of the above points, the Council's draft treasury management framework is set out at ***Appendices B to D*** of this report, for the Panel's consideration. Any recommendations arising from the meeting will be fed into Cabinet on 13 February and from there on to Budget Council on 28 February, when Members will be asked formally to approve the framework.

CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc) No issues directly arising.	
FINANCIAL IMPLICATIONS As set out in the attached documents. Whilst they are working drafts, they reflect the basis of Cabinet's initial budget proposals as far as possible.	
OTHER RESOURCE IMPLICATIONS None directly arising.	
SECTION 151 OFFICER'S COMMENTS This report is in the name of the s151 Officer (as Chief Officer (Resources). Her comments and advice are reflected in the report.	
LEGAL IMPLICATIONS As referred to in the report; there are no other legal implications arising.	
MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no comments to add.	
BACKGROUND PAPERS None**.**	**Contact Officer: Nadine Muschamp** **Telephone: 01524 582117** **E-mail:nmuschamp@lancaster.gov.uk**

Appendix A

Outline of Codes of Practice Key Changes and Messages

The Prudential Code

- The objectives of the Code (primarily affordability, prudence, and sustainability) have been strengthened regarding due diligence, local stewardship and risk, with the requirement for authority's appetite and risk management approach being proportionate to its overall level of resources. If need be, the Prudential Code should provide a framework to demonstrate where this might not be the case, so that an authority can take remedial action.

- The major change relates to the requirement for each authority to determine a capital strategy, setting out a long-term context in which capital expenditure and investment decisions are made. This is to demonstrate that the authority takes proper account of the requirements of the Prudential Code. (Some years ago the previous regulatory requirement regarding a specific capital strategy was abolished, and in effect the (then) provisions were incorporated into the Council's Medium Term Financial Strategy).

- The latitude for local authorities to set the scope and size of their capital plans remains unrestricted, but processes have been strengthened to set out greater consideration of prudence, with sustainability and risk reporting improved through governance procedures.

- The application of Borrowing in Advance of Need is retained. As before, authorities should not borrow in advance purely to profit from the investment of the extra sums borrowed.

- Various changes have been made to Prudential Indicator requirements, but focus remains on the longer term sustainability and risk of capital plans, and avoiding exposing public funds to unnecessary local or unquantified risk. It is reiterated that the revenue implications of capital expenditure plans are properly taken into account in the options appraisal process.

Treasury Management Code of Practice

- The introduction clarifies that the term "investments" used in the definition of treasury management activities also covers other non-financial assets that an organisation holds primarily for financial returns, such as investment property portfolios. It also clarifies that the key principle of control of risk and optimising returns consistent with the organisation's risk appetite should be applied across all investment activities, including more commercially based investments.

- Several changes have been made to Treasury Management Practice requirements, covering various legislation-backed requirements as well as risk management provisions. Required statements include:

  "This organisation regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment."

"The organisation will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures."

- A new section has been added covering investments that are "not part of treasury management activity", such as property. Where organisations undertake such investments primarily for financial return, they should be proportional to the level of resources available to the organisation. It should ensure that the same robust procedures for the consideration of risk and return are applied to such investment decisions. They also need to be covered in the authority's capital strategy. A schedule of all investments and liabilities (such as guarantees) is to be maintained.

- Previously the Code stated that overall responsibility for treasury management cannot be devolved, whereas the new Code states that "CIPFA believes that delegation of approval of the detail of the treasury management strategy and ongoing monitoring should be permitted where this facilitates more active discussion of the strategy and performance by those with the most appropriate skills and knowledge. Responsibility at all times, however, remains with full board/council who should have access to the full treasury management strategy, annual report and in year monitoring and the ability to seek clarification/ask questions."

Appendix B

Treasury Management Strategy 2018/19 to 2021/22

For Consideration by Budget and Performance Panel 06 February 2018

1 INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which means broadly that income to be raised during the year will meet expenditure to be incurred, after allowing for any changes in reserves and balances. Part of the treasury management operation is to ensure that the associated cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 Reporting Requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid-year treasury management report – This will update Members with the progress of the treasury position, amending prudential indicators as necessary, and whether any policies require revision.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

In addition, Members will receive high level update reports for Quarters 1 and 3.

Scrutiny - The above reports are required to be adequately considered and scrutinised before being presented to Council. This is undertaken by Cabinet and the Budget and Performance Panel.

Capital Strategy – In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019-10, all local authorities will be required to prepare an additional report, a Capital Strategy report, which is intended to provide the following:-

- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- An overview of how the associated risk is managed
- The implications for future financial sustainability

The aim of this report is to ensure that all elected members on the full council fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy.

The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

1.3 Treasury Management Strategy for 2018/19

The strategy for 2018/19 covers two main areas:

Capital Issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury Management Issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Government MRP Guidance, the CIPFA Treasury Management Code and Government Investment Guidance.

1.4 Training

The CIPFA Code requires the Chief Officer (Resources) to ensure that Members with responsibility for treasury management receive adequate asssociated training. This especially applies to Members responsibe for scrutiny. A training session will be arranged during 2018 accordingly with further training provided as required. The training needs of treasury management Officers are periodically reviewed.

1.5 Treasury Management Consultants

The Council uses Link Asset Services, as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2 CAPITAL PRUDENTIAL INDICATORS 2018/19 – 2021/22

The Council's capital expenditure plans are the key driver of treasury management activity. The plans are reflected in various prudential indicators, as determined under regulation, to assist Members in their overview of such capital expenditure planning.

2.1 Capital Expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

The table below provides that summary, showing how the plans are being financed by capital or revenue resources. Any shortfall of resources results in an underlying borrowing or financing need.

Capital expenditure	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
General Fund	12.63	12.05	10.35	3.54	3.89	2.38
Housing Revenue Account (HRA)	4.08	4.20	4.42	4.33	4.16	4.16
Total	**16.71**	**16.25**	**14.77**	**7.87**	**8.05**	
Financed by:						
Capital receipts	-0.85	-1.46	-0.38	-0.38	-0.38	-0.38
Capital grants	-4.53	-5.75	-5.03	-1.63	-1.61	-1.61
Capital reserves	-4.62	-4.57	-4.67	-4.31	-3.85	-3.84
Revenue	-0.26	-0.15	0.00	0.00	0.00	0.00
Net financing need for the year	**6.45**	**4.32**	**4.69**	**1.55**	**2.21**	**0.71**

2.2 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow. Any capital expenditure that is not wholly financed in-year will increase the CFR.

The CFR does not increase indefinitely. This is because the Minimum Revenue Provision (MRP), which is a statutory annual charge to revenue, broadly reduces the borrowing need in line with each asset's life.

The CFR includes any other long term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £38K of leases within the CFR.

	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Capital Financing Requirement						
General Fund**	40.62	43.53	46.45	46.10	46.19	44.54
HRA **	41.45	40.41	39.37	38.33	37.29	36.25
Total CFR	**82.07**	**83.94**	**85.82**	**84.43**	**83.48**	**80.79**
Movement in CFR	**4.18**	**1.87**	**1.88**	**-1.39**	**-0.95**	**-2.69**

Movement in CFR represented by						
Net financing need for the year (above)	6.45	4.32	4.69	1.55	2.21	0.71
Less MRP/VRP and other financing movements	-2.27	-2.45	-2.81	-2.94	-3.16	-3.40
Movement in CFR	**4.18**	**1.87**	**1.88**	**-1.39**	**-0.95**	**-2.69**

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2.3 Minimum Revenue Provision (MRP) Policy Statement

The Council is required to 'pay off' an element of the accumulated General Fund CFR each year through a revenue charge (the minimum revenue provision - MRP), and it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

Government Regulations require Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision being made. In approving this Strategy, Council approves the following MRP Statement*:*

For capital expenditure incurred after 01 April 2008, MRP will be based on:

- Asset life method – MRP will be based on the estimated life of each asset created as a result of the related capital expenditure, in accordance with the

Regulations (this option must also be applied for any expenditure capitalised under a Capitalisation Direction).

This option provides for a reduction in the borrowing need over the approximate life of the asset concerned.

In line with Government guidance, the MRP in respect of capital expenditure incurred before 01 April 2008 will be charged over a period of 60 years.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).

Repayments included in annual finance leases are applied as MRP.

2.4 Core Funds and Expected Investment Balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments, unless resources are supplemented each year from new sources (e.g. asset sales). The following table provides estimates of the year end balances for each resource and anticipated year end cash flow balances from other day to day activities:

Year End Resources	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Fund balances / reserves	23.99	21.50	20.74	20.32	20.72	21.43
Capital receipts	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	0.50	0.50	0.50	0.50	0.50	0.50
Total core funds	**24.49**	**22.00**	**21.24**	**20.82**	**21.22**	**21.93**
Working capital*	22.70	22.70	22.70	22.70	22.70	22.70
Under borrowing	-16.82	-19.77	-22.69	-22.34	-22.44	-20.79
Expected investments	**30.37**	**24.93**	**21.25**	**21.18**	**21.48**	**23.84**

*Working capital balances shown are estimated year end; these may be higher mid-year

2.5 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

2.6 Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
General Fund	13.9%	15.8%	17.7%	17.7%	17.2%	17.5%
HRA	21.6%	21.8%	21.5%	20.9%	20.3%	19.4%

The estimates of financing costs include current commitments and the proposals in this budget report.

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital stragegy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current Portfolio Position

The Council's treasury portfolio position at 31 March 2016 and forward projections are summarised below. The table shows the actual external debt from treasury management operations, against the underlying capital borrowing need (the Capital Financing Requirement or CFR), highlighting any over or under borrowing.

	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
External Debt						
Debt at 1 April	66.29	65.25	64.17	63.13	62.09	61.05
Expected change in Debt	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04
Other long-term liabilities (OLTL)	0.00	0.00	0.00	0.00	0.00	0.00
Expected change in OLTL	0.00	-0.04	0.00	0.00	0.00	0.00
Actual gross debt at 31 March	**65.25**	**64.17**	**63.13**	**62.09**	**61.05**	**60.01**
The Capital Financing Requirement	**82.07**	**83.94**	**85.82**	**84.43**	**83.48**	**80.79**
Under Borrowing	**-16.82**	**-19.77**	**-22.69**	**-22.34**	**-22.44**	**-20.79**

There are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current year and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Chief Officer (Resources) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

3.2 Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources..

Operational boundary	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Debt*	83.94	85.82	84.43	83.48	80.79
Other long term liabilities	0.00	0.00	0.00	0.00	0.00
Total	**83.94**	**85.82**	**84.43**	**83.48**	**80.79**

- *The term debt in this instance is CFR minus the effect of leases*

The Authorised Limit for External Debt

A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. Council is asked to approve the following authorised limit:

Authorised Limit	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Debt	99.00	101.00	99.00	98.00	96.00
Other long term liabilities	1.00	1.00	1.00	1.00	1.00
Total	**100.00**	**102.00**	**100.00**	**99.00**	**97.00**

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

HRA Debt Limit	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
HRA debt cap	60.19	60.19	60.19	60.19	60.19
HRA CFR	40.41	39.37	38.33	37.29	36.25
HRA headroom	**19.78**	**20.82**	**21.86**	**22.90**	**23.94**

3.3 Prospects for Interest Rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their central view.

	Mar-18	Mar-19	Mar-20	Mar-21
Bank rate	0.50%	0.75%	1.00%	1.25%
5yr PWLB rate	1.60%	1.80%	2.10%	2.30%
10yr PWLB rate	2.20%	2.50%	2.70%	3.00%
25yr PWLB rate	2.90%	3.10%	3.40%	3.60%
50yr PWLB rate	2.60%	2.90%	3.20%	3.40%

As expected, the Monetary Policy Committee, (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase the Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The forecast as above includes increases in the Bank rate of 0.25% in November 2018, November 2019 and August 2020.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit.

Investment and borrowing rates

- *Investment returns are likely to remain low during 2018/19 but be on a gently rising trend over the next few years;*

- *Borrowing interest increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank rate increases. Since then borrowing rates have eased back again somewhat. Apart from that there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt;*

- *There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.*

3.4 Borrowing Strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's provisions,reserves, balances and working capital has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. The Chief Officer (Resources), under delegated powers will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then any long term borrowings would be postponed, and potential rescheduling from fixed rate funding into short term borrowing would be considered.

- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates* than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would be re-appraised. Most likely, if need be, fixed rate funding would be drawn if interest rates were lower than projected to be in the next few years.

Any decisions will be reported to Cabinet at the next available opportunity.

3.5 Treasury Management Limits on Activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set at a level which is too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates.
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

	2017/18	**2018/19**	**2019/20**	**2020/21**	**2021/2022**
Interest rate exposures					
	Upper	**Upper**	**Upper**	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%	100%	100%
Limits on variable interest rates based on net debt	30%	30%	30%	30%	30%

Maturity structure of fixed interest rate borrowing 2018/19	**£m**	
Under 12 months	1.04	1.62%
12 months and within 24 months	1.04	1.62%
24 months and within 5 years	3.12	4.87%
5 years and within 10 years	5.21	8.11%
10 years and within 15 years	5.21	8.11%
15 years and within 25 years	9.37	14.60%
25 years and within 50 years	39.22	61.08%

3.6 Policy on Borrowing in Advance of Need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, allowing for authorised increases, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.7 Debt Rescheduling

As short term borrowing rates are expected to be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

* the generation of cash savings and / or discounted cash flow savings;
* helping to fulfil the treasury strategy;
* enhance the balance of the portfolio (amend the maturity profile and / or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

Any rescheduling will be reported to Cabinet at the earliest meeting following any action.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy

The Council's investment policy has regard to the Government Guidance on Local Government Investments ("the Guidance") and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

In accordance with the above guidance, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties that also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor cournerparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets.

To this end the Council will engage with its advisors to maintian a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust process on the suitability of potential investment counterparties.

Investment instruments identified for use in the financial year are listed in Annex A2 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices, applying the creditworthiness policy set out below.

4.2 Creditworthiness Policy

This Council will apply the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands*:*

- **Yellow (Y)** up to but less than 1 year
- ***Dark pink (Pi1)*** *liquid - Ultra-Short Dated Bond Funds with a credit score of 1.25*
- ***Light pink (Pi2)*** *liquid – Ultra-Short Dated Bond Funds with a credit score of 1.5*
- ***Purple (P)*** *up to but less than 1 year*
- ***Blue (B)*** *up to but less than 1 year (only applies to nationalised or part- nationalised UK Banks)*
- ***Orange (O)*** *up to but less than 1 year*
- ***Red (R)*** *6 months*
- ***Green (G)*** *100 days*
- ***No colour (N/C)*** *not to be used*

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7

	Colour (and long term rating where applicable)	Money Limit	Time Limit
Banks /UK Govt. backed instruments*	yellow	£12m	≤1 year
Banks	purple	£6m	≤1 year
Banks	orange	£6m	≤1 year
Banks – part nationalised	blue	£12m	≤1 year
Banks	red	£6m	≤6 mths
Banks	green	£3m	≤100 days
Banks	No colour	Not to be used	
Limit 3 category – Council's banker (for non-specified investments)	n/a	£500K	1 day
DMADF	AAA	unlimited	≤6 months
Local authorities**	n/a	£12m	≤1 year
	Fund rating	Money and/or % Limit	Time Limit
Money Market Funds CNAV	AAA	£6m	liquid
Money Market Funds LVNAV	AAA	£6m	liquid
Money Market Funds VNAV	AAA	£6m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	Dark pink / AAA	£6m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	Light pink / AAA	£6m	liquid

** the yellow colour category includes UK Government debt, or its equivalent, collateralised deposits where the collateral is UK Government debt –see Annex A2.*

*** Under UK Statute the loans to any Council have priority and first call over the revenues of the authority, which under-writes any concerns over the ability of a local authority to repay its debt. As the UK Government also acts as a lender of last resort, the ranking of UK local authorities is usually considered equivalent to that of the UK Government. As the UK Government has a long term rating of AA+, this is usually applied to local authorities and as such all local authorities have equal rating.*

The creditworthiness service uses a wider array of information other than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria (built in) that the Council use will be a Short Term rating of F1 and a Long Term rating of A- (Fitch, or equivalents). There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the creditworthiness service.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition, the Council will also use to some limited extent market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

4.3 Country Limits

The Council has determined that it will only use approved counterparties from other countries with a minimum sovereign credit rating of *AAA* **(Fitch)** or equivalent from each of the credit rating agencies. This list will be added to, or deducted from, by Officers should ratings change in accordance with this policy.

4.4 Other Investment Matters

In-house Funds: Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (iup to 12 months).

Investment Returns Expectations: Bank Rate is forecast to stay flat at 0.50% until Quarter 4 2018 and not to rise above 1.25% by quarter 1 2021. Bank Rate forecasts for financial year ends (March) are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

4.5 Investment Treasury Indicator and Limit

This determines the total principal funds that can be invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of any investment, and are based on the availability of funds after each year-end. Council is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 364 & 365 days					
	2017/18	**2018/19**	**2019/20**	**2020/21**	**2021/22**
Principal sums invested > 364 & 365 days	Nil	Nil	Nil	Nil	Nil

This takes account of the proposed change in the CIPFA Treasury Code from a 364 day limit to 365 days

ANNEX B1

Treasury Management Glossary of Terms

- **Annuity** – method of repaying a loan where the payment amount remains uniform throughout the life of the loan, therefore the split varies such that the proportion of the payment relating to the principal increases as the amount of interest decreases.

- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations, also the standard setting organisation for Local Government Finance.

- **Call account** – instant access deposit account.

- **Counterparty** – an institution (e.g. a bank) with whom a borrowing or investment transaction is made.

- **Credit Rating** – is an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. It is based on any information available regarding the institution: published results, Shareholders' reports, reports from trading partners, and also an analysis of the environment in which the institution operates (e.g. its home economy, and its market sector). The main rating agencies are Fitch, Standard and Poor's, and Moody's. They currently analyse credit worthiness under four headings (but see changes referred to in the strategy):

    - **Short Term Rating** – the perceived ability of the organisation to meet its obligations in the short term, this will be based on measures of liquidity.

    - **Long Term Rating** – the ability of the organisation to repay its debts in the long term, based on opinions regarding future stability, e.g. its exposure to 'risky' markets.

    - **Individual/Financial Strength Rating** – a measure of an institution's soundness on a stand-alone basis based on its structure, past performance and credit profile.

    - **Legal Support Rating** – a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank, or national government.

  The rating agencies constantly monitor information received regarding financial institutions, and will amend the credit ratings assigned as necessary.

- **DMADF and the DMO –** The DMADF is the 'Debt Management Account Deposit Facility'; this is highly secure fixed term deposit account with the Debt Management Office (DMO), part of Her Majesty's Treasury.

- **EIP –** Equal Instalments of Principal, a type of loan where each payment includes an equal amount in respect of loan principal, therefore the interest due with each payment reduces as the principal is eroded, and so the total amount reduces with each instalment.

- **Gilts** – the name given to bonds issued by the U K Government. Gilts are issued bearing interest at a specified rate, however they are then traded on the markets like

shares and their value rises or falls accordingly. The Yield on a gilt is the interest paid divided by the Market Value of that gilt.
E.g. a 30 year gilt is issued in 1994 at £1, bearing interest of 8%. In 1999 the market value of the gilt is £1.45. The yield on that gilt is calculated as 8%/1.45 = 5.5%.
See also PWLB.

- **LIBID** – The London Inter-Bank Bid Rate, the rate which banks would have to bid to borrow funds from other banks for a given period. The official rate is published by the Bank of England at 11am each day based on trades up to that time.

- **LIBOR** – The London Inter-Bank Offer Rate, the rate at which banks with surplus funds are offering to lend them to other banks, again published at 11am each day.

- **Liquidity** – Relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.

- **Maturity** – Type of loan where only payments of interest are made during the life of the loan, with the total amount of principal falling due at the end of the loan period.

- **Money Market Fund (MMF)** – Type of investment where the Council purchases a share of a cash fund that makes short term deposits with a broad range of high quality counterparties. These are highly regulated in terms of average length of deposit and counterparty quality, to ensure AAA rated status. As from 21 July 2018 there will be three structural options for existing money market funds – Public Debt Constant Net Asset Value (CNAV), Low Volatility Net Asset Value (LVNAV) and Variable Net Asset Value (VNAV)

- **Policy and Strategy Documents** – documents required by the CIPFA Code of Practice on Treasury Management in Local Authorities. These set out the framework for treasury management operations during the year.

- **Public Works Loans Board (PWLB)** – a central government agency providing long and short term loans to Local Authorities. Rates are set daily at a margin over the Gilt yield (see Gilts above). Loans may be taken at fixed or variable rates and as Annuity, Maturity, or EIP loans (see separate definitions) over periods of up to fifty years. Financing is also available from the money markets, however because of its nature the PWLB is generally able to offer better terms.

- **Capita Asset Services** – Capita Asset Services are the City Council's Treasury Management advisors. They provide advice on borrowing strategy, investment strategy, and vetting of investment counterparties, in addition to ad hoc guidance throughout the year.

- **Yield** – see Gilts

Members may also wish to make reference to *The Councillor's Guide to Local Government Finance.*

ANNEX B2

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	**Max % of counterparty limit - *Specified**	**Max % of counterparty limit – **Non - Specified**	**Max. maturity period**
DMADF – UK Government	N/A	**100%**	**N/A**	**6 months**
UK Government gilts	UK sovereign rating	100%	**N/A**	1 year
UK Government Treasury blls	UK sovereign rating	100%	**N/A**	1 year
Bonds issued by multilateral development banks	AAA	100%	**N/A**	6 months
Money Market Funds CNAV	AAA	100%	**N/A**	Liquid
Money Market Funds LVNAV	AAA	100%	**N/A**	Liquid
Money Market Funds VNAV	AAA	100%	**N/A**	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	100%	**N/A**	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	100%	**N/A**	Liquid
Local authorities	N/A	100%	**N/A**	1 year
Term deposits with banks and building societies	Yellow Purple Blue Orange Red Green No Colour	100% 100% 100% 100% 100% 100% 0%	20% 20% N/A 20% 20% 20% 0%	Up to 1 year Up to 1 year Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use
Certificates of Deposit and corporate bonds with banks and building societies	Yellow Purple Blue Orange Red Green No Colour	20% 20% 20% 20% 0% 0% 0%	0% 0% 0% 0% 0% 0% 0%	Up to 1 year Up to 1 year Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use

***SPECIFIED INVESTMENTS:** All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the quality criteria as applicable.

****NON-SPECIFIED INVESTMENTS**: These are any investments which do not meet the specified investment criteria. A maximum of up to 20% ** will be held in aggregate in relevant non-specified investments (as at the trade date of investing).

ANNEX B3

Definitions of Specified and Non Specified Investments

See the detailed Investment Strategy included in ***Appendix B***, for the limits to be applied.

1. Specified Investments are defined as follows.

SPECIFIED INVESTMENTS

These are investments denominated in sterling of a maturity period of not more than 364 days (or of a longer period where the Council has the right to be repaid within 364 days if it wishes). These are low risk assets with high liquidity where the possibility of loss of principal or investment income is considered negligible. These include investments with:

(i) The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity).

(ii) Supranational bonds of less than one year's duration.

(iii) A local authority, parish council or community council.

(iv) An investment scheme that has been awarded a high credit rating by a credit rating agency.

(v) A body with high credit quality (such as a bank or building society) as set out in table 4.2

For category (iv) this covers a money market fund AAA rated by Standard and Poor's, Moody's or Fitch rating agencies.

2. Non-specified Investments are defined as:

   All types of investment not meeting the criteria for specified investments. The non-specified investments which may be used by the authority are set out below. Non specified investments not explicitly referred to below are excluded from the Treasury Management Strategy.

Ref	Non Specified Investment Category	Limit
(i)	An investment with a non-UK bank, for a term of less than 1 year and in a product which falls within one of the criteria stated with the table in Annex B2	Annex B2
(ii)	The Council's own banker if it fails to meet the high credit quality criteria attached to other bandings.	Table in 4.2

ANNEX B

Background information on credit ratings

Credit ratings are an important part of the Authority's investment strategy. The information below summarises some of the key features of credit ratings and why they are important.

What is a Credit Rating?
A credit rating is:

- An independent assessment of an organisation;
- It gauges the likelihood of getting money back on the terms it was invested;
- It is a statement of opinion, not statement of fact;
- They help to measure the risk associated with investing with a counterparty;

Who Provides / Uses Credit Ratings?
There are three main ratings agencies, all of which are used in the Authority's treasury strategy.

- Fitch
- Moody's Investor Services
- Standard & Poor's

The ratings supplied by these agencies are used by a broad range of institutions to help with investment decisions, these include:

- Local Authorities;
- Other non-financial institutional investors;
- Financial institutions;
- Regulators;
- Central Banks;

Rating Criteria
There are many different types of rating supplied by the agencies. The key ones used by the Authority are ratings to indicate the likelihood of getting money back on terms invested. These can be split into two main categories:

- 'Short Term' ratings for time horizons of 12 months or less. These may be considered as the most important for local authorities.

- 'Long Term' ratings for time horizons of over 12 months. These may be considered as less important in the current climate.

In addition, the agencies issue sovereign, individual and support ratings which will also feed into the investment strategy.

Rating Scales (Fitch, Moody's and Standard & Poor's)
The table below shows how some of the higher graded short and long term ratings compare across the agencies; the top line represents the highest grade possible.   (There are other ratings that go much lower than those shown below, and ratings for other elements).

Short Term			**Long Term**		
Fitch	Moody's	S&P	Fitch	Moody's	S&P
F1+	P-1	A-1+	AAA	Aaa	AAA
F1	P-1	A-1	AA	Aa2	AA
F2	P-2	A-2	A	A2	A

Appendix C

TREASURY MANAGEMENT FRAMEWORK DOCUMENTS AND RESPONSIBILITIES

For consideration by Budget and Performance Panel 06 February 2018

DOCUMENT	RESPONSIBILITY
CODE of PRACTICE	To be adopted by Council (as updated 2017).
POLICY STATEMENT	The Code of Practice recommends a specific form of words to be used, to set out the Council's objectives within the Policy Statement for its Treasury Management activities. It is the responsibility of Council to approve this document, and then note it each year thereafter if unchanged. This reflects the revised code November 2011.
TREASURY MANAGEMENT STRATEGY	The Strategy document breaks down the Policy Statement into detailed activities and sets out the objectives and expected market forecasts for the coming year. This also contains all the elements of an Investment Strategy as set out in the Government guidance; it is the responsibility of Council to approve this document, following referral from Cabinet.
TREASURY MANAGEMENT INDICATORS	These are included within the Strategy Statement as part of the framework within which treasury activities will be undertaken. It is the responsibility of Council to approve these limits.
INVESTMENT STRATEGY	The Investment Strategy is included within the Treasury Management Strategy. It states which types of investments the Council may use for the prudent management of its treasury balances during the financial year. Under existing guidance the Secretary of State recommends that the Strategy should be approved by Council.
TREASURY MANAGEMENT PRACTICES	These are documents that set out the procedures that are in place for the Treasury Management function within the Council. The main principles were approved by Cabinet following initial adoption of the Code of Practice; they include: TMP 1: Risk management TMP 2: Performance measurement. TMP 3: Decision-making and analysis. TMP 4: Approved instruments, methods & techniques. TMP 5: Organisation, clarity and segregation of responsibilities, and dealing arrangements. TMP 6: Reporting requirements & management information requirements. TMP 7: Budgeting, accounting & audit. TMP 8: Cash & cash flow management. TMP 9: Money laundering. TMP 10: Staff training & qualifications. TMP 11: Use of external service providers. TMP 12: Corporate governance. It is the Chief Officer (Resources)' responsibility to maintain detailed working documents and to ensure their compliance with the main principles. The content of the TMPs will be reviewed during 2018/19, in view of the recent changes to the treasury management regulatory framework.
FINANCIAL REGULATIONS	The Financial Regulations must contain four specific clauses. These are substantially unchanged in the 2017 Code; it is the Chief Officer (Resources)' responsibility to ensure their inclusion.

Appendix D

LANCASTER CITY COUNCIL

TREASURY MANAGEMENT POLICY STATEMENT

For consideration by Budget and Performance Panel
06 February 2018

This reflects the revised CIPFA Treasury Management Code of Practice (Code updated in 2017).

1. This organisation defines its treasury management activities as:

   "The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage these risks.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Budget and Performance Panel

Museums
6th February 2018

Report of the Chief Officer Regeneration and Planning

PURPOSE OF REPORT
To update Budget and Performance Panel on recent developments and early progress in relation to the City Council's Museums Service.
This report is public

RECOMMENDATIONS

(1) That Budget and Performance Panel notes the content of this report.

1.0 Introduction

1.1 The City Council has three museums; the City Museum in Market Square; the Maritime Museum at St George's Quay; the Cottage Museum on Castle Hill. Since 2003 the museums have been managed by Lancashire County Council under the Museums Service Partnership Agreement (MSPA) and integrated with the county-wide museums service.

1.2 Over the last two to three years a review of the Council's museums has been undertaken and some options for redevelopment tested. The consultants' report at Appendix A provides a summary of findings and some useful illustrations for examples of alternative business models.

1.3 Key findings conclude, in summary, that the Museums have the potential to contribute much more to the area's economy; do not match the district's ambitions as an important sub regional centre; are relatively expensive to run; could be better integrated with the district's and the council's wider economic, tourism and cultural activities.

1.4 Nevertheless all engagement with partners and stakeholders suggests that the museums are highly valued and are important to the district in terms of its unique heritage and culture, quality of life and place offer.

1.5 An ambitious and exciting approach to transforming the museums service is proposed by the consultants, who have worked closely with officers, members and stakeholders. There is clearly broad support for positive change but, at the same time, each and every element of a transformational programme of improvement is complex.

1.6 Cabinet has been working with a Museums Cabinet Liaison Group which has considered the proposals at a number of recent meetings and has identified a number of steps that can be taken to enable some early progress.

1.7 As a result of this, at its September 2017 meeting, Council considered and agreed a recommendation that the Council take the museums service back in house. To support this, and the ongoing work of managing and developing the service, a Museums Manager post was also approved (*minute 52 refers).* Notice has now been provided to County Council and the transfer will take place by 30th September 2018. Recruitment for a Museums Manager is about to commence.

1.8 Discussions have continued regarding the future of the museums and a further report will be presented to Cabinet in February. The full report is currently being drafted and will be available to Budget and Performance Panel at the time of its meeting. Draft recommendations at the present time reflect the need to effectively transfer the service first and build on the opportunities to make improvements over time, working with staff, stakeholders and communities.

2.0 Conclusion

2.1 The work undertaken to date has been extremely informative and it is clear that the City Council's museums have the potential for a greater impact, increased presence and profile and, at the same time, to be more sustainable in financial terms. Taking the service back in house is a key early step that is crucial if the Council aspires to deliver a real transformation. However, in itself this early step is fairly major and will involve some complex management issues. The current approach is to get this right first and to create a solid basis for the museums for the future.

2.2 The focus of the next few months will therefore be about managing this first important change. As this progresses further discussions and consultation will take place to consider next steps.

CONCLUSION OF IMPACT ASSESSMENT
(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):

No direct implications as a result of this report.

LEGAL IMPLICATIONS

No direct implications as a result of this report.

FINANCIAL IMPLICATIONS

No direct implications as a result of this report.

OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces:

No direct implications as a result of this report.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and has no further comments.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS	**Contact Officer:** Anne Marie Harrison **Telephone:** 01524 582308 **E-mail:** amharrison@lancaster.gov.uk

LANCASTER CITY COUNCIL
Promoting City, Coast & Countryside

Lancaster City Council
Regeneration & Planning Services

Reshaping Lancaster District's Museums Offer
Report of Findings and Recommendations

AP+P

March 2017

Reshaping Lancaster District's Museums Offer
Report of Findings and Recommendations

Prepared for
Lancaster City Council
Regeneration & Planning Services

March 2017

by

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Acknowledgements

Aitken Prince+Pearce acknowledges with thanks all those who have made a contribution to this report, particularly Anne Marie Harrison and her colleagues in the City Council's Regeneration & Planning Services Department, together with all those who gave freely of their time, experience and expertise.

Status of Document

Contents

Figures and Illustrations

1 Introduction

Prince + Pearce, together with Robert Aitken Museum Design (AP+P) were commissioned, following a selection process in September 2016, by Lancaster City Council to support the Regeneration & Planning Services Department in assessing the feasibility of producing options for the redesign of the City's museums service by taking a bolder, more challenging but strategic, long-term approach towards the use of its cultural and heritage assets, estates and collections; their funding, investment and income, and management.

This commission was essentially an extension and development of previous work carried out by AP+P for the City over the past five years and was aimed particularly at addressing the following issues:

- Consolidating the Collections into a new Collections Centre
- Redevelopment of the City Museum in the Old Town Hall
- The Kings Own Regimental Museum
- Disposal / mothballing of Maritime Museum – Warehouse and Customs House
- Disposal of the Cottage Museum
- A new development on Morecambe Seafront
- Management arrangements.

Uppermost when considering these issues was the desire to produce achievable, real-world options and solutions for a major facet of the Council's long-term aspirations as a heritage city, tourist attraction and place of well-being for its residents.

Specifically, the brief called for reporting on the following components:

- A recommended physical design for the Collections Centre
- A recommended physical design for the City Museum
- An Interpretation/use plan for the collections
- A Business Plan for a redesigned museums service and ancillary services
- A recommended governance model and staffing structure
- An Audience Development Plan and Marketing Strategy
- Outline costs for all capital investment and revenue expenditure
- A funding and investment framework.

The remainder of this document deals with the outcome of this work, section-by-section, all in the context of an over-arching Business Case for the service which runs throughout the report and underpins its thinking and recommendations.

1.1 Previous Work

In May 2011[1], AP+P was appointed to carry out a study of the City Museum and provide an indication of how its current offer could be improved in order to bring it more in line with modern thinking, attract more visitors and make a positive contribution to the cultural offer and economy of Lancaster District. That study encompassed the following elements:

- A review of the current museum offer in Market Square
- A review of the national context and policy framework
- The relationship between the Museum and the Square Routes project
- The potential relationship between the Museum and the Indoor Market
- The implications of extending the Museum building
- A new interpretive approach
- A review of operational cost and management
- A market analysis and business case
- Recommendations for 'quick wins' and longer term development options.

The study identified a number of options for the City Museum:

- Closure
- Stay as is
- Remain in the Market Square but with a different offer
- Move into Lancaster Castle
- Expand into the adjacent Library building
- Move to a new location in the city (possibly the Quayside)
- Combine with the Maritime Museum in a new location in the city (possibly the Quayside).

The report concluded that the third option ('remain in the Market Square but with a different offer') was the preferred way forward and offered guidance on how this could take place.

In November 2015 AP+P was commissioned to produce a further report considering options to review, rationalise and improve the City's museums offer in order to create a focused service that will:

- Appeal to a wide range of audiences;
- Protect and develop the collections;
- Strongly support the development of the visitor economy;
- Develop the District's attractiveness as a place to live and work;
- Become financially more efficient and sustainable.

That report, which was delivered in final form in June 2016, considered in detail a number of far-reaching recommendations that involved the closure of the Maritime and Cottage museums, the

[1] This work by AP+P produced two main reports - July 2011: *Lancaster City Museum Study*; and June 2016*: Lancaster Museums Study – Future Scope and Benefits* as well as a number of subsidiary, supporting papers.

major redevelopment of the City Museum and the creation of a new Collections Centre to manage and maintain the City's collections to acceptable standards for the long-term.

It is to the detailed analysis of the recommendations made in the June 2016 report that this current work is addressed.

This report is therefore entirely consistent with recommendations made to the Council since 2011 and, we contend, presents a clear, unambiguous and positive way forward for the City to manage and care for the significant collections it holds in trust, and to enliven and reinvogorate the City Museum as a major player in the District's overall economic development programme.

2 Summary Narrative

Lancaster's museums service has arrived at a fork in the road.

Should it continue with the existing arrangements or should it take another route, to step out on its own and start things afresh?

To carry on as now offers more of the same: a well-travelled path reinforcing a service that is essentially isolated from the Council and operating under its own terms, and in its own way, offering only marginal benefits to the City as a whole. And even this scenario assumes that resources will remain as now, which is itself doubtful.

Continuing on this road will only reinforce the downward spiral of under-investment, decline, local atrophy and visitor apathy which will eventually lead, perhaps sooner rather than later, to the demise of the service as a whole.

But there is another way: the large, historically important and culturally significant collections held by the City demand better.

From the Quernmore Burial and the Roman Cavalryman's headstone through the Silverdale Hoard, the Wars of the Roses, the Castle, the Pendle witch trials, the slave trade, cotton, tobacco and Empire – not to mention Morecambe and its particular association with northern working families – all these matter, all are real, all have made their mark on the City, resonate with people, and all are available for interpretation and use by a refreshed museums service. Many are of national significance.

Museums are just one manifestation of the great story-telling tradition of all peoples, everywhere and at all times.

There is thus – and can never be – a shortage of material, a shortage of ideas, of ways to engage. What is needed – indeed demanded by this very same material – are ways to deliver it to a public who, under the right circumstances and presented in the right ways, will come to see it, enjoy and appreciate it, and who will then wish to tell others about it.

To achieve this renaissance the new museums service must be bold, imaginative and reinvigorated.

It must look to engage with people wherever they are rather than expect them to come to a single location. It must tell multiple stories in ways that are accessible to a range of audiences. It must embrace and use the best of new technologies without abandoning proven methods. An engagement with the museums service, whether by visiting in person, by encountering objects and stories in unusual places or by accessing the website, must lead people out into the City to see more, to learn more, and to engage with the cultural underpinnings of the District.

If this is to happen, the service must be delivered by people with a passion and a desire to see the collections, buildings and interpretations reach out to communities that have traditionally been ambivalent to museums and what they have to offer. This applies to all those involved: staff, volunteers and governors.

Whilst academic rigour underpins the work of all good museums, communicating the results of this academic endeavour needs to be the driving force. For museums to prosper in the 21C they need to be institutions at the centre of a place's cultural offer. To satisfy both the visitor and resident markets they must offer changing attractions, events and opportunities alongside core stories and core exhibits. They must balance the twin demands of caring for the collections they hold whilst affording maximum access to them.

This report sets out a new way for Lancaster's museums service.

Working at the centre of the City Council's administration, as is recommended throughout this report, the museums service should engage with all other departments in delivering the common goals of value for money and economic growth which are the twin pillars of Lancaster's corporate plan.

Whilst some may see these recommendations as being radical, they are rooted in an honest and forthright assessment of what there is now, how it is managed and what it has achieved, and what are the opportunities presented by a new, and modified, service.

In summary, this report:

- Recommends and costs a physical design for the Collections Centre
- Recommends and costs a physical design for the City Museum
- Sets out an interpretation/use plan for the collections
- Recommends a governance model and staffing structure
- Considers an Audience Development Plan and Marketing Strategy
- Lays out a Business Case for the redesigned museums service and ancillary services which describes outline costs for all capital investment and revenue expenditure as well as considering a funding and investment framework.

The headline outcome is that the museums service – under all and realistically anticipated outcomes – can not only do more for the District but is better off financially under the City's direct care.

Additionally, this report raises and attempts to answer fundamental issues and concerns and is set out in nine Sections.

Section 3 looks at the development context within Lancaster and its District, whilst Section 4 details a physical design for the proposed new Collections Centre.

Section 5 considers future audience development and marketing strategies.

Section 6 sets out a new interpretive strategy to which Section 7, devoted to the redevelopment of the City Museum, responds.

Section 8 deals with the highly significant issue of Governance whilst Section 9 consolidates all the earlier sections into a coherent Business Case.

Section 10 offers a summary of the findings whilst Section 11 highlights the way forward for the project as a whole.

2.1 Key outcomes

In order to increase visitor numbers to the City Museum to a projected 150,000 a year there is a need to improve public accessibility (including wheelchair access), extend the public realm of the building and provide much-improved exhibition, visitor and staff facilities. Flexibility is key to the future-proofing of any new museum development, to enable it to adapt to new trends and technologies and to provide a constant renewal of activity.

The proposed redevelopment of the museum is based on the provision of the following key components:

- New reception and visitor information facilities
- A museum café and retail space
- An orientation gallery
- An object rich permanent exhibition
- A revenue-earning immersive experience
- Temporary and special exhibition galleries
- Wheelchair access to all areas and new toilet facilities.

This strategy is designed to attract and sustain a new and diverse audience, generate revenue, display the most important elements of the collection, host touring exhibitions, some of national significance, and to support a lively programme of temporary exhibitions to encourage repeat visits.

Reception and welcoming facilities remain inadequate together with a high-profile visitor information, and merchandising outlet. Curatorial office space is reduced in favour of increasing the public realm of the Museum and existing circulation routes compromise the optimal flow of visitors, particularly with regard to the location of the 'Orientation' gallery.

A key outcome of the stakeholder workshop, held in November 2016, is that the preferred option is for a new, two-storey extension to be built in the small square to the north of the Old Town Hall. This solution would potentially resolve the issues which will remain despite the proposed improvements to the existing buildings, by providing some additional 300m^2 of floor area.

Whilst it is recognised that this will involve the development of a highly sensitive city centre site, a high-quality new building would transform the offer of the City Museum, over and above the benefits described above and act as a catalyst for the regeneration of both cultural and commercial activity in the immediate vicinity.

The added value of a new extension can be summarised as providing:

- Much-needed reception and welcoming facilities for an increased number of visitors
- A high profile visitor information centre and retail outlet (otherwise co-located with the café)
- Curatorial offices and retail storage space
- Direct access by stairs and a passenger lift to a new special exhibitions gallery
- Access to both the ground and first floor levels of the Old Town Hall building
- Disabled toilet facilities on the ground floor.

It will also:

- Reduce the need for demolition and new structural works to areas of the existing buildings
- Obviate the need for a new passenger lift within the existing buildings
- Enable spaces in the existing buildings to be used more flexibly
- Create management and staffing efficiencies
- Enable an optimal top-down visitor flow through the museum
- Enable a dedicated education space to be provided with a separate schools entrance
- Revitalise New Street by generating significant footfall
- Raise the profile of the City Museum as a new visitor destination.

Other key outcomes of this report are that:

- There is a clear, well-founded and justified way forward for the City's museums service in terms of governance, management, audience development, collections care and facilities development that offers significantly increased value for money in ways that contribute substantially to economic growth
- For this to be made real, the City should terminate its existing arrangement with Lancashire County Council and manage its museums service in-house within a new business delivery department which is integrated fully within the City's Economic Development section
- It should do this for two main reasons: (a) it is financially beneficial and (b) it will enable the City to directly use its museum resources for economic development in the context of delivering increased value for money
- The issue of managing the service through a trust, charitable company or some such similar vehicle has been explored in detail and rejected
- The cost of developing the new service in capital terms is in the region of £7 million (excluding VAT) and is focused on the creation of a new Collections Centre on land owned by the City and a refurbished, refocused and revitalised City Museum
- The new service will employ more staff than currently, but these staff will undertake different functions within an avowedly outwardly-focused service
- The principle concern in this report is to balance the conservation and maintenance of the collections with the widest possible access to the service, and this has been achieved
- The City will need to begin the process of developing the 'soft' side of the proposals, including contacting all available sources of funding and considering issues of staff retention and recruitment
- The City should actively consider the creation of a dedicated project implementation team to take all the issues and concerns of this report forward as soon as a decision to proceed is made
- The City should transfer the KORR Museum to Lancaster Castle or elsewhere, albeit with the City, perhaps, retaining a form of long-term curatorial and collections-care role
- The City should begin the process of preparing the collections, in their current stores, for transfer to the new Collections Centre

- As part of this, the City should prepare for the closure of the City Museum for a period of, perhaps, two years whilst urgent and necessary developments take place and, in support of this, plan for a concentrated, funded and well-publicised archaeological excavation of Quay Meadow and its immediate environment, beginning with the 2017 season
- Begin to develop these proposals into (a) practical and deliverable designs on actual sites (for the Collections Centre) and (b) for the reconfiguration and redisplay of the City Museum
- Begin the process of disposing of unwanted physical assets – such as the Maritime Museum and the Cottage – at a pace and in ways commensurate with market factors as advised by other consultants to the City, in the knowledge that this action will not have a negative impact on the delivery of the service as a whole once the new arrangements are in place
- Begin the process of orchestrating the City’s financial resources to deliver the key outcomes of this study with perhaps an application to the HLF for development funding.

From an overall financial perspective, all figures and projections in this report carry contingencies and associated risks. Both these elements are described in detail throughout this document and have been defined by the best available information.

A major potential source of capital funding is the Heritage Lottery Fund and the way in which this body can be approached is set out in Section 9.3.

One of the aims of this report was to produce and maintain a high productivity, low risk service that generates third party income through overnight stays in the District as well as increased tourism spend from day trippers.

We are confident that the level of analysis presented here is entirely consistent with that of a feasibility study in that it presents a clear, unambiguous and positive way forward for the City to manage and care for the significant collections it holds in trust, and to enliven and reinvogorate the City Museum as a major player in the District’s overall economic development programme.

This financial model suggests that the average annual saving to the City by terminating the existing contract with Lancashire County and following the principles described in this report is approximately £207,000 a year, which brings with it considerable and additional service-delivery benefits.

The analysis demonstrates clearly – and this is the key point – is that ***under all reasonably predictable circumstances*** – the City is ***better off*** going it alone financially by terminating the existing contract with Lancashire County Council, let alone setting aside all the other benefits for the City’s collection, the image of Lancaster as a ‘heritage city’ and the way in which the service as a whole can underpin many of the City’s wider development ambitions.

3 Development Context – Issues and Principles

3.1 The existing offer: context and implications

Lancaster City Council currently owns three museums, all based in Lancaster city centre: (a) the City Museum in Market Square, (b) the Maritime Museum on St George's Quay and (c) the Cottage Museum at St Mary's Parade, opposite the main gate of Lancaster Castle.

The King's Own Regimental Museum (KORR) is located within the City Museum. Whilst the Regiment owns the collection, the City Council has provided accommodation and staffing for it for a number of years through its arrangement with Lancashire County Council.

Since 2003, all three of the City's museums have been managed by Lancashire County Council as part of a Museums Service Partnership Agreement which was established initially for a ten year period and which is currently under review.

Previous reports to the City by AP+P have recommended that this agreement should be terminated[2].

It is clear that since the Partnership was entered into in 2003 many things have changed, not least the way(s) in which the County itself delivers its services across all the museums under its care, compounded by the fact that both organisations are operating under the harshest financial environment encountered since the 1930s. Whatever the minutiae of the arrangements as they exist, it is clear that, at present (a) the County provides services to the City and (b) the City pays for these services.

The County Council currently manages a service in Lancaster Castle and also owns and manages the Judges Lodgings museum on China Street. The latter has been identified as a service reduction as part of County Council's budgeting process, with alternative management arrangements being developed by the County with a non-council third party consortium.

As far as can be ascertained, the current annual cost of delivering the museums service is £562,000 which includes all on-site costs and staffing, collections management, access to specialist curatorial and conservation services[3], but excludes capital and other notional costs. Of this total, £520,200 is paid directly to Lancashire County Council for contracted management and other services.

In total, therefore, the museum service costs the City around £562,200 a year, which equates to a subsidy of approximately £9.37 for each of the 60,000 attracted visitors from all markets: local residents, visitors (both day trip and tourist), school parties etc[4]. To put this in perspective, and to take

[2] For example, AP+P '*Lancaster City Museum Study July 2011*' p10; repeated in AP+P's June 2016 report.

[3] Source: Lancaster City Council (finance department) budget figures 2017-2018.

[4] Latest available visitor numbers indicate a (rounded) maximum of 60,000 split as: City Museum, including the KORR, 47,000; The Cottage 5,000; and the Maritime 8,000 (albeit that the last has suffered from over-winter flood damage). We would caution against these figures being inflated particularly as there is no charge made at the City Museum.

just one example, this is over one-and-a-half times the subsidy per visitor at the British Museum[5], one of the world's pre-eminent research institutions and international tourist attractions.

The City Council continues to own the buildings in which its museums are situated and thus retains responsibility for their ongoing repairs and maintenance. Annual repairs and maintenance costs for the last three years, predominantly for essential health and safety interventions, are around £43,000.

3.2 Historic context

In their early years, museums were created in the UK by high-net-worth individuals for the benefit of themselves, their immediate social circle and, eventually, the public at large, particularly after the Great Exhibition of 1851 and the rise of Victorian philanthropy[6].

Their growth, at least in numbers, was given significant impetus by The Museums Act [1845] which gave local authorities the power to levy an additional rate for the creation and maintenance of museums in towns with more than 10,000 people[7].

In Lancaster, the City Museum opened in 1923 and was followed swiftly by the King's Own Regimental Museum in 1929; both housed in the (now) Grade II* Listed Old Town Hall[8].

After the Second World War, and particularly since the 1970s, a new wave of 'independent' museums emerged with more tourist-focused and income-generating remits outside public authority or central government control[9]. They took their place alongside a growing heritage-led tourism industry (which included site interpretation, visitor centres, field centres and environmental study centres) often managed by trusts, and/or charitable companies, many with underpinning financial support (especially in their early years) from government or regional development agencies.

Also during this period improved standards of visitor management and the technologies associated with new and developing methods of interpretation (particularly computer-generated and hands-on) were established and the new attractions – which depended to a large extent on income from admissions – were marketed with growing success.

Many interpreted historic and environmental sites, museums, and science and technology centres were established during this period, often looking to best practice in the United States, particularly in terms of environmental and technology-based interpretation. The concept of a visitor or heritage

[5] British Museum accounts to March 2015: Grants=£40million, visitors=6.5million. Source: Report and Accounts for the Year ended 31 March 2015: *The Trustees of the British Museum*.

[6] The two oldest museums in the UK are the Ashmolean (University of Oxford) 1683, and the British Museum (1759). Source: Prince, D R et al 'The Manual of Curatorship: A Guide to Museum Practice' (Butterworths Scientific); 1st edition, 1984

[7] The Museum Act [1845] was originated by Chartist Movement as part of its demands for reform in education. Hijacked by Messrs William Ewart MP and Joseph Botherton MP, the Act became a way of creating places that were "instructive to the community … (so that they) … might draw off a number of those who now frequent public houses …"

[8] Listing number 383208

[9] For example, the Association of Independent Museums was established in 1977. Source: Prince, D R et al 'The Manual of Curatorship: A Guide to Museum Practice' (Butterworths Scientific); 1st edition, 1984

centre, to act as the initial point of entry, or gateway, to an interpreted landscape, urban setting or historic or industrial site, also developed a separate identity during this period.

In retrospect, this can be seen as the hay-day of museum creation, with capital funds provided particularly by the Heritage Lottery Fund[10].

At present, museums – particularly local authority museums – find themselves under increasing financial pressure, particularly as a result of the global financial crisis of 2007-2009, the resulting policies of the Coalition (2010-2015) and Conservative governments (2015-), the economic and political uncertainties created by the *Brexit* vote of June 2106.

Many of the traditional assumptions of the role of museums – as places that "enable people to explore collections for inspiration, learning and enjoyment … (and) which they hold in trust for society"[11] are now being challenged to move away from this object-focused approach to one where the needs of the public take precedence. As a result of the on-going cuts to local government funding, museums (as non-statutory services[12]) are increasingly being viewed as contributors to the wider economic (particularly tourism-led) offer of a city, or place, to justify their existence.

Museums have thus moved from being places where objects are stored and researched by academics, through their use in public education and entertainment to entities that can, in and of themselves, generate economic value.

One reflection of this trend is where museums appear in local authority management structures.

Once stand-alone entities managed by a chief officer (especially in the larger cities), museums were first absorbed by education departments, then moved to leisure departments and are now increasingly being overseen by departments of regeneration and economic development as, indeed, is the case in Lancaster[13].

The four main groupings of museums in the UK now appear to be evolving in four distinct directions:

National museums	Major tourist attractions as well as being primary academic institutions
University museums	Part of the offer of increasingly market-led educational institutions
Independent museums	Tourist attractions
Local authority museums	Engines of economic activity and well-being on a place-wide basis

Figure 1: Museum groupings and evolution

[10] The Heritage Lottery Fund (HLF) was established under the National Lottery (etc) Act [1993], and received its first application a year later. Since then it has awarded close to £2 Billion in grants, many for Listed buildings and museum collections.

[11] The Museums Association's 1998 definition, and still current. Source: Museums Association Website, accessed September, 2016.

[12] As defined under the Public Libraries and Museums Act [1964].

[13] For a history of the evolution of museum governance in the UK see, for example, Prince D R Prince, *The Manual of Curatorship: A Guide to Museum Practice*. Butterworths: London. (Reprinted many times, latest 2011), particularly Section 1.

Moreover, through outreach programmes, the creation of satellite facilities and the offer of touring exhibitions, the future of museums is not one of operating out of fixed locations exhibiting permanent collections along purely educational lines: the best – and Lancaster should aspire to be the best – use all forms of media, perhaps in 'found', 'pop-up' locations, to deliver their messages to their public, both local and tourist.

Whilst all this implies that some form of 'head-quarters operation' is needed, it does not mean that this is solely where the museum interpretation occurs: far from it.

To be relevant, engaged and to be seen to be part of the whole community as well as contributing to the local economy, museums need to 'get out there' and force themselves into an ever-more-challenging media environment[14].

Gone are the days, if they ever existed, when museums put on exhibits and assumed that people would turn up[15]. The majority of museum surveys over the last thirty or so years[16] have demonstrated that museum visitors remain, to a large and statistically significant degree, white, middle class, university educated and who view out-of-hours education as a constructive use of leisure time.

Museums need, therefore, to break out of this mould and operate in the real world of 21C Britain where all issues, all pasts, all references are on the table for discussion in a 'post truth' world[17].

To do this they must be active, use the facilities they have, and can find, make an impact in the community and force themselves into the forefront of pubic thinking and, through this, gain long-term political support.

Museums are more than places to visit and places to enjoy – they are also facilities that can be used, for example, to assist one the greatest challenges of 21C Britain: ageing and mental health[18]. For instance, *The National Alliance for Museums, Health and Wellbeing* based at University College London[19], has recently appointed a coordinator to develop the work of museums and the use of museum objects in helping to treat psychological issues, particularly those associated with age-related illnesses such as dementia. Such roles will no doubt increase over the years.

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[14] For example, in September 2016 the British Museum had 1.2m *Facebook* likes compared with 2.9m for Kim Kardashian and 71m for Manchester United.

[15] There are, obviously, exceptions but these tend to be historic: *Tutankhamun* at the British Museum in 1972 for example, but outside the nationals, these are extremely rare.

[16] Many undertaken and/or summarised by David Prince at city, county and individual museum level. Various publications, example: Prince, D.R. 'Factors Influencing Museum Visits: An Empirical Evaluation of Audience Selection', *Museum Management and Curatorship*, Vol.9, No.2, pp.149-168.

[17] '*Post Truth* is the 'phrase of the year' in the Oxford English Dictionary which states that the phrase is an adjective "relating to or denoting circumstances in which objective facts are less influential in shaping public opinion than appeals to emotion and personal belief" OED editors said that use of the term 'post-truth' had increased by around 2,000% in 2016 compared to last year. The spike in usage, it said, is 'in the context of the EU referendum in the United Kingdom and the presidential election in the United States'.

[18] Currently, over 20 million of the UK population are aged 50 years and over. More than a million people are aged 85 or over. More than 11 million are over retirement age (65 for men and 60 for women). This is 18.5% of the total UK population and is set to be over 20% by 2020.

[19] In the Faculty of Social and Historical Sciences, University College London, within which David Prince is a Visiting Professor.

To be relevant, needed and supported, a modern museum service must serve all educational, social, cultural and political views simultaneously. It must recognise its past, but challenge it. It must – and this is what makes it unique – use real objects to focus debate on contemporary issues that help to set the agenda for debate. In essence, it must thus re-address contemporary issues from an historic perspective.

3.3 Heritage asset management

The City Council has at its disposal a number of significant heritage, cultural and leisure assets that it manages for the benefit of its residents and those that choose to visit Lancaster, Morecambe and the surrounding countryside and coastline.

The City effectively manages the majority of these assets in-house. As far as the heritage (both built and cultural) is concerned, the Council now has an opportunity to redefine its relationship with one of the primary drivers of local pride, education, leisure opportunities and feel-good factors within the City and its District.

In terms of the future heritage landscape of Lancaster is concerned, a prudent view would be for the City to act on – and contemplate acting on – only those assets over which it has control.

The philosophy for the City is one of minimising risk in future development by the City managing and developing what it can – because it can – whilst maintaining an opportunistic, watching brief on other developments that are – and will probably remain – outside its control.

This implies that the museum service should contribute to the City in two major ways:

- Running the museums under a revitalised business plan, whilst taking full cognisance of the potential developments at, for example, the Judges' Lodgings, the Castle and other heritage-related tourism projects that will (or may) affect local demand and throughput
- Contributing to the operation of other suitable sites under the control of the City by way of providing exhibitions (both permanent and special) and expertise.

Insourcing also sits well with the City's aim of providing:

> *"a range of customer-focused services that offer value for money and meet the needs of people who live, work and visit the district"*

whilst supporting the Council's overarching values of …

> "*leading our communities; putting our customers first; maintaining a skilled and professional workforce; and providing value for money"*.

… all of which is seen in the context of creating a community that is:

> *"proud of its natural and cultural assets"*

which, in the case of Lancaster, means:

"being recognised as an important University city with an envied quality of life, strong economic opportunity and rich heritage"[20].

In this way, the City's museums could be seen to operate within – and across – many of the services that the City provides, and make a major contribution to one of the priorities as set out in the City's Corporate Plan.

3.4 Principal facilities

The Visitor Information Centre on the ground floor of the Storey, as at recent figures, operates at a total cost to the City of £131,000 (including building-related costs) and at a nett cost of some £104,900 (including building-related costs) when sales of goods services of £26,100 are into account[21].

In the table below the nett figure of £104,900 has been used for the cost of operating the VIC in the Storey since the Business Plan in Section 9 of this report separates income from expenditure but includes building-related costs, thereby enabling direct like-for-like comparisons to be made.

Further, reference has been made to the VIC as being a 'principal facility' because we can see an obvious and desirable synergy between the operation of the City Museum and the VIC, of which more in Section 9: The Business Plan.

In summary, therefore, the combined costs of operating the current museums service and the VIC in the Storey emerge at around £667,000 a year.

Operational Costs	£
The Museums Service	562,000
The VIC in the Storey (nett)	104,900
Total	666,900

Figure 2: Total operational costs of the service's principal facilities (as defined)

It must be recognised that the wider context for museums in Lancaster is changing, and over the last few years important developments have taken place that significantly raise the importance and profile of the City and the wider district, in terms of visitors and quality of life for those who live and work there.

In particular, two complementary 'destination brands' have been promoted for both Lancaster, including the Lune Valley, and Morecambe Bay. These two brands coalesce in the strapline *Small City Big Story – City of Heritage, City of Great Outdoors*.

[20] Lancaster City Council Corporate Plan 2011-2014: 'Making Every Penny Count'.

[21] Source: Lancaster City Council

Moreover, Lancaster is now one of a group of eleven of *England's Heritage Cities*[22], thereby creating significant promotional and partnering opportunities at both national and international levels. Lancaster's museums buildings are, in and of themselves, important heritage assets.

The City Museum building, which over the years has served as a market, a gaol, a Civil War armoury and the town hall (sometimes all at once) is an exemplar of the evolution of English civic buildings and their importance as the focus of civic spaces. There has been some form of 'town hall' in the Market Square in Lancaster since the late 12C, probably earlier. Any proposed, development in-and-around the Town Hall will therefore need to take into account the potential richness of the archaeological evidence, particularly as Market Street follows the line of the Roman Road to what is now Lancaster Castle. Any such dig could prove to be a rich source of information for the history of the city, particularly the medieval town, and should be used as a prime focus for public interest and support.

The Maritime Museum is Listed Grade II*[23] and occupies two historic buildings on St George's Quay, the city's main 18C harbour. These are the former 1764 Customs House, designed by Richard Gillow, and the adjacent Georgian warehouse.

The Cottage Museum, a Grade II Listed building located on Castle Hill adjacent to Lancaster Castle, is part of a small town house built in 1739 and subdivided in or around 1820.

Of significance for future development and use, is that all the City's museum buildings are within Lancaster's Conservation Area and sit alongside, and make significant reference to, Lancaster's other built-heritage assets including the Castle and Priory, the Judges' Lodgings, the Storey, the Town Hall, the Ashton Memorial as well as the general, and historically significant, city streetscape. These spaces and sites, both individually and collectively, provide a rich vein for city-wide interpretation, particularly through walking trails. Many have been acknowledged by the city's Square Routes initiative[24].

We note that the City is working towards developing a new City Centre Masterplan and Vision and, as part of this, will adopt visitor destination management plans for both Lancaster and Morecambe Bay to determine priorities to develop the District's visitor economy and its attractiveness for inward investment.

The overall objective of the Corporate Plan (2016-2020) is to maintain sustainable, self-contained and varied group of communities with a population remaining in balance to support its local economy, comprising[25]:

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[22] Alongside Bath, Cambridge, Carlisle, Chester, Durham, Greenwich, Lincoln, Oxford, Stratford-upon-Avon and York.

[23] Listing number 1289088

[24] Lancaster *Square Routes* is a project that aims to rejuvenate the important historic city centre of Lancaster, by "strengthening its position as a quality destination both for visitors and residents of the district". It is being implemented in phases as funding permits. These are 1: Works to Market Square, Ffrances Passage and Gage St, including Highway and amenity lighting; 2: Works to Market Square, Market Street, Cheapside, Horseshoe Corner and Penny Street including street lighting and pedestrian wayfinding and 3: 'Beyond the Castle' - Developed from the 'City Park' concept, this element is being progressed by Lancashire County Council's Environmental team.

[25] Source: 2016-2020 Corporate Plan, Lancaster City Council.

Morecambe and Heysham	A confident community with a regenerated living, working and leisure environment, acting as a focal point on Morecambe Bay to enjoy and interact with the wider landscape
Lancaster	A prosperous historic city with a thriving knowledge economy
Carnforth	A successful market town and service centre for North Lancashire and South Cumbria
Coast and Countryside	A conserved, enhanced and diversified environment with a network of vibrant rural communities which will lead the North West in its quality of life and environmental and design standard and within which sustainable housing, economic and retail development to meet local needs will be supported

Figure 3: Summary objectives of the visitor destination management plans

In all this, the revitalised museums service can play a major part. It should, and in our view must, be charged with being at the centre of developing the District's visitor economy alongside any and all future initiatives aimed at both local residents and tourists.

By way of additional financial background, it is clear that pressures on local authority budgets have impacted particularly on Lancashire County with the result that the Council has stated publicly that it will close five of its seven museums, including the Judges' Lodgings[26] with a view to saving around £1m a year out of a total budget of £713m[27].

This, at once, presents problems but also real opportunities for the City: it brings into sharp focus what it has at its disposal, what its assets are, who can – and is willing – to support them as partners and hence begin a new direction for the museums service.

AP+P has advocated consistently through its consultancy engagements with Lancaster that the City should (a) secure its assets and (b) manage them in-house.

3.5 Developments in Lancaster District: the 2016-2020 corporate plan

Lancaster has set out its vision for 2016-2020 in its recently-published Corporate Plan[28].

Important issues that have a direct bearing on the development of the museums service – and which in many ways set its development agenda – are that the Corporate Plan stresses the need for the Council to (**emphases** are by AP+P):

- Bring communities and agencies together to work in **partnership** to address the major issues affecting the district
- Provide a range of customer-focused services that deliver its statutory responsibilities, offer **value for money** and meet the needs of people who live in, work in and visit the district
- Ensure the social, economic and environmental **well-being** of the local area

[26] The Museums Association, 27 November 2015

[27] Lancashire County Council website, accessed September 2016

[28] Lancaster City Council *Corporate Plan 2016-2020* (May, 2016), 20 pp

- Maintain **the strategic advantages of in-house services** to meet local needs
- Capture opportunities for **collaborative innovation** and **income generation** by working with a range of service providers on a collaborative basis rather than through competition
- Provide **value-for-money** services focusing on economy, efficiency and effectiveness particularly by **engaging with communities** and working with community groups to make a positive difference through a wide range of initiatives
- Establish and implement plans for the '**digital workplace**' approach to delivering a computing environment that is focused on understanding and meeting the changing needs of our communities and uses technology to improve the **customer experience** whilst being more efficient and saving money
- Work to **achieve efficiencies** and **protect the services that matter** by taking a collaborative approach where this is effective … to the delivery and funding of services provided on its behalf by voluntary, community, faith, arts and **culture** groups
- Work to improve the attractiveness of central Morecambe and Lancaster's heritage assets ... (and) … public spaces … and aim to improve the focus of **tourism identities** linked to the **branding** of Morecambe Bay and Lancaster
- Facilitate **festivals and events** that will provide economic stimulus to help local businesses across the district
- **Increase the number of visitors to, and visitor spend in, the district**, develop plans to improve the **sustainability** of The Platform and other council-managed performances and complete a detailed feasibility of the potential to improve the quality and sustainability of the city's museums
- Ensure that **sound governance** arrangements are in place to enable the City to pursue its vision effectively as well as underpinning its vision with control and the **management of risk**.

The highlighted words and phrases underpin the observation that the emphasis of the Corporate Plan is on providing value for money across all services by:

> *"Getting the most from council assets and resources, maximising the potential of staff, increasing income, reducing waste and improving effectiveness without raising costs. Value for money is regarded as a priority over reducing services when savings are required".*

The museums service needs to be refreshed so that it can respond to this challenge.

3.6 Canal Corridor North

The City Council has a commitment to arts and culture as key elements in Lancaster's growth in the context of a Corporate Plan which seeks to improve the District as a place, and to attract and retain both residents and tourists[29].

[29] These include festivals an annual events such as *Light up Lancaster* and *Vintage by the Sea*.

As part of this commitment, in June 2016 the Council resolved to support, in principle, the Canal Corridor North development scheme, one of the key elements of which is the potential to include a much-enhanced arts and cultural facility which would become the second anchor to complement the major retail store proposal.

This new facility would include an expanded Dukes theatre and potentially provision for other local arts providers such as LUDUS Dance. Capital grant support is anticipated from national-level funders, including Arts Council England (ACE) up to an initial value of £5 million. The proposal, which includes a partnership of British Land, Lancaster University, the Dukes Theatre and the City Council, has been the subject of an ongoing feasibility assessment[30].

The City views the successful redevelopment of the Canal Corridor as being of critical importance to the future of Lancaster and the wider District since it aims to regenerate an unattractive and under-performing part of the city, stimulate investor confidence and significantly improve Lancaster's role as a sub-regional retail, leisure and cultural centre. In turn, this improved offer is seen as being important to the future growth of Lancaster University and other major employers in the District wishing to recruit and retain students and staff. The overall objective is thus to create a development that is unique to Lancaster and which can be sees as a leader in cultural-led regeneration.

Of direct importance to the current study is that the Bonnar Keenlyside report makes the following observation:

> "*The operating position has shifted considerably since 2013 and it is clear that there is a palpable opportunity for a step change in cultural provision in Lancaster, developing a transformative venue driven by new ideas, multiple partnership and dynamic leadership.*"

The partnering relationships between the public, private and university sectors are not only of general interest but are now seen to influence the way in which national-level funders (such as the ACE and the HLF) view their involvement as capital investors.

3.7 Driving principles

The City's priorities sit well alongside the driving principles of a modern museum agenda, which are generally seen by the sector to:

- Maximise income, minimise loss, avoid opportunity-cost
- Break out from the traditional museum walls
- Embrace all that is on offer
- Think of museums as being an essential part of the psychological well-being of the community
- Embrace all spaces and all activities as ether locations, partners or both
- Use the collections appropriately, flexibly and on an as-needed basis

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[30] Source: *Future Arts Provision in Lancaster: Update Report, September 2016*, Bonnar Keenlyside

- Avoid set-piece, permanent displays other than for visitor-orientation purposes
- Use every space to the maximum
- Use every space appropriately
- Focus on special and temporary exhibitions that can be used to satisfy demand and, through this, generate income
- Become integrated fully into all relevant initiatives developed by the City
- Be bold in ambition, but tempered by the real world: political, economic and social.

Lancaster has the ability to embrace this agenda. To do this, it needs to take a fresh approach to the use of the assets it has to hand.

The June 2016 report by AP+P [31] made the following observation about the existing service:

> *Its weaknesses are that the permanent exhibitions are in urgent need of refreshment, physical access is poor (particularly to the City Museum), visitor numbers are low, collections storage is inadequate and opportunities for outreach programmes and community involvement are not be taken up sufficiently.*

That report went on to observe that the City should address these issues by focusing on those assets under its direct control:

- The City Museum
- The Maritime Museum, comprising the Customs House and Warehouse
- The Cottage
- The Storey
- The Platform and other such venues.

Any additional and potential venues, such as Morecambe Winter Gardens, unused office/industrial space in Lancaster and elsewhere, Lancaster Castle, Morecambe sea front, the Quayside in Lancaster, the Market Square in Lancaster and the wider, rural landscape all offer possibilities that can be brought on at a later date.

The June 2016 report suggested the interrelationships:

[31] AP+P, June 2016*: Lancaster Museums Study – Future Scope and Benefits*

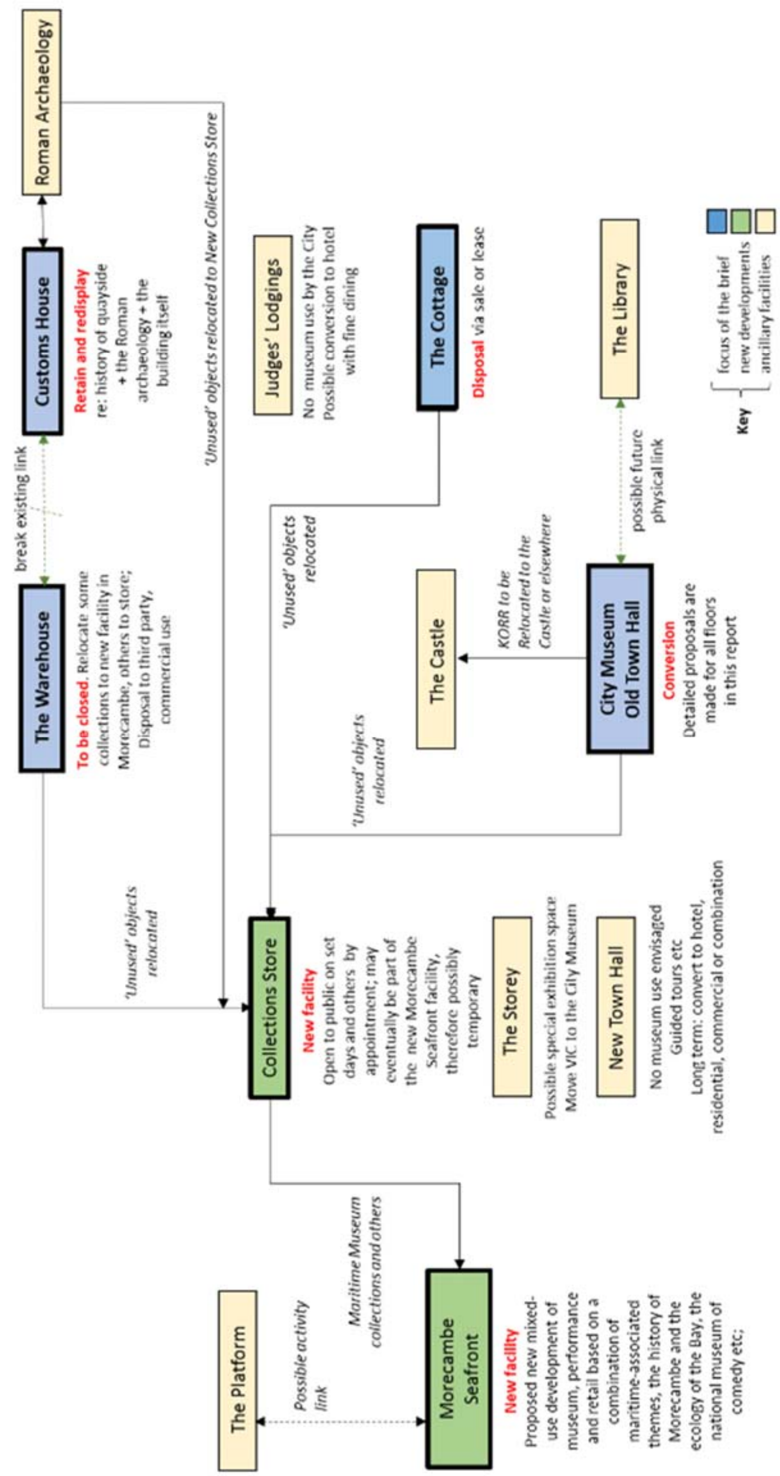

Figure 4: Primary business model from the June 2016 report

3.8 Why move the Visitor Information Centre?

At present the Visitor Information Centre (VIC) is located on the ground floor of the Storey Institute on Meeting House Lane in central Lancaster close to the Castle and on the way to and from the main railway station, where it sits as part of a larger offer (offices, café, meeting rooms) owned and managed by the City Council.

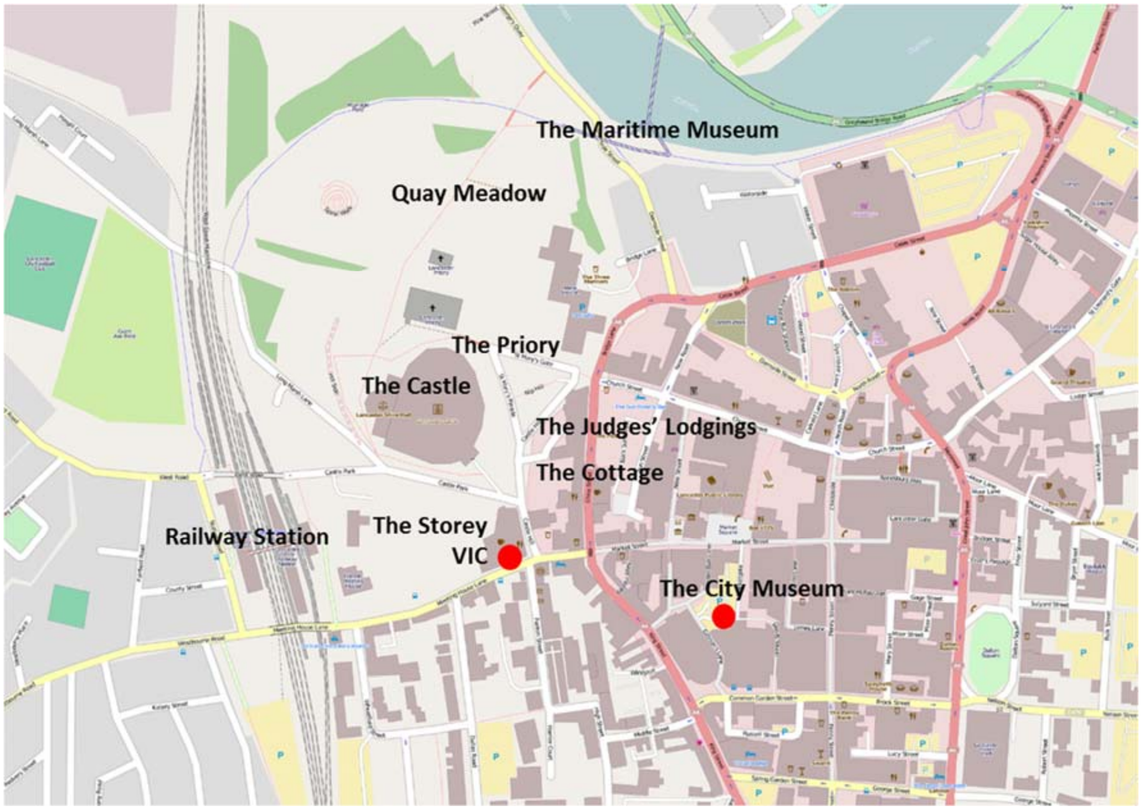

Figure 5: Main attractions in central Lancaster

There is no doubt that the VIC (together with its sister facility at *The Platform* on Morecambe seafront) serves a number of important and high-profile roles for the City – including hotel bookings, providing general visitor information and marketing and selling Lancaster-related merchandise – and has been historically successful in so-doing.

However, this level of success may well be *in despite* of its location.

If one were to plan to locate a new VIC – somewhere, anywhere – in the City where would it be? Inside an essentially institutional building outside the central core of the City with a poor on-street presence, or part of a welcoming, visitor-oriented museum and interpretive experience in the very middle of the essentially pedestrianised Market Square?

One can easily envisage that whatever the footfall for the VIC is/was at the Storey, the City Museum will increase it significantly, particularly as the Museum will be the primary focus for all visitors to the

City and, from there, to the wider District. One of the primary purposes of the revitalised City Museum is to be the main visitor orientation hub for the City and to provide a far-broader and richer museum- and information-based facility than at present.

This is not merely anecdotal, it is based on the understanding that visitors to the City (any City) will seek out a place of reference, of focus, before making additional trips into the District. Everybody does this in a new place, and visitors to Lancaster are no different. This provides the core, strategic rationale for proposing the VIC's relocation. Thus, putting the VIC within the Museum (as the main interpretive resource for the City and its District) makes absolute sense from a visitor perspective, particularly as the museum will be marketed and promoted as the first port of call for all visitors to the City. It also means that the people-focused and retailing skills of the existing VIC staff can be used front-of-house in the museum to give the latter a warm, welcoming atmosphere alongside the greater feeling of activity that will be engendered by the VIC's presence.

Moreover, moving the VIC to the heart of the new Museum also means that the space currently occupied by the VIC in the Storey can be used for other, additional income-generating purposes which will only be of benefit to the City, particularly as we understand that space at the Storey is currently at a premium, with long-term bookings being particularly problematic.

In this way the City would be able to generate additional, externally-sourced revenue since at present the Council effectively pays itself for the use of this space, together with all associated building costs. Overall, this approach will produce financial benefits over-and-above the savings covered in this report in much the same way as the potential revenue generated by the re-use of the Maritime Museum buildings. Whilst these additional incomes are not specifically part of the business model shown in this report, they are highly relevant as these additional business opportunities are created as a result of the redevelopment proposals for the museums service as a whole.

It is, of course, possible for some tourist information material, perhaps in the form of a leaflet dispenser or a digital presence, to be on hand at the Storey through an unstaffed facility. From information supplied by the City Council, it is possible that the move of the VIC to the City Museum could save the Council around £30,000 a year in terms of rates, building and associated costs. This may, in fact, be a conservative figure as no account has been made of any (probable) business rate increases in the current financial round.

3.9 Resource management: outsourcing -v- insourcing

Under the terms of the existing Museum Partnership Arrangement, the City effectively outsources the operation of its museums to the County for an annual fee.

Outsourcing – the process of contracting an existing business function or process to an independent organisation and ceasing to perform that function or process internally – is a common feature of the wider, commercial, economy. It is differentiated from placing a service contract where specific tasks (such as legal or object-conservation services) are contracted to support in-house management. In general, outsourcing tends to operate at the third (lowest) level of business processes:

Level 1	Management processes that govern the operation of a business, including corporate governance and strategic positioning
Level 2	Operational processes that constitute the core business and create the primary value stream including branding, marketing, sales and front-of-house
Level 3	Support processes that aid in the delivery of operational work such as accounting, IT and recruitment

Figure 6: Levels of outsourcing

The primary objective of the organisation instigating the outsourcing is to reduce costs (primarily staff costs) whilst maintaining an acceptable level of delivery of the service for a known, and agreed, annual fee. Historically, such services have been related to narrow functions (such as payroll, billing and data entry) but have grown over the years to include IT and business processes (such as call centres, claims processing, and accounting). Typically, such outsourcing deals involve multi-year contracts and the transfer of the people performing the work from the client to the outsourcing agency. This is precisely the case exhibited by the existing Agreement between the City and the County.

Each of the three levels of the business process cited above is designed to add value for the customer through increased effectiveness, and to reduce costs to the business through increased efficiency.

However, it is rare for Levels 1 or 2 functions – those that govern strategic planning and the creation of the primary value stream – to be outsourced (as is the case under the existing Agreement) since these Levels define the very heart and soul of the business or service … what it stands for, and what it wants to become.

Insourcing (the opposite of outsourcing) is the delegation of operations from within a business to an internal, possibly stand-alone, entity that specialises in that operation. As a business model, insourcing maintains the in-house control of critical competencies, functions and strategies, especially – and crucially – at Levels 1 and 2. At its simplest it is, according to McKinsey & Co, the result of "the decision to stop outsourcing"[32].

The key question is thus:

> *Can the City's museums service operate more effectively, contribute more to the City and provide greater value for money if it were managed in-house, or outsourced as at present*?

3.10 Proposed developments

These principles were accepted as a way forward to be tested by the present feasibility study. With this in mind, and after further briefings and discussions, the key elements and their relationships have been developed in this report as:

[32] McKinsey Global Institute, the 'business and economics research arm' of McKinsey & Company, the global management consulting firm.

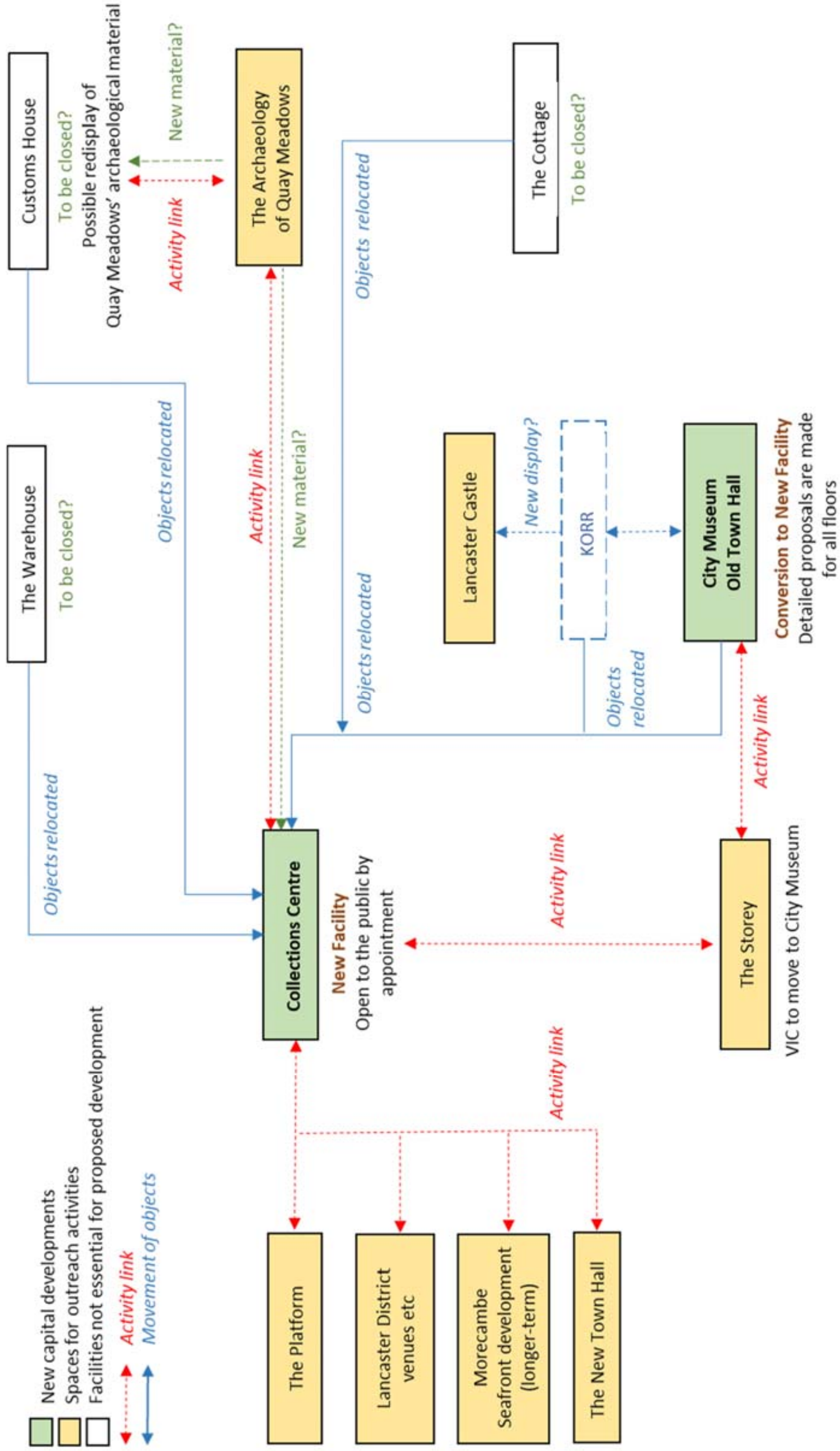

Figure 7: The proposed revised business model

In summary, the proposed developments, together with whether they carry headline cost implications for the City Council, are:

		Cost Implications		Revenue
Venue	**Proposal**	**Capital**	**Revenue**	**Savings**
The City Museum	Redevelopment	Yes	Yes	Yes
The Maritime Museum				
Warehouse	Disposal	No	No	Yes
Customs House	Possible redevelopment	No	No	Yes
The Cottage	Disposal	No	No	Yes
The Collections Store	New development	Yes	Yes	No
Enhanced Digital Presence	New development	Yes	Yes	No

Figure 8: Headline cost implications

The two main physical development proposals are thus (a) the redisplay and redevelopment of the City Museum and (b) the creation of a central Collections Centre.

Other facilities over which the City has control, such as the Storey and the New Town Hall, *could* be used for special and temporary exhibitions if and when they are available. However, they do not feature in the financial models.

Provision should also be made for an enhanced and dedicated digital upgrade, including a new web presence and the refreshed use of digital media. Virtual Reality costs are also to be considered and are included in the financial models.

The financial implications of these proposals are developed in Sections 8 and 9 of this report, which consider issues of governance, staffing, investment, capital cost, operational cost, revenue funding and income.

The development philosophy recommended here is one of minimising operational risk by creating an in-house, insourced, heritage resource for the City that will not only run the museums under a new business plan but will also to contribute to the operation of other suitable sites under the City's direct control.

The overriding aims are (a) to deliver value for money, and (b) to contribute directly to the wider economic and cultural prosperity of the District.

3.11 Value for money considerations

In short, this report is about much more than saving money.

It is about creating a service that can look beyond the museums into the wider leisure and learning environments of Lancaster and its District and make a real, and highly valued, contribution to the future well-being of both.

The emphasis is thus firmly on *value*, *delivery* and *benefit*.

Value for money (VfM) is usually defined in terms of the combination and interaction of three descriptors: economy, efficiency and effectiveness; the objective being to create an acceptably low-cost, high-productivity service delivering successful outcomes which is, as far as possible and realistically projectable, future-proofed.

It is clear from the material researched for this report that VfM studies are not regular occurrences in museum services across the country – and even where these have taken place there is anecdotal doubt over the reliability and validity of the methods used, and hence the results obtained.

Thus, an initial – and urgent – first step in approaching VfM for the museums service is to establish – and, above all, carry out – annual assessments of the service's performance. As a start, benchmarking should take place as soon as possible so that the effect of the new arrangements can be assessed. This is a vital activity since one of the criteria set for assessing whether the transfer of the museum operation from the County to the City is worthwhile is VfM and, unfortunately, the tools are not available at present to research this.

Even with this lack of verifiable data, the level of public subsidy per visitor (and hence a very broad criterion for VfM) can be approximated using existing information, and these are explored in later Sections of this report.

The key with VfM as it applies to the economy of the District is in generating two key outcomes: (a) increased overnight stays and (b) the uplift of rateable income through the regeneration of urban areas: so-called Planning gain in the urban realm.

If visitors can be encouraged to spend just one extra night in the District then the benefits for jobs, local firms, hotels and the general infrastructure would be huge[33] [34]. Moreover, if the redevelopment of the City Museum leads to the reengagement of profitable businesses in (say) New Street and the surrounding area then real Planning gains can be realised within the urban fabric.

The progressive aim is thus to produce and maintain a high productivity, low risk service that generates third party income though overnight stays in the District as well as increased tourism spend from day trippers.

But VfM can be seen in wider terms than simply monetary value. The whole concept of S*ocial Return on Investment* (SRoI) is a principles-based method of attempting to assess any intervention's extra-over financial value that can offer real returns to a community.

These values may emerge in terms of environmental, cultural, educational or social benefits that simply cannot be measured using standard accounting techniques.

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[33] The latest (2015) figures from *Marketing Lancashire* suggest that the number of nights spent by visitors in the county grew by 2.3 per cent with an average stay of 3.1 nights. This increase in visitor nights also helped towards an overall increase of 3.8 per cent in total visitor spend of £136m – up to £3.68 billion. In Lancaster, 7.1 million visitors spent an average of 3 nights and generated £415 million. Hence an increase of one night would add a further £140 million to the District's economy.

[34] Whilst little research has been undertaken in the UK, in the USA work by the *American Alliance of Museums* suggests that, on average, 'museum tourists' spend 63% more in the local economy than 'average' travellers. Source: American Alliance of Museums website, accessed November 2016.

A number of organisations[35] have established methods of assessing SRoI, most using a combination of qualitative and quantitative inputs that produce information summarising the intervention's positive social-return outcomes.

As these methods are used on real projects, all that can be said here is that it is highly likely that the interventions described in this report will add significantly to the overall VfM considerations set out by the following analysis by adding to the social returns across Lancaster and its District:

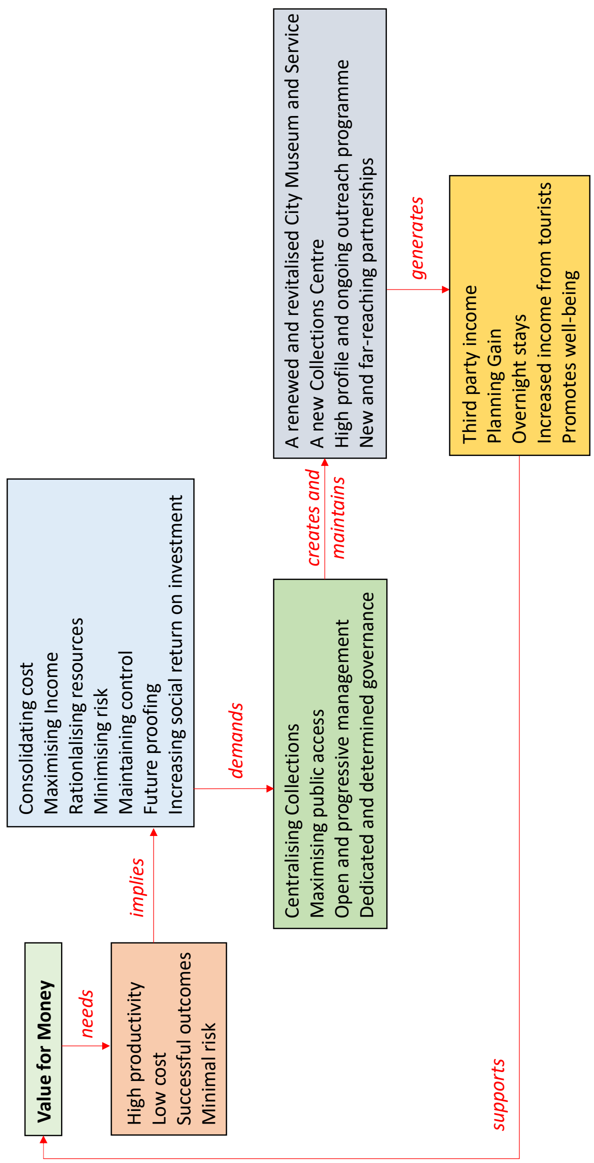

Figure 9: Overall VfM plan

[35] See, for example, Millar; Hall (2012). "Social Return on Investment (SROI) and Performance Measurement". Public Management Review. 15: 923–941

4 A New Collections Centre

4.1 The collections

The City Council's museum collections consist of approximately 353,000 objects across a range of subject areas[36]:

Archaeology	The core collection consists of approximately sixty material archives from excavations, field surveys and casual finds from the District. Associated documentary material is also held for some of the archives. The collection consists of ceramic, bone, glass and metal from the Paleolithic to the 19C
Fine Art	The collection consists of approximately 1,800 works dating from the 17C to the present day and consists of works in oil, acrylic, watercolours, prints and drawings as well as a small group of sculptures, posters and artists' photographs. The scope of the collection covers local topography, personalities and genre scenes, works by local artists and printers and material related to the towns twinned with Lancaster (Aalborg (Denmark), Almere (Netherlands), Lublin (Poland), Perpignan (France), Rendsburg (Germany), Växjö (Sweden) and Viana do Castelo (Portugal)
Decorative Art	The collection consists of approximately 1,000 items of ceramics, furniture, clocks, metalwork, glass and ivory including important pieces of furniture in carved oak by local cabinetmaker Gillow and an associated archive of 129 interior design drawings from the first quarter of the 20C and is a companion collection to a further 175 such drawings held by the V&A
Trade and Industry	The collection includes artefacts that represent the rise, and sometimes fall, of local trades and industries. The collection in strongest for the 20C and includes examples of clogging, saddle-making and smithing, glassware, linoleum-making (particularly by Williamson and the Storey Brothers). Material related to the history of local transport is also present, including that relating to the Morecambe Bay cross-sands routes and Lancaster Canal
Maritime History	The collection consists of artefacts, prints, paintings of maritime themes, documents and other material relating to the history of, particularly, Morecambe Bay, local rivers and coastal areas. These include subjects such as the history of fishing, boat-building, maritime crafts, the seaside tourism industry, coastal defence and local types of boat, including the Morecambe Bay Prawner
Natural Sciences	The collection consists of a very small number of entomology and geological specimens of primarily local origin
Numismatics	The collection consists of a significant range of items including pre-18C locally-found coinage, tokens struck for local tradesmen, commemorative medals and locally-found coin hoards
Social History	The collection consists of objects, documents and visual material representing the changing nature of domestic and family life, working life, social life and leisure and is particularly strong when representing the first half of the 20C. There are significant collections of prints, photographs and negatives covering local topography, portraiture and events, material associated with the two World Wars, social institutions and services (the police and fire brigade) and a small collection of firearms. The collection includes 2,500 maps, tickets, labels and advertising ephemera of primarily local-to-Lancaster interest

Figure 10: The primary museum collections

[36] Source: The Collections Development Policy for Lancaster Museums under the Accreditation scheme for Museums and Galleries in the United Kingdom ad registered with the Arts Council

In terms of future growth, the current policy is to continue to collect specified material originating in, or of direct interest to, Lancaster District and in this it takes due cognisance of other adjacent kindred bodies to avoid unnecessary duplication and the waste of resources.

Active collecting areas, subject to funds and other resources such as suitable storage conditions, are:

Archaeology	All areas, but particularly Iron Age and Early Medieval
Fine Art	Those pieces with a strong local association, particularly of 20C topography and the evolution of industrial Lancaster and the wider Lune Valley
Decorative Art	Only those pieces with a strong local association, such as those produced by the Luneside Pothouse on St George's Quay between 1754 and 1786
Trade and Industry	Pieces that reflect the rise and fall of local industries will be considered, providing they are of a size that can be stored under correct circumstances
Maritime History	Those pieces with a strong local connection with the exception of maritime vessels
Natural Sciences	No planned collecting activity
Numismatics	Those pieces with a strong local association
Social History	Those objects, documents and visual material that represent the changing nature of domestic and family life, working life, social life and leisure, particularly for the second half of the 20C onwards including student life, prisons and seaside entertainment.

Figure 11: Active collecting areas

The movement of the City's collections from their current locations to a new Collections Centre provides a once-in-a-generation opportunity for the curatorial staff to assess not only each object but the collections as a whole and to determine their future conservation requirements as well as the potential disposal of duplicate or unwanted material, all of which is provided for under the terms of the service's existing Accreditation[37]. ACE's headline view is that 'museums should always act carefully, responsibly and ethically when disposing of items from their collections'. This is a maxim under which the service will operate.

As the KORRs' material is held in Trust for the Regiment, and is thus not owned by the City, any future conservation work on that material, and indeed where it will eventually be exhibited, falls outside the scope of the current study.

The conservation of historic and cultural objects, particularly those made of composite materials or requiring expert handling and care, can be an expensive and time-consuming affair as each object must be assessed individually[38]. For example, the conservation of a painting may require no more than the simple lifting of surface dirt or grease, or it may need the removal and replacement of aged,

[37] Both the City and the KORR are were Accredited in March 2006 with reference numbers 222 and 224 respectively under the Museums, Libraries and Archives Council's (MLA) Accreditation scheme – now operated by Arts Council England – which sets nationally-agreed standards for care of collections. It defines good practice and identifies agreed standards, thereby encouraging development. It is a baseline quality standard that helps guide museums to be the best they can be, for current and future users. There are currently more than 1,700 museums participating in the Scheme across the UK. (Source, ACE website).

[38] For an overview Prince, D R et al '*The Manual of Curatorship: A Guide to Museum* Practice' (Butterworths Scientific); various editions. Section II: Collections Management.

yellowed or discoloured varnish, or the replacement of missing sections of paint to, in extreme cases, the repair of physical damage, such as tears and holes in the canvas or the replacement of the entire frame[39].

What is clear, however, is that in an environment where financial resources are scarce (and where grants for restoration and object conservation are tight[40]) the City must take a highly pragmatic view of its future object-conservation activities separating what *must* be conserved from what may be desirable to be conserved on an as-needs basis underpinned by a clear and demonstrable strategy underpinned by value-for-money considerations.

One way of approaching this would be to divide the objects into three groups and to assess and cost each group separately as the proposed Collections Centre becomes populated. Possible groupings are shown below where the table provides not only a rationale for the handling of the collections but also a brief for the future conservation effort, the aim of which is to minimise the cost of intervention whilst ensuring that the outcomes of both the Interpretation and Audience Development Plans are delivered.

Under the existing Management Agreement, the City pays the County in the region of £55,000 a year for conservation and collections management services, including exhibitions, design, marketing, documentation and outreach. Of this, perhaps 25%-30% is nominally assigned to 'conservation'; say £15,000; it is impossible to be more precise.

1	Essential	Those objects needed for display in (a) the City Museum as part of its development, reconfiguration and redisplay in line with the Interpretation Plan and Audience Development Plan or (b) as material to be used for the first run of special or temporary exhibitions
2	Desirable	Those objects which, when stored in the Collections Store, may pose a risk to other objects by, for example, the transfer of pests or rot – note: an initial, cost-effective intervention would be to isolate these in quarantine areas in the Store (which will be needed as part of the overall facilities) and conserve them on as-needed, as-when basis
3	Surplus	Those objects which are either 'beyond conservation' (that is, their conservation would require such a degree of intervention as to make them, essentially, 'new') and those objects which are declared 'surplus to need' or are which in the process of disposal.

Figure 12: Defining object-conservation need

[39] As just one example, art conservators Appelbaum & Himmelstein make the broad assessment that a small painting with an 'average amount' of restoration work can cost around £1,000; a larger painting with damages can cost anything from £15,000 upwards depending, particularly, on the artist. (Source: Appelbaum & Himmelstein website).

[40] Some of which are managed by The British Library, which should be seen as a primary reference source.

4.2 Current arrangements

Lancaster City's museum collections are currently stored in the City Museum, the Warehouse (part of the Maritime Museum), the Cottage and the OAN store in Preston. Other elements of the collection are either on display, on loan – for example to the Judges' Lodgings Museum or the Museum of Lancashire, are in temporary storage, or are items currently going through the Portable Antiquities Scheme process (see Appendix B).

The current storage arrangements mean the collections are:

- Poorly accessed by curatorial staff
- Inaccessible to the public
- In some cases, at risk due to flooding and adverse environmental conditions.

A detailed review of the collections, augmented by site visits to existing collections stores (including 'The Collection' in Lincoln and the new 'Chadwick Resource Centre' in Bolton) led to the conclusion that a new central collections storage facility was required.

4.3 Consolidating the collections into a new centre

A new Collections Centre in Lancaster will enable the collections to be brought together in a controlled environment which complies with current best-practice guidance for the storage of archival and museum material and provides essential curatorial support facilities. Public access for school groups and research purposes will be permitted by prior arrangement and areas of 'open storage', within the centre, will facilitate this. The centre will not, however, function as a museum in its own right.

The actual process of co-locating the collections will enable the condition of individual objects to be assessed and conservation requirements to be determined, as well as re-cataloguing and the identification of suitable material for future exhibitions.

The objective is to create a new accessible, sustainable, secure store and research facility to house the City's entire collections, enabling objects to be easily selected and retrieved by staff and accessed by researchers and visitors. Either a refurbished, existing light industrial building or, alternatively, a new build on a Council-owned brownfield site will be considered. Ideally, the new resource should be located within Lancaster District in an area which is served by public transport and easily accessible for museum staff, school groups and local residents.

As part of a separate but parallel study to this one, Carillion plc, the Council's Regeneration Property Partner, has identified three possible brownfield sites in the Council's ownership at Heysham, on the White Lund Estate and the Yacht Club at Morecambe based on a brief provided by AP+P. Please see that report [Section 3c] for details[41]. The preferred location is the White Lund Estate for the reasons given in their report.

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[41] Source: Carillion plc: *Lancaster Maritime and Cottage Museums - Regeneration Opportunities - Stage 1 Report* (January 2017), prepared by S J Holland FRICS

The following schedule, produced by a review of existing conditions and a projection of future requirements (and which served as part of the brief to Carillion), indicates that a building of some 1,500m^2 GIA[42] would provide sufficient space for the storage of all the collections under suitable conditions, as well as allowing for a potential growth of collected material of 25% by space occupied:

1	**Storage Space**	**m^2**		
2	**Maritime Museum**			
3	Dedicated Stores	420		
4	Objects in exhibitions	300	(900m^2 x 0.333)	
5	**City Museum**			
6	Dedicated Stores	180		
7	Objects in exhibitions	250	(750m^2 x 0.333)	
9	**Large Objects + OAU(N)**	300	(See Appendix B)	
10	**The Cottage**			
11	Objects in exhibitions	50	(150m^2 x 0.3333)	
12	**Totals**	1,499	m^2	(38 x 38 m)
13	Racking factor (-30%)	1,050	(x 70%)	
14	Future proofing (+25%)	1,312	(x 1.25)	
15	Offices and staff facilities	100	(figure)	
16	Conservation facilities	150	(figure)	
17	Sub-total	1,562		
18	Circulation etc (20%)	312		
19	Total on one floor	1,874		
20	Assume 25% mezzanine	469	(x 25%)	
21	GIA required	1,406		
22	**Therefore**	**1,500**	m^2	(39 x 39 m)

Figure 13: Collections Centre space requirements

Based on this schedule, a total ground floor area of approximately 1,200m^2 is required with a mezzanine level of approximately 300m^2, accessible by lift. Therefore, a building footprint approximately 40m x 30m and an eaves height of 6m is envisaged.

A full-height loading bay is also required, ideally with sufficient adjacent storage space, to act as a quarantine zone for new deliveries, to prevent pest infestation. Allowing for large vehicle turning circles and car parking the overall site dimensions will need to be of the order of 60m x 40m.

Underpinning this thinking is that the Collection Centre does not operate, or be seen to operate, as a museum in the sense of attracting day-to-day visitors. It is a resource for use on a pre-booked basis. Offering this facility as a come-as-you-please museum would undermine the viability of the entire business model as constructed and would require an entirely new scenario to be developed. We have in the past anticipated the need for, say, a Morecambe-based museum, but this is most definitely not it and it is outside the scope of this report.

[42] GIA: Gross Internal Area - Gross Internal Floor Area is the area of a building measured to the internal face of the perimeter walls at each floor level, and which includes areas occupied by internal walls and partitions, columns, piers, chimney breasts, stairwells, lift-wells and other internal projections, vertical ducts and the like.

4.4 An indicative physical design for the collections centre

The following model represents an idealised arrangement which meets the requirements of the outline specification for a new collections centre.

The accommodation comprises a curatorial/public zone separated from the main storage area by a corridor which provides an additional environmental buffer.

This 'human' zone' incudes a conservation studio, research/meeting room, curatorial offices, WCs, a kitchen, sluice room and communications room.

Vision panels in the wall separating the corridor from the adjacent storage area would enable selected items from the collection to be showcased for the benefit of visitors as part of an 'open storage' regime.

It will be important to highlight the project's 'accessibility' credentials, in terms of improving both physical and intellectual access to the collections, when it comes to applications for funding to the Heritage Lottery Fund in particular.

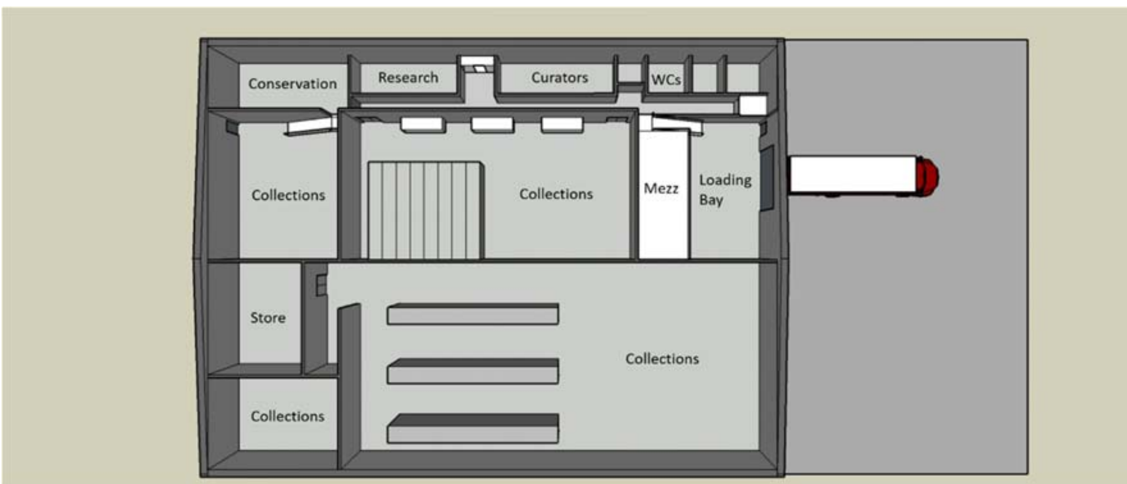

Figure 14: Ground floor plan of model Collections Centre

The remaining ground-level storage area is subdivided by full-height masonry walls to provide a number of discrete, yet open-plan spaces. These will be fitted out with a range of fixed or mobile shelving as appropriate for the storage of the different collections. At this stage, collections have not been allocated to specific storage areas so the layout indicated is notional.

It is envisaged that objects will be retrieved manually by curators using a mobile platform ladder (in accordance with Health and Safety standards) rather than by an automated system. Objects that are likely to be accessed rarely could be placed on the highest shelves, ie above 4m height, and could be retrieved by forklift, by arrangement, on an as-and-when-required basis.

Mezzanine levels will generally be used to store smaller boxed items on reduced height fixed racking. The facility is to be fully accessible to wheelchair users with a platform hoist providing access to mezzanine levels in addition to stairs.

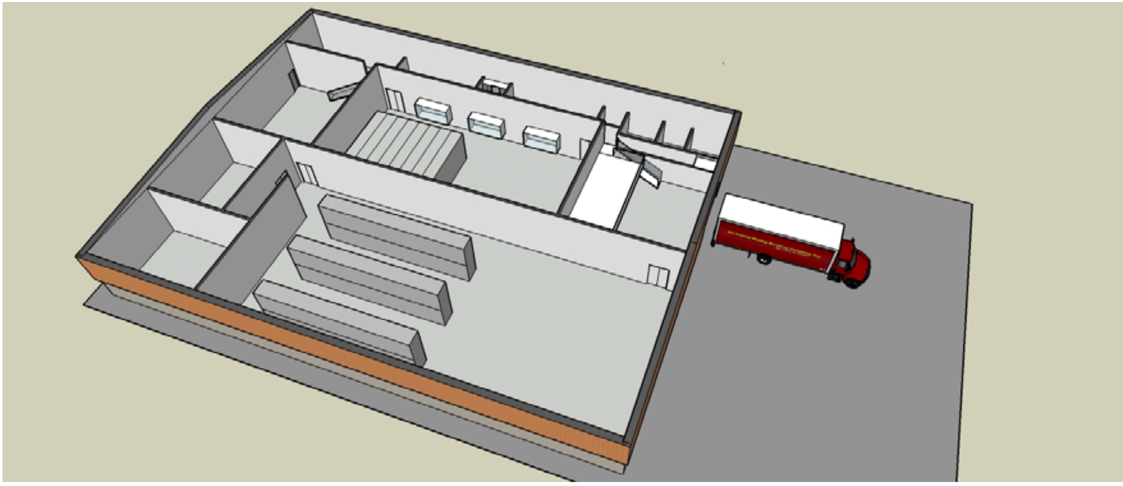

Figure 15: Aerial view of model layout showing spatial relationships and mezzanine levels

The British Standards Institute's *PD 5454:2012* is an amalgamation and full revision of *BS5454* and *PD0024*. The PD provides detailed guidance on the nature of archival materials and best practice for their storage and use as well as guidance regarding a new repository building. *PD5454* encourages low-energy solutions and the acceptance of gradual seasonal change which has made it possible to comply with storage guidelines without resorting to full air-conditioning; ie a temperature range between 13^{o}C–20^{o}C and relative humidity between 35%RH-60%RH[43]. It goes without saying that environmental and economic sustainability should be considered at all stages of the project.

Power and heating should be all electric, rather than gas, to reduce the use of fossil fuels. Roof-mounted solar (Photo Voltaic) panels will enable the store to benefit from low-to-zero electricity costs as well as a 'Feed-in-Tariff' (FIT). A *powerPerfector* or similar unit would regulate the voltage supplied in relation to that required, further reducing energy use and cost[44].

Lighting should be controlled by motion sensors reducing energy use by minimising the time lights are on, lights go off automatically when spaces are unoccupied. The staff/conservation/research areas should benefit from windows providing natural daylight and ventilation, thereby reducing the need for electricity further.

However, this does require the building to be extremely well insulated and sealed in order to maintain relatively stable internal environmental conditions. Roof and wall construction needs to achieve very low 'U' values (the measurement of heat loss) and may require insulation up to 1m depth and 500mm

[43] This guidance has been adapted to recognise a different approach to environmental management. This allows for environmental fluctuations to occur within recommended parameters, such as can occur with seasonal changes, instead of a tight level of stability and control being recommended around set points for temperature and relative humidity. The recommendations in PD 5454:2012 have been designed to help create and maintain appropriate conditions for document storage and use, and to enable a repository for archives to be built or converted to a high standard. They can be used where an archive is located in a mixed use development and can also be used as guidance for custodians of collections in historic buildings, defining best practice for archival materials while recognizing that best practice for the conservation of a building might require a compromise, based on a risk assessment.

[44] This technology aims to produce savings by efficiently optimising energy supply voltage and by this reduces energy costs.

depth respectively, as well as insulated roller shutters. Additional environmental control will be required in some storage areas depending on the nature of the material being stored and this will be provided by local dehumidifiers.

Localised electric panel heaters will be required for occasional use in winter to prevent temperatures dropping below 10C. De-stratification fans may be required in large storage areas to reduce pockets of static air and temperature differences in the space.

The internal building fit-out must minimise the risk of pest infestation to the museum collections and materials should be selected which are low-maintenance, provide easily cleanable surfaces and enable the building envelope to be effectively sealed. Construction voids generally should be minimised to prevent rodent nesting. Internal finishes should be smooth and continuous to minimise dirt and dust build-up with furniture and fittings being made of non-absorbent materials. As a matter of principle, this report recommends that the Centre is open for public viewing by appointment only since the objective of the Centre is to be the underpinning resource for the service as a whole rather than as some form of quasi-museum. The Centre is to be a technical and professional resource rather than a visitor attraction. Moreover, both capital and operational costs would increase significantly if the Centre were to be fully open to the general public.

4.5 Comparator facilities – *The Collection*, Lincoln

The Collection at Lincoln is a purpose-built museum with an integral collections storage facility completed in 2005. Taking advantage of the sloping site, the collections storage facility, with a floor area of some 1,200m^2, is located in the basement. The facility consists of storage areas with a range of mobile and fixed racking, conservation and exhibition workshops, a large goods lift and a loading bay.

The 4.5m high spaces are fully air-conditioned providing a controlled environment consistent with BS5454, the relevant standard for archives at that time. Collections in storage include: Archaeology, Fine Art, Decorative Arts, Numismatics, Sculpture, Arms and Armour, Horology, Geology, Natural History and World Cultures.

Importantly, the facility also complies with Government Indemnity Standards[45] enabling loan material and touring exhibitions to be handled.

[45] By way of guidance only, the GIS exists for public benefit. It aims to enhance and widen access to objects of a scientific, technological, artistic or historic nature. By giving undertakings to lenders, the GIS enables certain institutions to borrow objects to an extent they could not otherwise afford. The scheme therefore facilitates loans to museums, galleries, libraries and other kinds of bodies such as the National Trust as well as between each other.

Figure 16: Top - *The Collection*, Lincoln; bottom – basement storage

4.6 Comparator facilities – the Chadwick Resource Centre, Bolton

The brief for a new collections store for Bolton Museum was to provide much improved conditions and increase access to over 40,000 objects, whilst reducing operational costs, within a capital budget of £1 million. This limited budget was to include the entire build, fit-out and movement of collections as well as some additional staff costs.

The project began with a derelict industrial unit on a Council-owned, polluted, brownfield site. The existing building had ½-height brick walls with steel framed and clad, upper walls and roof. Only the outer brick walls concrete floor and primary steelwork were reusable. However, in many ways the site proved ideal for the development of a museum store:

- A standard steel-framed, industrial unit would be relatively easy to upgrade, convert and insulate
- An eaves height of over 4 metres would make it possible to maximise the use of the building footprint
- Easy public transport links and car parking would make it easy for staff and visitors to access
- A large, secure, delivery area would allow museum objects to be easily loaded and off-loaded.

The majority of the objects to be transferred to the new store were relatively robust, large industrial items which would withstand some environmental fluctuation. Four smaller groups of objects would need some level of control to be available when required. Before spaces were allocated, consideration was given as to where different collections and material types would be stored. The final arrangement was a combined approach of storage divided mostly by collection and also object size to achieve the best use of space.

The project design team embraced *PD5454:2012*, the new standard for archives which emphasises low-energy solutions and acceptance of gradual seasonal change. The decision was taken not to install expensive air-conditioning in the building, with no active controls in the large spaces and only dehumidifiers in smaller areas where more sensitive objects would be stored. In order to create acceptable internal conditions through a passive, low-energy solution, the building was super-insulated and sealed. Consequently extremely low 'U' values for the building envelope of the order of 0.10 W/m2/K, were achieved. The Chadwick Resource Centre is now viewed as an excellent example of sustainable development and Bolton Museum is regarded as a leader in sustainable collections care[46].

Figure 17: The Chadwick Resource Centre – exterior

[46] Source: Pierrette Squires (2014) *Sustainable Collections Care on a Budget: A new museum store for Bolton, UK*

Figure 18: The Chadwick Resource Centre – storage facilities

5 Audience Development and Marketing

5.1 Context

People visit museums through choice.

This obvious statement has important implications because it implies that those who do not visit also do so by choice. These non-visitors are not simply waiting for the museum to contact them, they are actively engaged in other activities which they have chosen to do instead.

If a museum, any museum, continues to offer the same service year-on-year then its audience will be both self-reinforcing (some non-visitors may feel excluded, many simply won't care) and declining.

However, as an important part of the public realm, local authority museums have an obligation and a responsibility to offer their services to as wide, and to as large, a public as possible.

It also makes economic sense: if the market can be broadened and the penetration rate increased, the service is, by definition, providing greater value for money and making a direct contribution to the real economy.

To be successful in this, museums therefore need to offer a range of services in a number of places to diverse audiences. Simultaneously, they must seek to maintain their existing visitors whilst engaging with others. This implies that the service needs to address its audiences in a number of ways and to be sufficiently flexible to meet changing expectations and changing circumstances.

The target we have set for the City Museum is to raise its visitor numbers from its current 50,000 to 150,000[47]. In order for the City Museum to achieve this there needs to be a radical reappraisal of how it goes about things and a fundamental change in its offer to meet modern expectations.

The first is a matter of attitude; the second a matter of using up-to-the-minute methods of communication. And both are needed.

The best national and regional museums are embracing new technology (such as virtual reality, VR) to provide a step-change in the visitor experience and the way in which collections are interpreted and themes are presented.

Advances in the gaming industry, the widespread use of computer-generated imagery and CGI animation in films, television and other digital media, and the vast improvements in drone technology, have together produced more reliable hardware and affordable software to provide dramatic and enthralling individually-immersive experiences. Whilst these techniques are now commonplace in mainstream media, Lancaster would be in the vanguard of their use in a district-wide museum context – an ambition which we believe it should, and must, embrace.

[47] The rationale for this is set out in Section 5.4 of this report.

But the City Museum is, after all, a museum. And hence any new forms of interpretation must be interwoven with the primary objective of bringing people face-to-face with the real thing, with the actual objects, with the collections. It is thus *how* the new methods and the artefacts interact that provides the new museum experience.

There is, of course, a cost to this type of presentation. But as technologies improve, costs are reducing dramatically. A VR headset that tracks head movements to provide 3D imagery on a stereo 4K screen that once cost thousands is available through mainstream outlets for a few hundred, some for less. 3DR-capable drones can be bought off-the-shelf for around £1,000.

The important issue is that if such technology is to be used the resulting experience, both visually and auditory, must be at least as good as others to which visitors will have been exposed. The days when museums offered 'experience light' are over. This implies the selection, with great care, of those firms capable of delivering the required product.

Such an approach sits well with the broad market categorisation of visitors and locals.

Visitors to a city need information, an insight into the place they are visiting (its history, development, cultural associations) and guidance (orientation) on how to make the most of their visit, be it a day trip, a weekend break or a longer stay.

Local residents know much of this already: their needs are likely to be best met by changing exhibits, special and temporary exhibitions and by seeing the museum 'pop-up' in places they weren't expecting: in supermarkets, in public spaces, on the sea-front.

As an important aside, a distinction between 'temporary' and 'special' exhibitions can be made in that the former are created by the museum staff in-house, whilst the latter are, essentially, bought-in exhibitions from (say) national museums, the aim of which is to broaden the offer outside of the City's collections and to offer new experiences for which an entry charge can legitimately be made. The financial model in Section 9 thus makes a distinction between temporary (free) exhibitions and special (charged for) exhibitions, both of which are common practice in museum provision across the UK.

People also visit museums for different reasons: to visit an exhibition, for a cup of coffee, to meet friends, to find out what's happening.

At the British Museum, for example, most 'locals' are to be found either in the Great Court Café or in a special exhibition: some may be taking a short cut from Russell Square to Bloomsbury Way or Great Russel Street; very few visit the main galleries regularly (if at all) which are the preserve of, mainly, overseas or out-of-town tourists 'doing the BM'.

This pattern is very much the same (although on a much smaller scale) as that seen at *The Collection* in Lincoln where the museum's design responded to the historic up-hill/down-hill routes taken by people for centuries. The principle in Lincoln is that the building can be penetrated as part of a 'normal day' on a 'normal route' to encourage contact with the building and the services it has to offer in the belief that contact with the offer will lead to later visits. And this is very much the case in Lancaster.

The principle of the building being open and 'on a route' also reflects the fundamental underpinning of the historic use of the City Museum's origins as a market, court and place of public gatherings.

In this and previous reports, AP+P have made the suggestion that the museums service in Lancaster should be delivered in three broad, complementary ways to satisfy these markets:

- Through a 'permanent' exhibition in the City Museum which is aimed primarily at visitors to the city and which is supported by the VIC
- Through a constant churn of temporary and special exhibitions at the Museum and other venues and that these exhibitions should be on a range of topics, some drawn from the museum collections, others specifically to attract local residents, and should be on at least a cost-recovery basis
- Through a strong outreach programme taking the museum, the collections and its ethos to 'found' spaces, schools, libraries, care homes and other such places throughout the District.

5.2 Museum visiting

Museums and galleries are extremely popular.

Eight of the top ten visitor attractions in the UK are museums[48]. The UK has five of the top twenty most-visited art museums in the world, more than any other country. In a recent consumer survey, museums and galleries scored the highest satisfaction rating of any public service, leading to the conclusion that 'investment in museums and galleries has paid off handsomely, with a world-class satisfaction rating'[49].

Visitor numbers are increasing year-on-year stimulated by the sector's growing focus on attracting new audiences, continued capital investment in new buildings and exhibitions (with the HLF as a major player since 1994), and increased spending on programming and outreach events supported by policies of free admission, particularly in the local authority sector.

Whilst there is no reliable figure available for total visits to all museums and galleries in the UK, in all probability it exceeds 100 million a year.

Whilst the visiting population's demographics have traditionally been skewed towards the NRS' marketing categories of AB/C1, the emergence of less formal, more engaging exhibitions and friendlier, less academic environments has anecdotally lead to a broadening of this base into C2/DE, which is all to the good[50].

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[48] Source: BBC website 'Museums as popular as ever'. Accessed December 2016.

[49] National Consumer Council, 'A Playlist for Public Services', http://www.customerserviceexcellence.org.uk/Use.

[50] The NRS social grades are a system of demographic classification used in the UK. They were originally developed by the National Readership Survey over fifty years ago to classify readers, but are now used by many other organisations for wider applications and have become a standard for market research. Their definition is now maintained by the Market Research Society. The definitions are: A: higher managerial, administrative or professional; B: intermediate managerial, administrative or professional; C1: supervisory or clerical and junior managerial, administrative or professional; C2: skilled manual; D: semi-skilled and unskilled manual; E: casual workers, pensioners and those that depend on the state for income

A growing proportion of the population of England attends museums. 46% of adults visit a museum, gallery or archive at least once a year, primarily whilst on holiday. Two thirds of 5-10 year olds and well over half of 11-15 year olds visit a museum at least once a year, often as part of an educational visit[51]. This supports the fact that the UK has the largest cultural economy in the world relative to GDP, and the largest creative sector in the EU, and probably the largest sector per head of population in the world[52]. It regularly generates over 10% of total UK-GDP, and ratchets an average income of £2 for every £1 invested in the (local) economy[53].

5.3 Guiding principles

Over the last decade, issues of access and audience development have been central to the design, development and operation of cultural assets right across the UK. There has been a marked shift towards more outward-looking and audience-focused activities, backed by policy, discussion and legislation. The DCMS has acted as a catalyst in this by producing policy guidance on social inclusion, and making it a requirement that Heritage Lottery funded cultural projects are focused on a range and diversity of audiences.

As the UK population grows and diversifies, and with it the numbers of cultural and other groups, there is an increasing need for organisations that present local cultural history to be accessible to diverse communities, whether that be socially, physically, culturally, geographically, intellectually or economically.

Whilst it is impossible, and possibly tokenistic, to attempt to attract and engage *all* potential audiences, this Section sets out a strategy by which the City can engage and reach audiences using a range of techniques such as partnership working and outreach, and methods that have emerged from a review of best practice in the sector[54].

A strategic approach to audience development must be embedded in the organisation for the best results to be achieved, and this is done by understanding audiences, engaging with them, giving staff at all levels the tools and skills to break down barriers to participation, and having an agreed framework for action.

These principles will help to ensure that the museums service is audience-led rather than design-led, is inclusive and which actively promotes the engagement of under-represented groups, all of whom have a stake in the City and its future. Key, guiding principles can be summarised as:

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[51] Source: DCMS http://webarchive.nationalarchives.gov.uk/+/http://www.culture.gov.uk/images/research.

[52] The Work Foundation, 'Staying ahead: the economic performance of the UK's creative industries' http://www.theworkfoundation.com/assets/docs/publications/176_stayingahead.pdf.

[53] Source: Arts Council England, Press Office. Accessed December 2016.

[54] There is a wealth of material in the museums field produced by, amongst others, the DCMS, Heritage Lottery Fund, Arts Council and research by both University College London and Leicester University in particular.

- Ensure, by appropriate training, that all staff and volunteers are aware of the service's statutory obligations regarding access, equal opportunities and human rights
- Consider creating a dedicated Access and Audience Development team within the service that can liaise with other departments (this issue is taken up in the staffing section later in this report)
- Understand existing audiences by regular audits, consultation, research and the evaluation of new initiatives
- Seek out and, where practical, develop partnerships with other organisations, particularly those that represent under-represented, excluded or special needs groups
- Maximise physical, sensory and intellectual access to the facilities, collections and exhibitions
- Consider alternative ways in which heritage resources can be adapted and re-used in sustainable ways, to enable more people to interact with the heritage (i.e. not solely as a 'visitor attraction')
- Seek to introduce interpretation that includes and appeals to culturally diverse audiences and encourages mutual understanding and appreciation
- Involve under-represented, excluded and special needs groups in decision-making so that new exhibitions, developments and outreach work meets their particular needs and aspirations
- Use methods of interpretation and presentation that are appealing, lively, entertaining, relevant and intellectually accessible
- Devise ways in which the resources and assets to hand can be taken directly to an under-represented or excluded audience or to where they congregate already: supermarkets, schools, pubs
- Provide alternative methods for audiences to access the collections, particularly through digital and social media
- Constantly review potential barriers to access such as the cost of transport, admission charges, catering, souvenirs and so on to ensure that these are not additional bars preventing engagement
- Offer a warm welcome to everyone by creating an environment in which everyone can feel comfortable
- Regularly inform stakeholder communities about what is happening in the service and how they can become involved at all levels
- Ensure that any admission pricing structure is as inclusive and as flexible as possible, and that price is not a barrier to entry or engagement
- Recognise that 'non-visitors' are not a single market but are a diverse mix of people who require different approaches and who feel no inherent connection to the service
- Schools are a key audience, not only in terms of the educational offer, but also to build the audiences of the future

- Access must be maintained for specialists and other researchers at all venues, including the Collections Centre
- Special and temporary exhibitions offer the possibility of corporate sponsorship, special views and so on which should be actively pursued.

5.4 Communications, marketing and the market

It is absolutely essential that the revitalised museums service has both a realistic and appropriate marketing budget on which it can draw to stimulate the audiences it needs, underpinned by an appropriate marketing strategy to deliver these audiences.

The production of a fully-integrated marketing strategy will take time to develop, particularly as it will need to dove-tail with other initiatives across a number of the Council's departments. This is one reason that we are suggesting that a number of the museum service's staff are located in Lancaster Town Hall alongside the staff of other departments, of which more in Section 9.

The following introductory points can be made as they affect the background thinking behind the configuration of the various spaces in the Old Town Hall, the Collections Centre and the potential additional spaces, such Lancaster New Town Hall, and their presentation to the public.

The number of people who are attracted to any museum, and their average spend and length of stay, is influenced greatly by its theme, its location, access routes and signage, by its quality, its brand and its image, its management arrangements for people, by its service provision and by the deals it has struck with potential commercial partners.

In planning a new, or redeveloped, museum service it has to be assumed that it will be a well-designed, well-managed, well-marketed and accessible service at the times visitors wish it to be available. It is also assumed that the service will be high-quality and fit-for-purpose whilst taking full advantage of its role in the developing cultural heart of Lancaster, including offering a thriving special and temporary exhibitions programme and supported by appropriate catering and retail functions.

However, in any new museum or heritage project it is immediately clear that, despite the apparent wealth of available data, accurately projecting the number of visitors is intrinsically subject to a degree of uncertainty due to the pressure of external factors over which the service will, ultimately, have little or no control. Such factors include government policy, competition from as yet unknown projects (such as the redevelopment of Lancaster Castle), and changing tastes and lifestyles.

Nevertheless, a projection of sustainable visitor numbers over time is an essential exercise since it impacts on many of the income-generating aspects of the business projections. It also has important consequences for the space requirements for the interpretive and visitor support (retail and catering) activities that will be needed.

At present, the service receives around 60,000 visitors a year to its three museums[55]. Assuming this figure is correct, they are penetrating their available market at approximately 0.7%[56], based on the following analysis:

The Market	
Visitors to Lancaster District	7,000,000
Resident 'drive time' population	1,600,000
Total Market	8,600,000
Museum Visitors	60,000
Market Penetration Rate (mpr)	0.70%

Figure 19: Headline market penetration analysis

This penetration rate (0.7%) when graphed, can be compared to 32 other museum and leisure attractions in Lancashire (below and overpage), where it is compared with six other broadly similar counties. The compelling aspect of all these graphs is that they all exhibit a common 'decay curve' from one main attraction, with a relatively large number of visitors, to a long tail of attractions with relatively few visitors. In Avon, for example, the keystone museum/attraction is the Roman Baths in Bath; in Cornwall it is the Barbara Hepworth Collection (owned and run by The Tate) in St Ives; in Sussex it is Brighton Museum and Art Gallery; in Hampshire it is the National Motor Museum at Beaulieu; and in Lancashire it is Blackpool Tower and Circus. This type of decay curve applies all across English counties and helps to set realistic projection targets.

At present, the museum service costs the City around £562,000 a year, which equates to a subsidy of approximately £9.37 for each of the 60,000 attracted visitors from all markets. The driving issue of 'value for money' leads to the conclusion that to reduce the subsidy per head visitor numbers need to be increased, even if – as is proposed in this report – income is also increased through catering, retail and third-party sales.

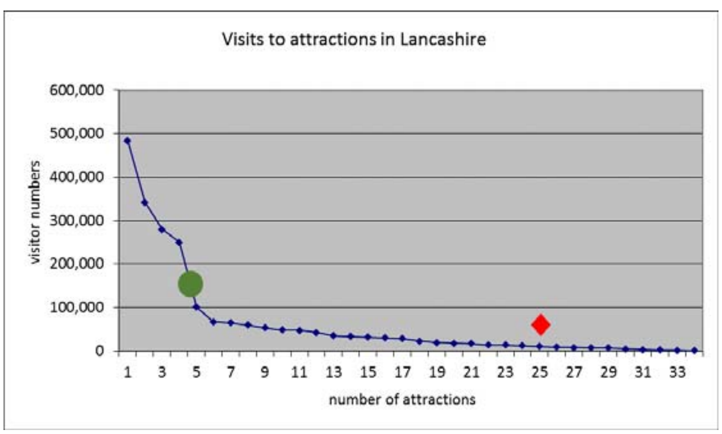

Figure 20: Visitors to attractions in Lancashire

[55] It is very difficult to pin down actual numbers, especially for the City Museum, and the fact that the Maritime Museum was affected badly by the 2015 Christmas floods.

[56] Visitor figures to Lancashire from Lancashire County Council "*The Visitor Economy*"; Resident population figures from National Statistics Office's published 2012 Mid Year estimates (2014).

By way of comparison, six other counties are shown below:

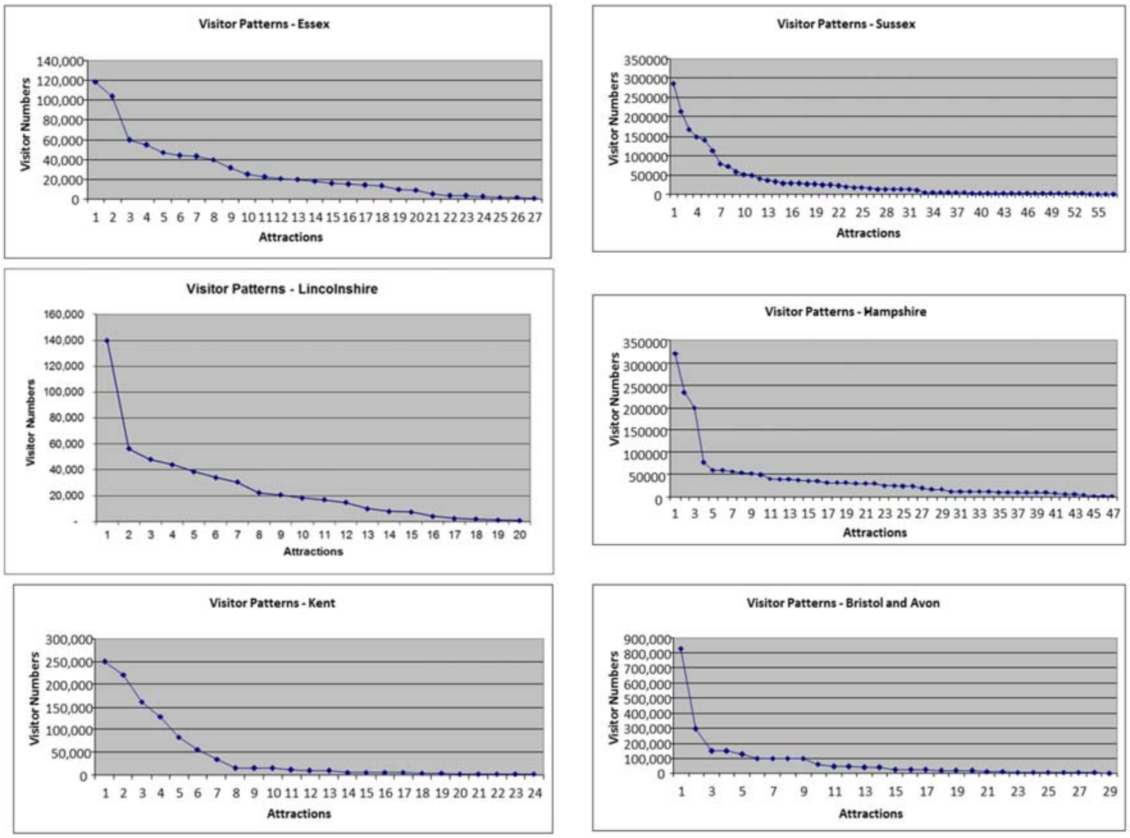

Figure 21: Visitors to attractions in comparator counties

A target for the redeveloped service is therefore to reduce the subsidy per visitor to levels that the City is prepared to sustain. What the actual level of subsidy is is clearly down to the Council to set and it depends, of course, on what the venues can sustain (their so-called ‘carrying capacity’).

Targets from the current position could be:

Cost £	Visitors	Average £	
562,000	60,000	9.37	current
562,000	66,000	8.52	
562,000	72,600	7.74	
562,000	79,860	7.04	
562,000	87,846	6.40	
562,000	96,631	5.82	
562,000	106,294	5.29	
562,000	116,923	4.81	
562,000	128,615	4.37	
562,000	141,477	3.97	possible ?
562,000	155,625	3.61	
562,000	171,187	3.28	
562,000	188,306	2.98	

Figure 22: Visitor number targets

Hence, to reduce the annual subsidy by (say) 60% - the minimum target, of which more below – would need a visitor throughput of around 150,000 a year. This reduction in subsidy could be achieved in a number of ways, by:

- Reducing direct and indirect costs – this is being actively considered through the recommended disposal of the Maritime Museum and the Cottage and by the City taking back control of its museums budget from the County
- Reducing staff numbers – whilst this is a possibility, there clearly needs to be a suitably-staffed service to deliver the offer and to increase and sustain visitor numbers
- Consolidating the collections into one building, thus reducing property costs
- Focusing on a wider and more appealing series of special and temporary exhibitions in spaces that are suited to hold them and for which entry charges could be made
- Consider charging for to the City Museum – not recommended
- Increasing footfall at the City Museum by transferring the activity of the VIC in the Storey, which has the potential additional advantage of cost saving through, particularly, front-of-house staff-sharing
- Increasing the attractiveness of the overall offer of the City Museum through a re-display of its collections, by extending the ground floor, by improving access, increasing the retail area, adding catering and by offering a new, virtual reality experience
- Increasing stay-time at the City Museum (at present estimated at less than an hour[57]) to encourage spend

[57] The average dwell time across all UK attractions, per visit, is 112 minutes, with two-thirds being of up to one hour (*Visit Britain*).

- Increasing earnings from outreach activities such as market stalls in Market Square, Morecambe seafront and at, say, Cartmel Races[58] and other local events
- Improved merchandising of the collections, perhaps in partnership third-party commercial companies.

5.5 Marketing policy

The primary objective of the marketing policy is to balance the assets and exploitable strengths of the service (location, collections, buildings and facilities) with the opportunities that the identified markets create.

One accepted way of looking at the available market is to consider drive-time market population. An indicative drive-time (local/resident) market for museums in Lancaster can be mapped as:

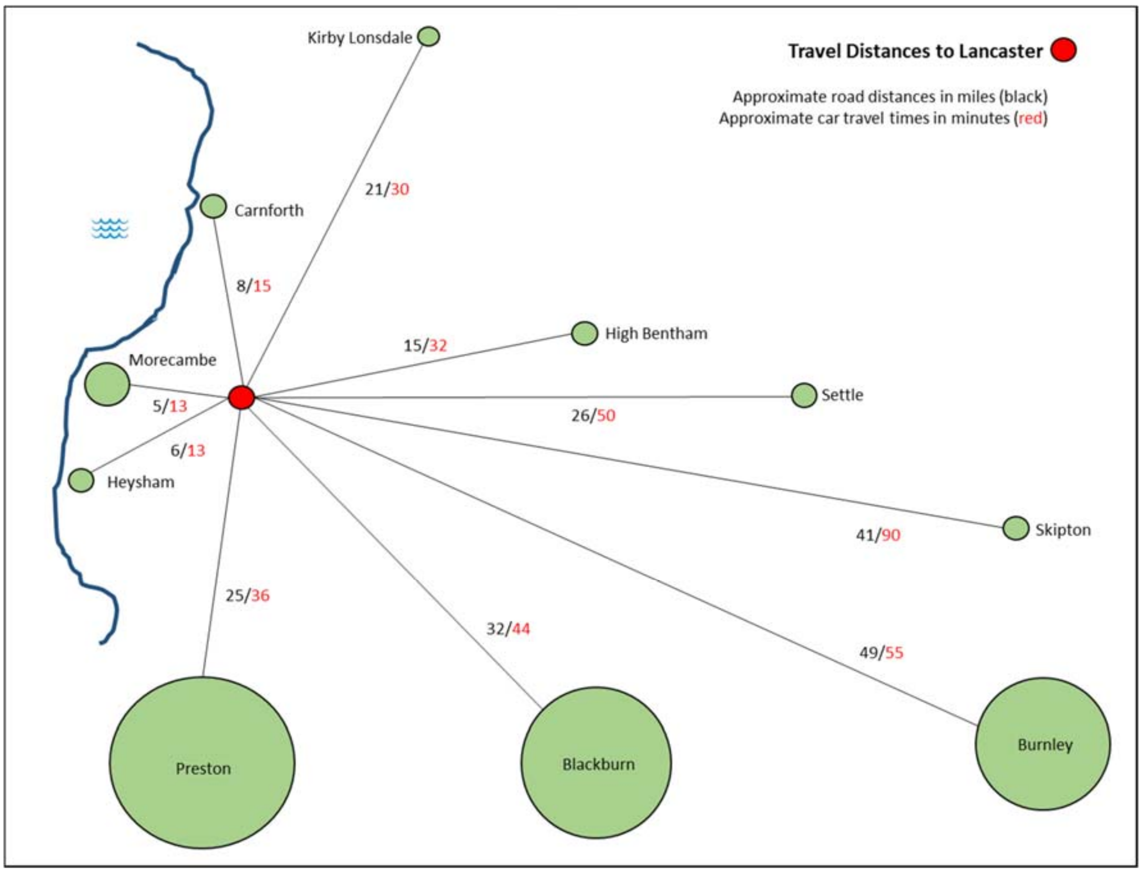

Figure 23: The drive-time market

[58] Cartmel Racecourse runs four meetings in the summer months for a total nine or ten days a year.

The museums service, as a local authority asset, needs to direct its marketing activity towards the widest possible audience to encourage use and engagement. The service's image must reflect its inclusivity and open access policy, whilst recognising the needs of different social and cultural groups. The service's corporate image must reflect its ethos of teamwork and partnerships with others in meeting visitor and user needs. The design, content and distribution of publicity material will take account the needs of specific social and cultural sectors.

Market research on the needs of different social groups and visitor sectors should be undertaken on an annual basis. The pricing policy for temporary exhibitions and supporting educational activities must take into account the needs of target groups, reflected in free admission, concessions and special rates for entry to the temporary or special exhibitions.

5.6 Marketing strategy

The relative contribution of the various market sectors have important implications since they indicate where the main emphasis (and thus cost) the marketing initiatives should be targeted.

Special provision needs to be made for the build-up to the service's re-opening as part of the capitalised costs, and these are reflected in the financial models in Section 9 of this report.

The service will need to be marketed vigorously and aggressively through the broad channels highlighted in this section's accompanying table. Provision has been made for the employment of a dedicated marketing professional in the business plan described in Section 9.

Most of the channels shown in the accompanying table (overpage) are self-explanatory. However, with both competitors and potential customers constantly online, digital marketing is absolutely essential in establishing and maintaining a strong brand image.

Whilst the service's current website contains information about what is on offer, it is essentially passive. In the heritage sector especially, content marketing – which focuses on storytelling as a powerful engagement tool – is the most effective way to attract, convert and retain significant audiences.

Organisations that are skilled in content marketing will see more people through their doors than ones that rely on 'brochure' websites and static email newsletters.

It is essential that the service has an appropriate marketing budget on which it can draw to stimulate the audiences it needs for its various venues and activities, and an appropriate marketing strategy to deliver these audiences.

Whilst the production of an integrated marketing strategy is outside the scope of the current brief, the key objective must be to balance the assets and exploitable strengths of the service (its location, collections, buildings, services and facilities) with the opportunities that its markets create.

The market sectors and their relative contribution to the visitor total have important implications since they indicate where the main thrust and cost of the marketing campaign should be targeted.

The Service will need to be marketed vigorously through the following broad channels:

Market sector	Re-launch strategy	On-going strategy
Visiting tourists	Digital marketing platform, including website	Digital marketing platform, including website
	PR - radio and TV interviews	Advertising in holiday magazines
	Articles in local newspapers	Leaflets in other District attractions
	Advertising in holiday magazines	Leaflets in TICs in the catchment area
	Posters at train stations and in car parks	
	Leaflets in other District/local attractions	
	Leaflets in TICs in the catchment area	
Local users	Digital marketing platform, including website	Digital marketing platform, including website
	PR - radio and TV interviews	Articles in local newspapers
	Articles in local newspapers	Membership mailing list
	'Object of the Month'	Leaflets in other District attractions
	'the Curator's Choice'	Leaflets in TICs in the catchment area
Casual users	Digital marketing platform, including website	Digital marketing platform, including website
	PR - radio and TV interviews	Articles in local newspapers
	Articles in local newspapers	Leaflets in other Distict attractions
		Leaflets in TICs in the catchment area
Educationally-driven user	Digital marketing platform, including website	Digital marketing platform, including website
	PR - radio and TV interviews	All schools individually targeted in catchment area
	All schools individually targeted in catchment area	Regional educational press
	Invitations to launch	
Special exhibition visitor	Digital marketing platform, including website	Digital marketing platform, including website
	PR - radio and TV interviews	Articles in local newspapers
	Articles in local newspapers	Membership mailing list
	'Object of the Month'	Leaflets in other District attractions
	The Curator's Choice'	Leaflets in TICs in the catchment area
		Develop club/society mailing lists
Corporate users	Digital marketing platform, including website	Digital marketing platform, including website
	PR - radio and TV interviews	Articles in local newspapers
	All firms individually targeted in catchment area	All firms individually targeted in catchment area
	Invitations to launch	
Community groups	Digital marketing platform, including website	Digital marketing platform, including website
	PR - radio and TV interviews	Articles in local newspapers
	All groups individually targeted in catchment area	All groups individually targeted in catchment area
	Invitations to launch	

Figure 24: Primary marketing channels

Broadcast media (including television) is essential in promoting awareness (especially for the re-launch) and should be pursued with vigour. Editorial coverage via PR, rather than paid-for air time, is obviously preferred.

The family in all its diversity – across gender and across generations – is a key target audience. Seasonal activities, especially around the holiday periods, are essential.

Schools not only form a significant market sector in their own right, they are also important in creating general public awareness and, as such, have a powerful, indirect effect on both family and adult visitor numbers. Family visits are often triggered by a previous visit from the school child. It is therefore essential that the educational value of visits is developed and promoted, particularly within the context of the national curriculum.

Friends' Groups should be encouraged, as should the use of volunteers. The new post of 'Community Engagement' should help to facilitate in this area.

Whilst the service currently promotes itself, the annual advertising budget is not immediately discernible within the overall fee paid to the County. In future, a balance needs to be struck between the obvious need for a re-launch advertising budget (which should be, and in the business plan is, viewed as being part of the overall capital programme) and an on-going resource which should, ideally, use both PR and digital media as its main channels. Thus a new, PR-focused communications strategy is required, starting with the brand.

5.7 The brand

It is clear that the eventual brand of the new service will have a substantial impact on its markets and the way in which they are attracted.

This aspect cannot be rushed into – nor can its importance be over-stated – it is, after all, the intellectual umbrella under which the project will grow and mature over the next decade or so.

We therefore recommend (and have made budget provision in the business plan) for a separate exercise to determine the service's brand and brand values as part of the pre-opening, capitalised costs. At minimum, both the psychological aspect of the brand and the experiential aspect need to be settled and communicated through the (to-be-agreed) promotional strategy well in advance of its re-launch at, probably, the City Museum.

The experiential aspect consists of the sum of all points of contact with the brand – advertising, PR positioning, arrival, access, arrangements for admission and welcome, orientation, exhibitions, toilets, ease of access/egress, catering, retail, corporate information, 'feel' etc. The psychological aspect – the brand image – is the construct created within the minds of visitors (and others) and consists of all the information and expectations associated with the service.

Both aspects need to be reflected in the service's name.

We therefore recommend that, as part of the re-branding exercise, a new name for the service is researched and developed in much the same way as, for example, The City and County of Lincoln Museums Service was re-branded as *The Collection*, the business- and project-funding-plans for which were produced and delivered by David Prince and Simon Pearce between 2001 and 2005. The first review in the local press stated:

> *It has taken 12 years to lift from the drawing board to Danesgate and it has cost £12.5 million to build. So it should have. Because Lincoln's new museum, The Collection, really is just that - one in a million. It is a truly magnificent venue which has the ability to take the world of popular archaeology and the teaching of history - to both adults and children - by storm. It will set the standards which other museums and collections of priceless historical artefacts both in Britain and around the globe will be measured. The Collection … is a radical and richly-rewarding concept in museums, one which really does make archaeology accessible to all. And the whistles and bells of the cheap tacky kind are blatantly noticeable by their absence. What's more, admission is free*[59].

Whilst the experiential aspect of the brand has much to do with creative and effective design, the psychological aspect needs a different approach. Getting to this is an essential next step for the project and one that should proceed alongside the physical design programme.

The key here is to create, through a carefully-managed consultative process, an overarching concept that reflects the core mission of the museums service which at the same time recognises its diverse outlets and other potential facilities, together with the ways in which its outward-looking approach serves the greater aim of aiding the economic well-being of the City.

A vital aspect of this is how the service presents itself on-line.

5.8 Digital (content) marketing

Content marketing is a strategic marketing approach focused on creating and distributing valuable, relevant, and consistent content to attract and retain audiences, the ultimate aim of which is to drive profitable consumer action and is used routinely by the world's largest and most profitable companies.

Heritage attractions have a major advantage in content marketing given the unlimited stories they can tell about the resources at their fingertips. Lancaster museums' service is a perfect example: with millennia of human history to relate, let alone natural history and the wider environment, there should never be a moment to be lost in sharing the stories that will grow and enhance both existing and potential visitors.

A successful digital marketing strategy has a clear sense of three things:

- What the organisation wants to achieve
- Which customers/audience is the priority
- The particular value that is to be delivered.

[59] Source: review by Robin Jones in *The Lincolnshire Echo*, 2005.

The essential tools to accomplish this include:

- Website: must be mobile-responsive, and made significantly more discoverable through a targeted SEO (Search Engine Optimisation) effort. The museums service's current website will need a major overhaul and redesign for look and feel, as well as functionality. Emphasis should be placed on regular blogs, events, accessibility and e-commerce. This will need to be factored into resourcing in terms of appropriately skilled staff, who understand content, analytics and digital strategy
- Social media channels and assets: there are many channels where the audience the service wishes to attract are already spending their time and money. The service's engine must engage with these channels and grab audience attention by building relationships through consistent messaging and content. These channels include Instagram, Facebook, YouTube, twitter, Google +, and others
- Multi-media content assets: the creation, organisation and distribution of content in order to better connect with potential visitors and the current audience. By 2017, it is expected that video will account for 70% of all consumer internet traffic. The service can get in front of this and increase its audience through smart on-line broadcasting
- Mobile assets (including interpretation and Apps). The importance of mobile search, mobile optimisation, mobile conversions, and mobile ubiquity cannot be overstated. Mobile devices and the collective addiction to them are fixtures of the modern marketing arena
- Digital databases including email subscribers – email marketing remains the best digital channel for return on investment. Strategies should be put in place by the service to produce regular, sophisticated email communications using a platform such as *Mail Chimp*[60], and then to further leverage the analytics data to understand the success of current programmes and inspire future efforts. This is a very basic and essential aspect of driving customer engagement.

With goals set, and these basic digital tools in place, the next most important factor for the service will be to create a marketing funnel, which maps out the audience journey from total stranger to when they become a visitor. Strategies to consider when building the funnel include lead magnets, calls to action, opt-in newsletters and offers.

Above all, it is essential to drive traffic to the services (new) website. There is a direct link between how well heritage organisations do this and the number of people who visit their site or attraction. Other sections of this report examine the financial implications of this strategy.

[60] *Mail Chimp* is an email marketing service and the trading name of its operator, an American company, founded in 2001. The service sends, as at December 2016, over 12 billion emails a month on behalf of its clients.

5.9 Visitor numbers and the effect of charging for entry

Taking the above into account, it is reasonable to judge that the revised City Museum's visitor numbers per sector can be projected as:

Visitors (7m)										
MPR	0.4%	0.6%	0.8%	1.0%	1.2%	1.4%	1.6%	1.8%	2.0%	2.2%
City Museum	28	42	**56**	70	84	98	112	126	140	154
Special Exhibitions	**28**	42	56	70	84	98	112	126	140	154
Residents (1.6m)										
MPR	1.6%	1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%
Market (1,600)										
City Museum	26	27	29	**30**	32	34	35	37	38	40
Special Exhibitions	26	27	29	30	32	34	35	37	38	**40**

Figure 25: Market penetration rates (MPR)

The above indicates an annual visitor throughput at the City Museum of circa 86,000 (highlighted in green, above) composed of 56,000 Lancaster visitors at an MPR of 0.8% and 28,000 residents at an MPR of 1.9%. In addition, temporary and special exhibitions are aimed at an MPR of 2.5% of residents, producing a throughput of 40,000 a year and some 20,000 visitors at an MPR of 0.4% (highlighted in yellow).

Hence, the service should be looking to creating a settled, annual throughput of (rounded) 150,000 visitors **with the assumption that the City Museum will be free to enter**. This figure equates to a total MPR of 1.7% To put this in perspective, typically museums penetrate their markets somewhere between 2% and 7% depending on their specific location, subject matter and whether they are seen to be part of the wider, particularly international, tourist environment[61].

There is also considerable variation between national museums (such as the BM and V&A in the country's capital), independent museums that rely heavily of admission charges (such as Ironbridge and Beamish) and local authority museums for which entry is usually free. Hence, we are confident that an MPR of around 1.7% can be sustained by the City Museum, providing that the activities described in this report are undertaken, under the overall umbrella of a revised staffing and operational environment.

A charge will, it is proposed, be made for the VR experience and for some (but not all) special or temporary exhibitions.

Many arguments can be put forward as to whether a charge should, or should not, be made for general entry to a museum. The understanding advanced in this report is that access to the majority of facilities (and certainly the main ones on offer) should be free of all charges for two main reasons:

[61] Source: *Attractions Management* website, accessed December 2016.

- The social value and educational potential, and hence benefit, of a visit should not be restricted by either the ability or willingness to pay; and
- Visits have been proved to be reduced (by up to 50% in some cases[62]) if a charge, any charge, is made for entry: a significant, and real, psycho-political barrier is at work here … *'it's my heritage, my culture, my history and access to it should be free' … I don't mind paying extra for something special, but isn't this what I pay my rates for?*

In addition, research from the British Tourist Authority (BTA)[63] and others has clearly shown that people have an in-built sense as to what (say) a day-trip should cost and behave accordingly. To take just one example at random. If a family of two adults and two children have in mind to spend £30 for the day, then that is what will be spent whether it is on travel, entry charges, catering, retail and so on. The key for the museums service is that profit and benefit is generated by footfall and, through this, retail and catering income is increased proportionately by not charging at the entrance.

A free, fully-serviced museums service is therefore what is required and what is recommended. It is what people expect and what will give a positive impression of the role of the Council and the museum service in their lives.

To perhaps labour the point, a visit to a local authority museum is not a visit to Disneyland. People are happy to pay for the latter, but they feel that they have already contributed to the former. Museums are one aspect of life that they expect to see being realised by their Council as custodians of their collective past. So, what does all this mean?

An overall visitor/resident split of approximately 60/40 is anticipated by these figures and reflects the orientative nature of the 'permanent' exhibitions at the City Museum which are designed to appeal more to visitors to the City, particularly as it is proposed that the Museum will also have the VIC operating within it. The last is very much a part of the 'gateway' aim of the museum as a whole by way of its encouraging visitors to go out-and-about in the District and, as importantly, to spend at least one night within it.

In common with newly-opened[64] or newly-refurbished museums, there will be a premium on visitor numbers in year 1, after which a drop can be anticipated which then picks up in subsequent years to produce a stabilised throughput assuming, of course, that investment is maintained. This fluctuation is shown by the percentage in the 'factor' row of the table below. In this case, the following pattern can be envisaged:

Visitors	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**
Factor	0%	-7.5%	+5%	+2.5%	+2.5%	0%	0%
Base	150,000						
Total	150,000	138,000	144,900	148,523	152,236	152,236	152,236

Figure 26: Annual visitor numbers, years 1 through 7

[62] Source: results of charging to the national museums under the Thatcher government (etc).

[63] www.traveldailymedia.com/245680/spending-on-day-trips-in-england-reached-new-highs-in-2016/

[64] Of which *The Collection* in Lincoln is a good example

Hence, after five years of re-opening (year 5, above), the service should aim to welcome around a steady 150,000 visitors a year.

5.10 Peak day considerations

On average, and measured over a range of attractions in the UK – from city museums, open-air museums, archaeological sites, National Trust properties and the like – the overwhelming majority attract an average of 1% (one per cent) of their total visitor numbers on each of their 20 (twenty) busiest days of the year[65]. This has considerable implications for space planning as a whole and income from, for example, retail and catering activities.

In the UK these busiest days are the Bank Holidays (excluding Christmas and Boxing Day) and during the traditional holiday period (July and August). If this applies to Lancaster, as no doubt it will, it suggests that around 1,500 people *could* be attracted to the City Museum on each of these twenty busiest days each and every year.

Moreover, visits during these days are not spread evenly with the majority of visitors being expected in the mid/late morning (10:00-12:00), over lunch (13:00-14:00) and in the early afternoon (14:00-16:00). These visiting patterns are generated by how people (tourists and residents) behave generally and not by to the specifics of the attraction per se, save for extreme examples such as dawn over a summer solstice at Stonehenge.

The implications for the City Museum are:

- Assuming that, for example, retail and catering generate between them a 20% profit (of which more in the business planning section of this report in Section 9) this means that the Museum's entire year's profit from these activities is generated by just 20 (twenty) days at (say) an average of six hours trading a day. This is precisely why a 'wet bank holiday' can cause serious issues for tourist attractions
- Assuming that 1,500 people a day arrive at the City Museum on these twenty exceptional days this will create issues of throughput in the exhibitions as well as the provision of teas and coffees, and space in the retail area.

If this were to be the (fortunate) outcome, then the museum's management would need to respond by overseeing queuing, accommodating the extra demand for catering, and by making sure that the shop is well-stocked, well-staffed and so on.

Such an event should be seen as an opportunity for further engagement, rather than as an uncontrollable risk. In fact, at major attractions (Disney, Tussauds, Universal Studios and the like) the planned management of queues/waiting time is a major source of income and visitor satisfaction.

[65] Sources: Prince DR and Higgins-McLoughlin, B, *The Museums Data-Base Project,* The Museums Association and *The Manual of Museum Planning: Sustainable Space, Facilities, and Operations* (ed: Barry Lord, Gail Dexter Lord, Lindsay Martin)

It is not possible, or indeed desirable due to the extra-over capital cost, to build additional facilities to accommodate the visitor throughput of a 'peak day', even if this were physically possible. How these particular days are managed is therefore key.

In the case of the City Museum this might well imply timed tickets for the VR, extra café tables under the portico overlooking Market Square in which activities should be planned to entertain visitors whilst they are waiting to access the museum, or opening for longer hours to accommodate demand.

In addition, visitors could be taken on guided walks of the historic city or be encouraged to visit other destinations in the District, thus reinforcing the museum's role as a gateway.

It also implies that all the city's main attractions will need to work together to satisfy peak demand. And it is by satisfying this demand that the museum and other attractions can add real value to the City's overall economic development strategy.

The staffing model (or which more in later sections of in this report) has been designed to accommodate the ups-and-downs of such visitor numbers.

The important thing to note, therefore, is that when visitors are there, the museum can respond actively and vibrantly on an 'open door' policy.

Thus, the City Museum has the potential of managing and servicing the projected number of annual visitors.

What is also important is that to achieve these figures – and to sustain them – the service must be outward-looking, develop partnerships with both national and local organisations, and must at all times remain relevant to the people of the District and those who choose to visit it.

5.11 Entry pricing

A major factor in generating and sustaining visitor numbers is the cost of entry[66], as discussed above.

This report recommends that entry to the City Museum should be free of charge, but that a charge should be made for the VR experience and *could* also be charged for temporary and special exhibitions on a case-by-case basis depending on the details and attractiveness of the show. This is, ultimately, a policy decision by Council.

Charges for VR are notoriously difficult to judge, and hence to model. They depend on the specifics of the show, its quality, the public's mood and what is, on the day, seen to be acceptable value for money.

[66] The detailed financial implications of this sub-section are carried forward to Section 9 is this report, and the facilities to be provided in Section 6.

For a major exhibition such as *Bjork Digital* at the Courtauld Gallery in Somerset House in London (part of a world-wide tour and visited by the authors in October 2016), an adult charge of £15 is acceptable for an hour's experience [67]; for a small(er), local museum it would be less.

One way is to look at the cost of visiting the cinema. In Lancaster this is around £12.00 (including VAT) for around 2.5 hours, or around £5 an hour. Information such as this has been used to inform the business plan in Section 9 of this report.

Entry charges for special (as distinct from temporary) exhibitions should be actively considered on an *ad hoc* basis. However, it is prudent to model these as being quasi-free entry whereby only marginal returns are recorded in the financial models, none from entry fees.

5.12 Partnering

The above approach, whist realistic, must be viewed, however, as the base-line, minimum requirement.

The 'new service' should look to deliver a profit from these activities if it is to demonstrate balanced, true value-for-money across the full range of its activities. In this, partnerships with established national players will prove to be significant, and are thus needed.

As examples, the British Museum, the Tate, the National Gallery and the Natural History Museum are all active in creating touring exhibitions and in working in close partnerships to assist both local and regional museum services, indeed they are required so to do[68].

There is, however, no science, no formula, no single road map to show the way. But essential clues from other successful city-wide services abound, and include:

- Formal partnerships with local-to-site universities
- Formal partnerships with internationally-recognised museums
- Formal partnerships with national funding agencies
- Creating family- and child-friendly spaces
- Being proactive and not being rooted in the ways museums *used to work*
- Becoming a central player in the future economic profile of the city
- Becoming a recognised and mainstream player in the life of the city … *'I wonder what's on at the Museum?' … 'we should go' …*
- Stepping out of traditional, object-based exhibitions into music, performance, plays, son et lumière in the Market Square …

[67] Advertised as '*an immersive virtual reality exhibition from Icelandic icon Björk*' the show sold out for ten weeks with an estimated total audience of over 40,000 and a headline take of around £550,000.

[68] *The Collection* in Lincoln has formal, settled arrangements with, amongst others, the British Museum, the V&A, Arts Council England and the Art Fund as well as the local universities and trusts to provide exhibitions and management expertise in the delivery of local services.

- Taking the museum, and its collections, out of the city and into new places, new areas: shopping centres, Morecambe seafront, supermarkets – the places where people are and where they congregate naturally.

As just one example known well to the authors, *The Collection* in Lincoln (a similar-sized local authority service to Lancaster) lists the following as part of the 'partners' page' on its website[69]:

Figure 27: Partners of *The Collection*, Lincoln

[69] www.thecollectionmuseum.com/about-us/our-partners-and-funders

6 The City Museum – Interpretive Strategy

6.1 Principles

'The best city museums act as a starting point for the discovery of the city, which can lead people to look with fresh, more informed and tolerant eyes at the richness of the present urban environment and to imagine beyond it to past and possible future histories'.[70]

Every city museum is unique, but each shares the common goal of informing the visitor as to the narrative of the city's rich past. Put simply:

'The principle mission of a museum of the city is to help its audiences understand why the city they know is the way it is'. [71]

Such a city museum in Lancaster thus has the responsibility of collecting, preserving and presenting material about the past, present and future of the City and its District.

As a result, and by the very passage of time, Lancaster City Museum has accreted a vast array of material in a collection of some 353,000 artefacts which reflects the multi-faceted, multi-cultural life and history of the area. These comprise archaeology to art, industry to philanthropy, ethnography to natural history. Since the 18C, they encompass the lives of immensely rich entrepreneurs and industrialists, through internationally-renowned designers and architects.

These are all subjects that reflect the diversity and history of Lancaster and its District. In an important and highly significant way, a city museum is the district's collective memory, helping to define it and setting its place in the world.

This Section considers the interpretation of the collections and establishes a practical vision for the future of the City Museum in the Old Town Hall aiming to attract and sustain 150,000 visitors a year.

The indicative strategy is based on previous research, workshops and consultations carried out for two previous reports for the City Council, on expert knowledge, an understanding of modern interpretive approaches used by other leading museums, and by a sense of what lies ahead for the museums service as a whole. It begins with an analysis of potential visitors.

[70] Nicola Johnson in UNESCO's Museums International, 1995.

[71] Robert MacDonald, Director Emeritus, The Museum of the City of New York.

6.2 Visitors

Recent developments have brought about a realignment in the ways museums deliver exhibitions, particularly in the public sector.

Younger visitors of school age, in particular, have begun to pay less attention to traditional museum exhibitions and increasingly inhabit a parallel, digital world. To maintain their relevance to a new generation of potential visitors, museums are exploiting this virtual community in ways designed to engage younger visitors primarily through interactivity and more formal VR experiences.

In the same vein, visitors will often browse a website before making a visit to a museum and will often consult that same site afterwards. However, the live, physical experience of actually visiting a museum has not been replaced by a virtual one. The digital experience itself (if it is designed and handled well) often leads to a physical visit and seems to encourage rather than discourage visitors. Thus, all the evidence suggests that museum exhibitions are robust features which are unlikely to be replaced soon; they are, after all, the only way to engage with 'the real thing'.

Children, whether in school groups or accompanied by adults, require special attention that often involves the use of games and other creative activities as part of the interpretation.

For the last two decades at least access for the disabled, particularly the physically disabled, has been a major concern in museum design (as it has been for all public spaces), and this report has suggested considerable, potential improvements to the way in which the Museum is accessed, and the galleries navigated. Good interpretation also mitigates against, of course, other disabilities such as hearing, sight and learning in producing workable and acceptable interpretive solutions within the overall concept of 'inclusive design'[72].

People engage with, and understand and learn from museum exhibitions using all their senses. Good interpretation therefore engages the most appropriate for the story at hand and for the messages to be communicated.

It has to be recognised that some visitors, perhaps all, will experience 'museum overload' or 'museum fatigue' at some point during their visit. Whilst this can be ameliorated by adopting changing methods of interpretive delivery to re-engage visitors, spaces that encourage an element of calm are important features in the overall design and have thus been accommodated in the proposals.

6.3 Strategy

This interpretive strategy is the starting point in the physical development of the revitalised City Museum. It is based on, and responds to the needs of the place, the collections and key audiences.

The role of interpretation at the City Museum is four-fold:

[72] The British Standards Institute (2005) defines inclusive design as being 'the design of mainstream products and/or services that are accessible to, and usable by, as many people as reasonably possible ... without the need for special adaptation or specialised design. Source: BSI.

- To provide orientation information about the city of Lancaster and its District
- To inform visitors, through both structured and informal experiences, about the history, social context and evolution of the District
- To forge emotional and intellectual connections between the City and the history of its District
- To articulate and deliver the museums service's emerging vision.

Clearly, much detailed research will be needed to develop the themes, topics and the objects that can be used to exemplify these roles as a key part of the next stage of the design process.

6.4 Vision

The interpretive vision for the City Museum thus sees it as being:

- The gateway to discovering and exploring Lancaster and its District
- A distinctive, high-quality attraction that showcases Lancaster and its people and promotes the City on a regional, national and international stage
- A source of inspiration for Lancaster's diverse communities, celebrating the City's unique identity.

To realise this ambition will require close working with all potential partners – including local communities, businesses, universities, schools and the heritage sector as a whole, including national bodies.

6.5 Outcomes

The aims of the interpretation strategy are to be:

- Visitor-focused
- Cohesive and unified
- A community resource
- Forward looking - contributing to the growth of the City
- Instrumental in increasing the District's profile
- Supportive of the District's overall tourist and economic development initiatives.

To achieve these outcomes, the Museum's response to its visitors will need to:

- Create a welcoming, stimulating, supportive and unbiased environment
- Remove intellectual and physical barriers to access
- Enable visitors to make decisions about their heritage and its future
- Ensure regular change to displays within a vibrant programme of activities and events
- Address specific schools needs with regard to the National Curriculum
- Raise the profile and public awareness of the Museum
- Reach out to under-served communities

- Work together with communities, community institutions and other agencies
- Encourage individuals and local communities to move from just using the resource to actively contributing to its future
- Encourage collective responsibility through a shared sense of local pride and cultural identity.

A distinctive destination will be developed by:

- Producing stimulating, dramatic displays which inform, excite and encourage learning
- Creating a vibrant showcase to present the City's collections
- Acting as an innovator – pioneering and evaluating exhibition approaches and developing exhibitions as activity-based learning resources for schools, families and local communities
- Offering a range of attractions, opportunities and facilities
- Mounting changing 'blockbuster' exhibitions and special events
- Integrating collections, displays and the building itself into a unified and memorable experience.

At the end of their visit, *everybody* needs to have got *something* out of their engagement with the Museum whether this is a sense of pride in the City and its achievements, a recognition of aspects of its history, or the desire to go out into the District to see and appreciate more.

6.6 Design considerations

Our review of the current exhibition provision in the Museum concluded that the main significance of the collections relates to their value in defining the distinctiveness of Lancaster's heritage, both past and present. The physical presentation, whilst being forward-looking and entirely appropriate at the time of its installation in 1983, is now obviously dated and in need of refreshment using modern techniques.

To achieve this, the following is proposed:

- Lancaster's collections need to be better-known and better-accessed on a regular basis, and this is a reflection of the current conditions under which they are stored; a situation that will be remedied by the new Collections Centre
- Displays should encourage comparisons to be made across cultures and traditions, set in the overarching context of Lancaster, to highlight the District's unique attributes and qualities
- To 'humanise' the collections through stories of the people associated with them: craft workers, artists, traders, manufacturers, collectors, donors
- To facilitate change by utilising special and temporary exhibitions and thereby to encourage repeat visits, particularly from local residents
- To make firm links and associations with other cultural centres and organisations including National Museums

- Provision needs to be made for housing, interpreting and showcasing locally-produced works by artists and other creatives.

Facilitating these changes and developments points to the need to create space for special and temporary exhibitions (drawing on the rich pool of 353,000 objects cared for by the City) a ‘permanent’ gallery telling the story of Lancaster through carefully-selected objects and the use of all available and relevant interpretive techniques to cater for the various abilities, interests, ages and lifestyles of what is, and will continue to be, a disparate visiting population.

An important function of any museum is the ability to show a diverse range of temporary exhibitions so that they can:

- Accommodate exhibitions from other institutions and museums to broaden the experience
- Provide themed exhibitions from the museum’s existing collection that represent a subject or perspective that is not displayed in the main body of the museum
- Be capable of responding to local/national events of interest or local festivals and events of importance
- Receive exhibitions by local artists and crafts people
- Encourage repeat visits.

The potential location of temporary and special exhibition spaces, and the need to fit them out to ‘government indemnity standards’ are set out in the next Section of this report.

7 A Redeveloped City Museum in the Old Town Hall

7.1 Development strategy

The City Museum occupies the basement, ground and upper floors of the Old Town Hall in Market Square and the adjacent 19C building in New Street. The 1st Floor of the latter building is occupied by the Kings Own Royal Regimental Museum (KORR).

In order to increase visitor numbers to the City Museum to a projected, settled 150,000 a year there is a need to improve public accessibility (including wheelchair access), extend the public realm of the building and provide much-improved exhibition, visitor and staff facilities.

Flexibility is key to the future-proofing of any new museum development, to enable it to adapt to new trends and technologies and to provide a constant renewal of activity.

The proposed redevelopment of the museum is based on the provision of the following key components:

- New reception and visitor information facilities
- A museum café and retail space
- An orientation gallery
- An object rich permanent exhibition
- A revenue-earning immersive experience
- Temporary and special exhibition galleries
- Wheelchair access to all areas and new toilet facilities.

This strategy is designed to attract and sustain a new and diverse audience, generate revenue, display the most important elements of the collection, host touring exhibitions, some of national significance, and to support a lively programme of temporary exhibitions to encourage repeat visits.

This part of the study looks initially at the potential for the existing buildings to be adapted to provide the facilities identified above. It then goes on to consider the impact and added value of a new two-storey extension building which has emerged as the preferred option for the new City Museum.

7.2 A most important artefact

The Old Town Hall has been called the City Museum's most important artefact. Some may dispute this, but it certainly has its own story to tell.

Built in 1783, to the designs of Major Thomas Jarratt, its massive Tuscan portico dominates Market Square and it has been an important landmark in the city of Lancaster for nearly 250 years. The cupola, or clock tower, and probably the elegant portico itself, were designed by Thomas Harrison, a leading architect of his day who had studied in Rome and had been on the Grand Tour.

Figure 28: The Old Town Hall in Market Square

Harrison had arrived in Lancaster in 1782 having won the competition to design the new bridge across the Lune, now called Skerton Bridge, being the first bridge in England with a flat roadway. He subsequently became architect to Lancaster Castle and was responsible for new works within the grounds including new accommodation for prisoners, the Crown Court and Shire Hall. Thus, there are important historical and technical connections between three of the City's most significant structures.

The central location of the Old Town Hall in Market Square means the City Museum is ideally positioned on the main pedestrian route between the railway station and the city centre. It is also the springing point of a cultural arc encompassing the Storey, the Castle, the Priory, Quay Meadow and the Customs House on the Quayside.

It is therefore a natural gateway to both the City's and wider District's cultural offer for tourists, visitors to Lancaster and local residents. This is a strong argument for co-locating the Visitor Information Centre (VIC), currently in The Storey, with a rejuvenated City Museum.

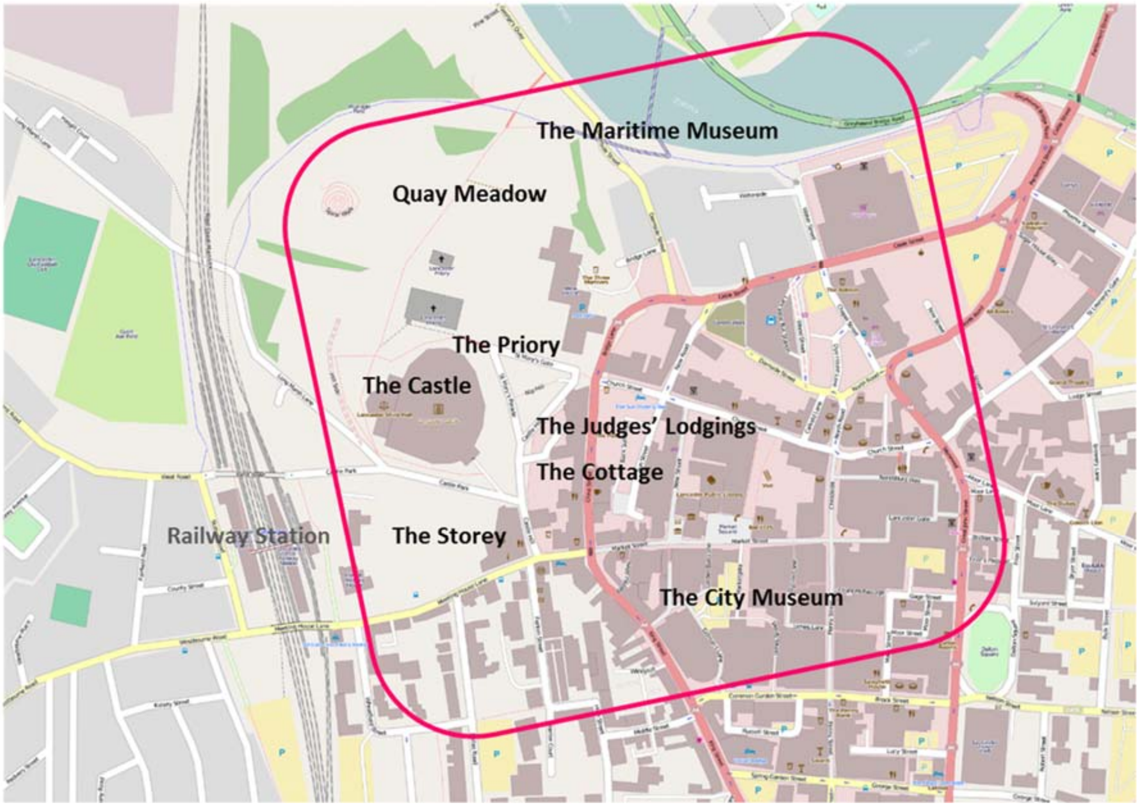

Figure 29: Key cultural destinations in Lancaster's city centre

The VIC in the Storey is an award-winning service undertaking a number of important and high-profile roles for the City, including hotel bookings, ticketing and box office services, providing general visitor information and marketing and selling Lancaster-related merchandise. But it is not ideally located in terms of visibility and accessibility for visitors to Lancaster. Relocating the VIC to the City Museum would be mutually beneficial in creating:

- Increased footfall
- Integrated cultural information
- Management and staffing efficiencies
- Retail and merchandising synergy
- Usable / lettable Ground Floor space in The Storey.

7.3 Historic uses

The Old Town Hall has had many different uses and has been modified internally to accommodate these changes of use over the years and an understanding of this history has been used to inform the way the building could be modified further to accommodate a rejuvenated City Museum. Preliminary discussions with the Conservation Officer in the City's Planning Department have indicated that, in order to realise the full potential of the building for museum purposes, it may be possible to remove certain internal walls and partitions (particularly in the less significant 'New Street' building) subject, of course, to formal Listed building consent and further structural investigations.

It is evident from antiquarian illustrations and Local Studies publications, such as that by Andrew White, that the ground floor of the Old Town Hall was originally an open arcade containing the corn exchange and butter market …'communicating with the street on every side'… This provided a clue to a method of making the building more transparent and publicly accessible. The idea of an 'exchange', in the sense of a central place of activity, is also relevant in the context of a museum, and it is a concept which also promotes accessibility and inclusivity.

Figure 30: The Old Town Hall originally had an open arcade

7.4 A new entrance

Whereas it has been noted that the portico dominates Market Square, it is not a particularly welcoming entrance to the City Museum. In fact, for some time, it has attracted anti-social behaviour thereby further alienating the potential museum-going public who tend to seek refuge in the adjacent Library.

The north side of the building has an entrance with level access, with a porch added in the 19C, which opens onto a smaller square. This could become a more attractive entrance to the museum and, improving the landscaping of the square, incorporating perhaps a 'vacant plinth' (which could host changing sculptures by local artists) would draw people off the pedestrianised Market Street, re-energising New Street at the same time.

Figure 31: A new entrance and rejuvenated 'museum square'

Using this as the main public entrance to the museum has a number of advantages:

- It provides level access directly into the main circulation corridor, effectively creating an entrance hall with a staircase to the upper galleries, and
- With modifications to existing partitions, a staircase down to new facilities in the basement and also,
- Access to a new passenger lift located in the existing external lightwell. The new museum will need to have full disability access and a new lift in this location will serve both the basement and 1st floor with convenient lobbies at each level.

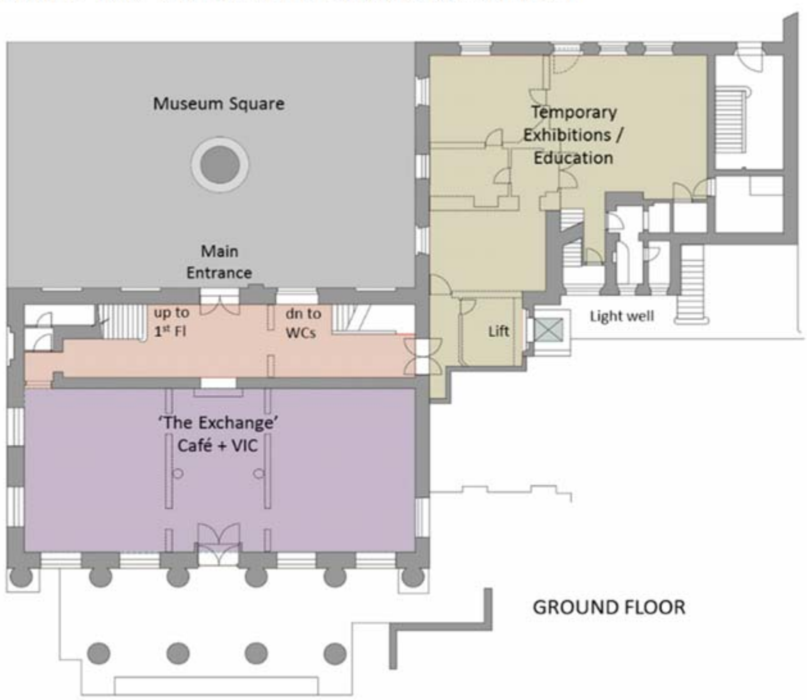

Figure 32: Ground floor showing the new entrance off 'Museum Square'

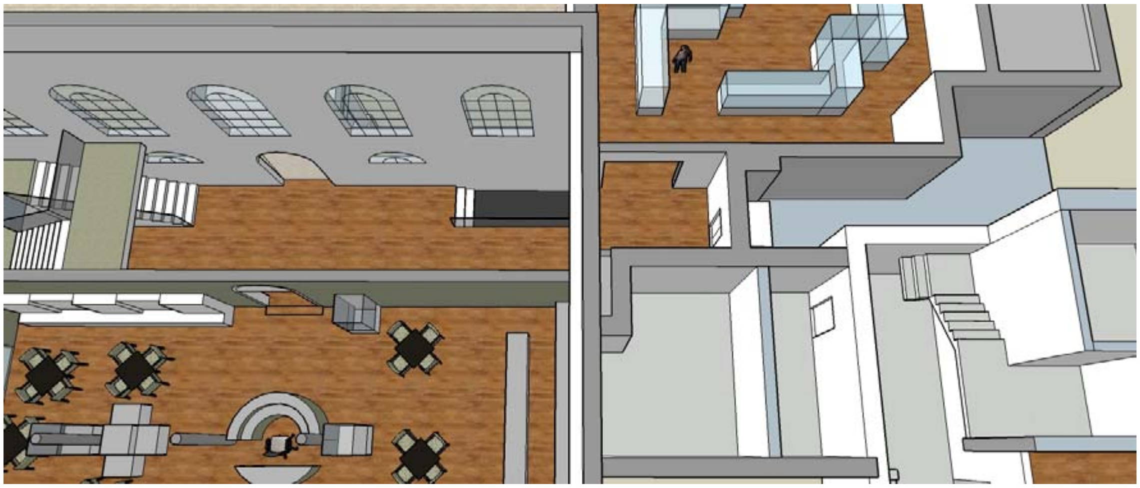

Figure 33: A new entrance hall and lift lobby giving access to the Basement and First Floor Level

7.5 'The Exchange'

Such an approach would also enable a new open-plan space to be created on the ground floor by removing the existing partitions, which create the current entrance hall, but retaining the three original columns which support the first floor. Increased transparency and public awareness of the changing offer of the new museum would be achieved by replicating the original arcade by replacing the existing ground floor windows by glazing the arches.

This new gallery might become known as 'The Exchange' - a new kind of inclusive suite which merges tourist and local information with museum objects, resources and merchandise in a comfortable, inclusive, cafe setting. The existing main entrance doors under the portico would provide direct access for installations and mounting exhibitions as well as an alternative entrance and means of escape. It is anticipated that during the summer months this gallery could take on a different role with the adjacent portico acting as a transition space between it and activities in Market Square.

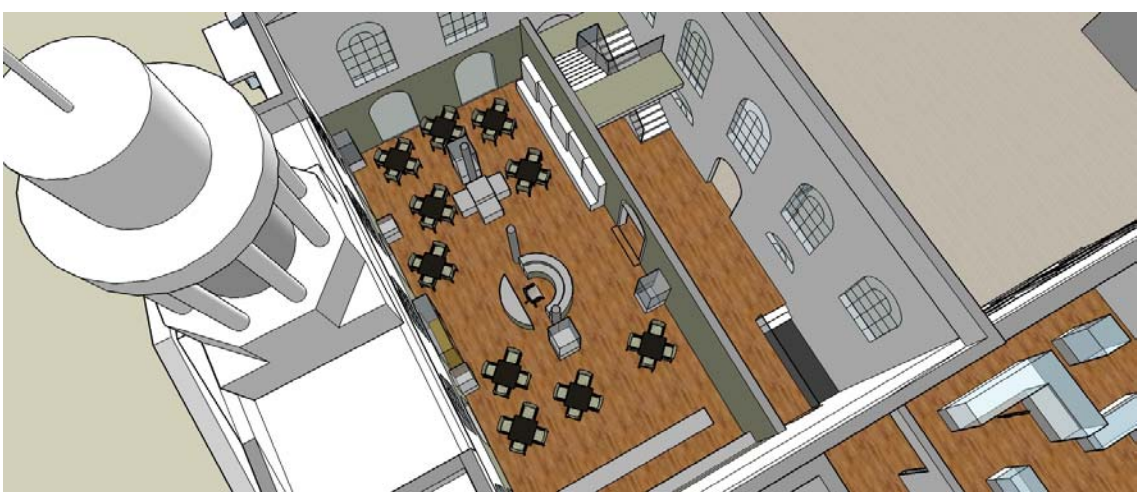

Figure 34: A new open-plan gallery on the ground floor

We envisage that 'The Exchange' will be a destination in its own right whilst providing a highly motivating introduction to the museum environment.

'The Exchange' will provide a welcoming, relaxed atmosphere in which locals and visitors engage with art and artefacts which illuminate the story of Lancaster and the District whilst imbibing local produce and information. In so doing it will engage people with their cultural heritage who might not otherwise visit a museum.

Changing exhibits and themes would maintain a fresh and vibrant offer encouraging new visitors as well as repeat visits, while enabling a revenue stream to be generated through the sale of books, merchandise, food and drink as well as accommodation bookings and the sale of tickets for local events and attractions.

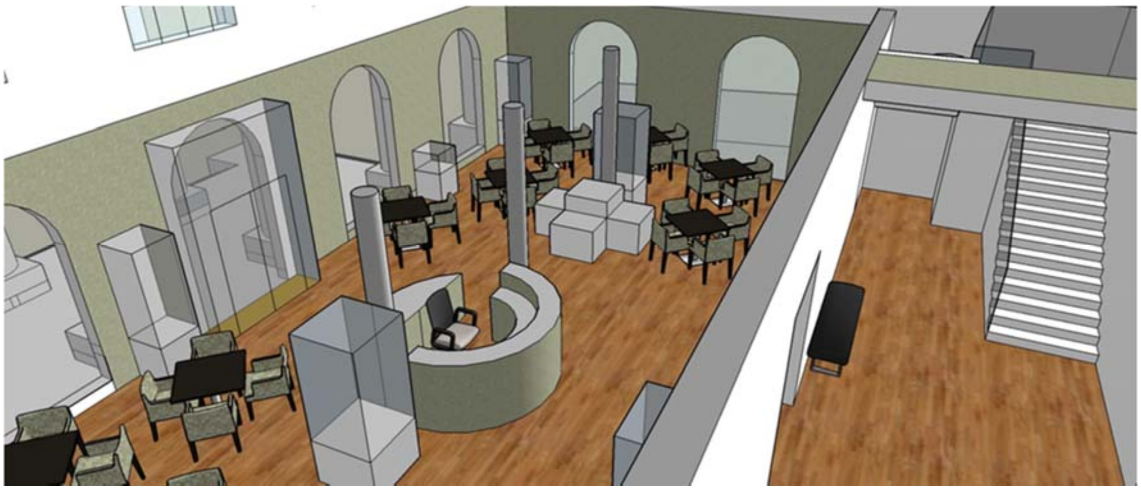

Figure 35: 'The Exchange' – a new visitor destination

'The Exchange' would include the following indicative features:

- Licensed bar / counter dispensing coffee and cakes, drinks and local produce
- Reception / pay point for information and merchandise
- Individual showcases containing artefacts interpreted by graphic panels
- A range of comfortable seating with low tables, stools and high tables
- Freestanding or wall mounted museum objects
- A changing pattern of displayed artwork
- Overhead directional speakers giving a narrow cone of ambient narrative or oral history
- Books for sale on shelves and on tables
- WiFi for personal connection to the museum's intranet and access to its curatorial resources.

7.6 Catering offer

It is envisaged that the catering offer in the museum café will essentially be limited to 'a *Costa*-type operation', serving good-quality coffee, teas, cakes and sandwiches from an 'open servery' with microwave and refrigeration facilities but no kitchen back-up. The café should be licensed to enable alcoholic drinks to be served at lunchtime and during evening events. Should additional catering be required for, for example, evening activities during the summer months, this can be provided by contract caterers on as as-needed basis.

In addition, there is also the possibility of using part of the basement as a kitchen/food preparation unit, perhaps in partnership with the use of the large and well-equipped kitchen at the Storey, thereby increasing throughput at the latter whilst simultaneously removing the need for duplicate facilities at the City Museum.

7.7 Vertical circulation and wheelchair access

There is no existing passenger lift in the City Museum. A new lift is thus a primary requirement to provide access for wheelchair users and other visitors to the basement and upper levels of the museum. Having regard for the Listed status of the buildings and the need to minimise structural interventions and demolitions, the most practical location for a new lift is in the external lightwell between the New Street building and the adjacent Library building. This would serve the basement, ground and first floor levels, with conveniently placed lift lobbies and access provided by the enlargement of existing windows. Existing services ductwork within the lightwell would require some re-routing to enable a self-structural lift system, such as a *Stannah Piccolo* model, to be installed.

7.8 Temporary and special exhibitions

Temporary and special exhibitions are the lifeblood of museums. They provide a changing offer to attract repeat visits, a means of rotating the collection from storage to display and hosting travelling exhibitions for which an admission fee can be charged.

The removal of internal walls and partitions currently enclosing the curatorial offices and the education room on the ground floor of the 'New Street' building would provide a new gallery of approximately 100m^2.

Depending on the availability of alternative gallery space, such as discussed below, this space could also be used for education and training purposes or as a Visitor Information Centre and museum shop with direct access from New Street.

7.9 'The Sanctuary'

Whereas it is not practical to create a direct internal means of public access between the City Museum and the adjacent Library, the hall known as 'The Sanctuary' at first floor level of the Library building would provide an alternative special exhibitions gallery of some 120m^2 for possible use by the Museum.

Accessible via the Library's main entrance in Market Square, The Sanctuary is served directly by a staircase and a wheelchair compatible lift. This option is worth further investigation given the apparent demands on alternative exhibition space in the Storey and will be subject to negotiations with the County Council which owns and manages the Library.

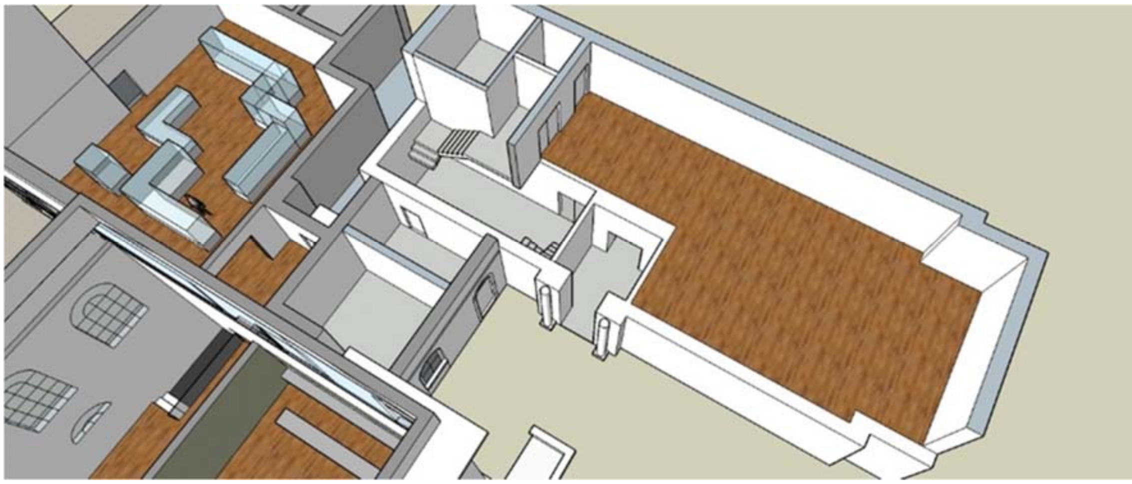

Figure 36: A new temporary exhibition gallery and The Sanctuary in the adjacent Library

7.10 The Basement

The basement, which extends beneath both the Old Town Hall and New Street buildings, comprises a series of barrel-vaulted chambers, having some 2.5m maximum internal height, and is accessible by an existing staircase from the Ground Floor circulation corridor.

Whereas consideration was originally given to making this space available for commercial (restaurant) use to create a rental income stream for the City, it is now proposed that new toilets, a cloakroom and staff room should be provided at this level, in addition to the existing plant room and storage spaces.

The reason for this can be summarised as:

- External public access and means of escape is poor
- Servicing a restaurant operation will be difficult and costly
- A catering operation in the basement could be detrimental to museum use
- Health and safety issues could arise
- Toilets for museum visitors and staff would need to be located elsewhere.

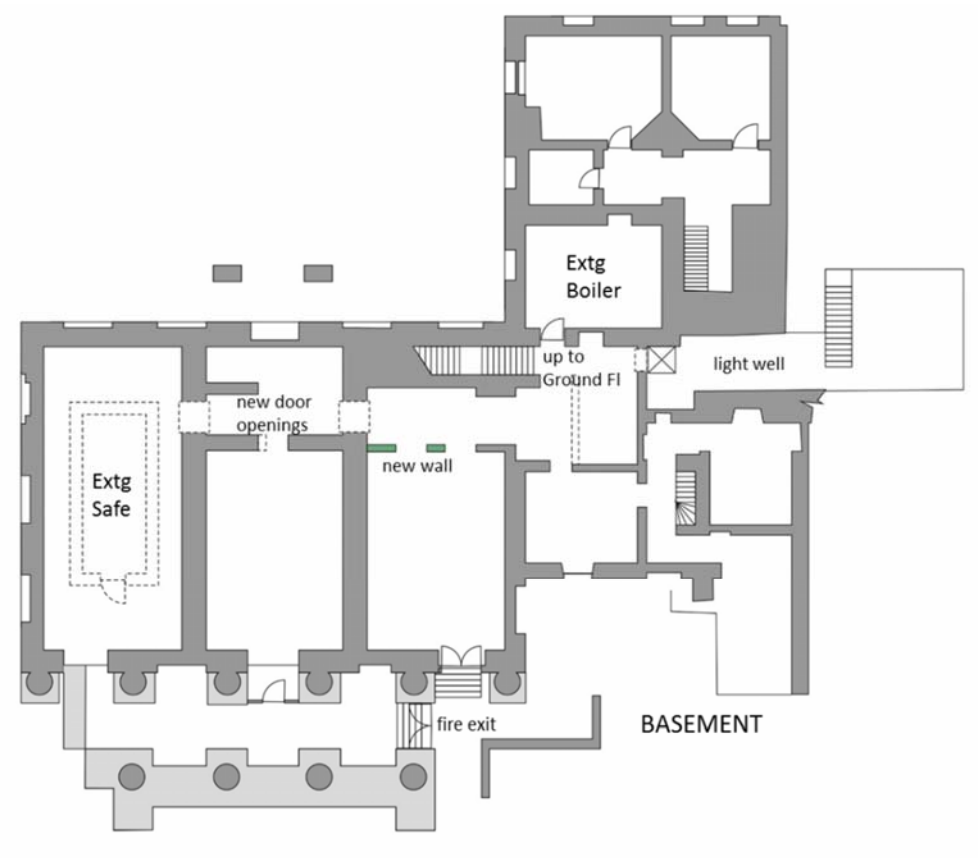

Figure 37: The Basement – existing arrangements

This policy ensures that adequate facilities are provided for increased visitor and staff numbers, whilst maximising the available gallery space at the Ground and First Floor levels. The inclusion of a new lift in the existing external lightwell will also serve the basement level with a conveniently positioned lift lobby.

Some new openings in the vaulted structure will be required to create new doorways, together with the installation of new electrical, water supply and drainage services and a general upgrade of wall and floor finishes.

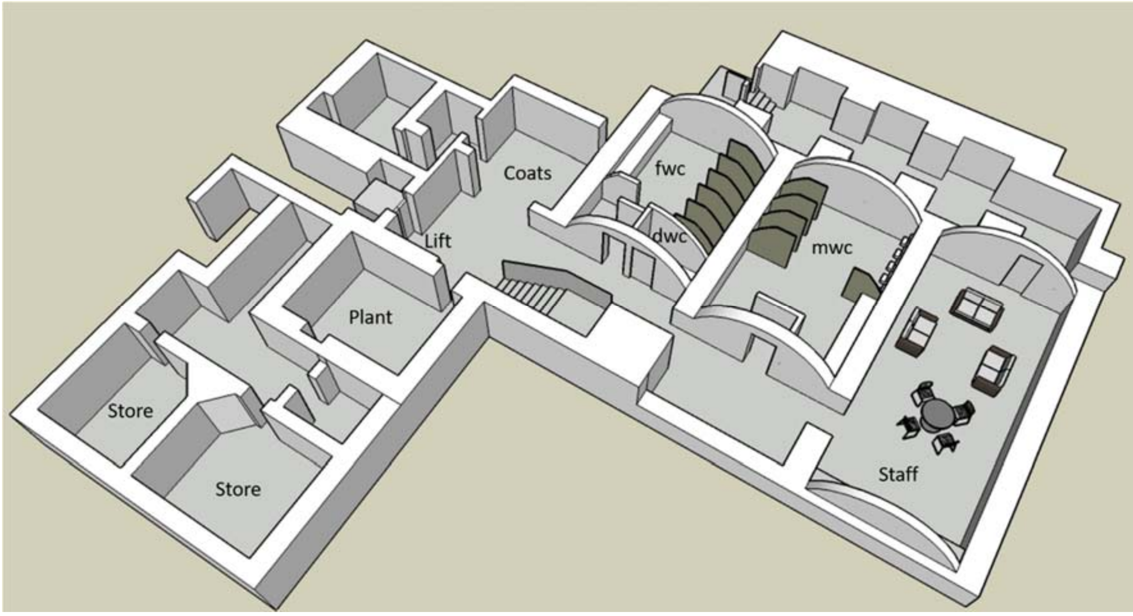

Figure 38: The Basement - refurbished to provide a cloakroom, toilets and staff facilities

7.11 First Floor level

Ascending to First Floor Level, visitors arrive at the heart of the new museum.

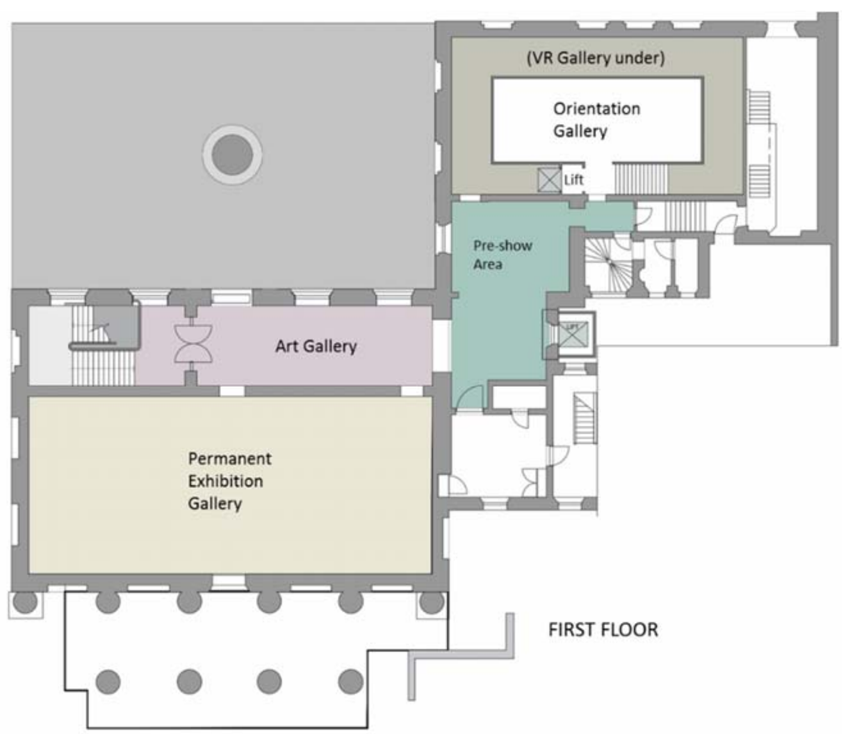

Figure 39: First Floor level

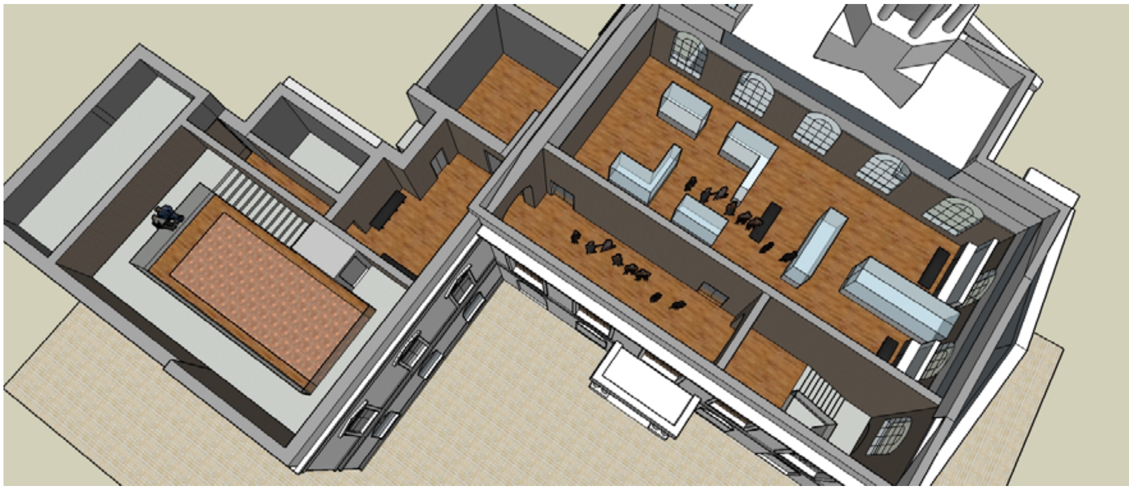

Figure 40: Proposed First Floor layout

7.12 Orientation and immersive galleries

The space currently occupied by the KORR will accommodate a new 'Orientation' exhibit, utilising the existing mezzanine gallery modified to incorporate a wheelchair hoist.

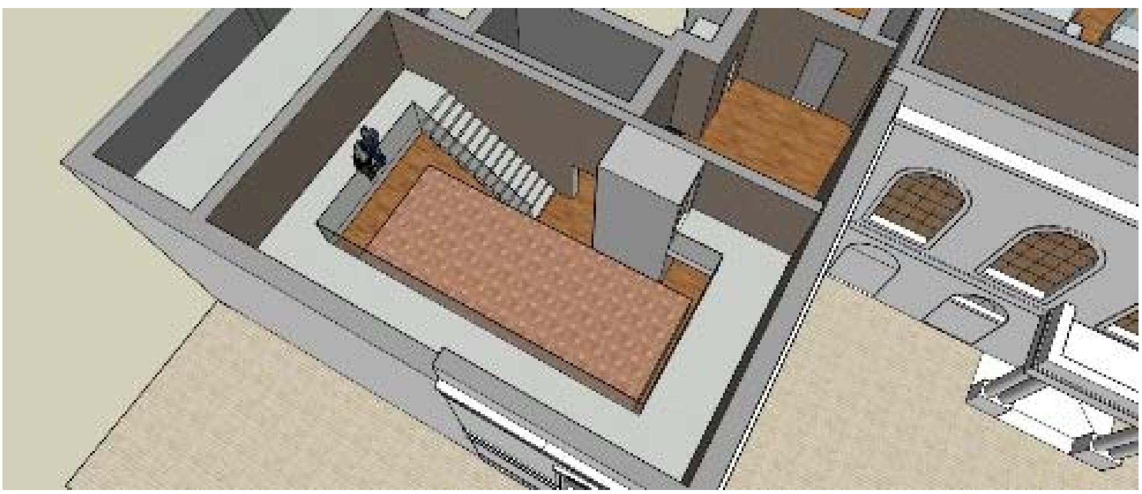

Figure 41: The existing mezzanine gallery modified to incorporate a wheelchair hoist

Orientation to the district's cultural and natural heritage could be provided by:

> *… the vertical downward projection of a digitally-mastered programme onto a large scale, contoured horizontal surface representing the post-glacial landscape of the district. The existing gallery arrangement in the KORRM provides an ideal environment for this presentation. Visitors will see how the landscape has evolved over time as a result of human intervention and population growth, and where, for example, archaeology has revealed significant finds, some of which are now in the museum's collection (such as the Roman tombstone, Quernmore Burial and the Viking-era Silverdale Hoard) and key events in the District's history. This would provide*

visitors with an important contextual overview of the cultural offer of the District as an introduction to the Museum experience and before venturing on-out to more remote sites …

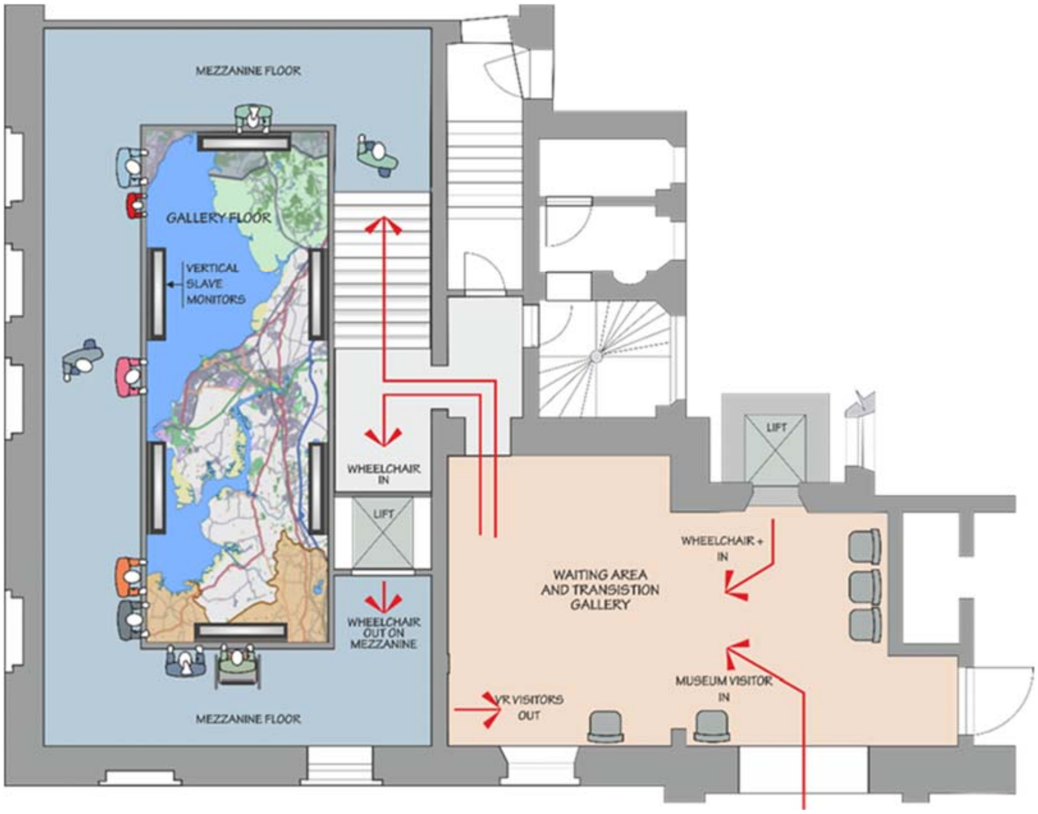

Figure 42: Proposed Orientation exhibit with mezzanine viewing gallery

Visitors would then have the opportunity to investigate this cultural landscape on a more personal level through a fully-immersive Virtual Reality experience. The void below the mezzanine level will be screened from the projection exhibit to create a ‘U’ shaped gallery which could accommodate a VR experience for up to 15 people simultaneously. The geography of the district including the city, the Lune estuary and Morecambe Bay provides suitably dramatic terrain.

…Geological formations will unfold to reveal natural features and the impact of human colonisation. A simulated flight from the battlements of Lancaster Castle could hover over the developing medieval city before heading off to the Crook o’ Lune where Turner could be seen capturing its beauty on canvas. Skimming over the water downstream and under the Skerton Bridge will reveal the quayside, the estuary and the Energy coastline before heading north over flocks of saltmarsh sheep to the sands of Morecambe Bay with its Victorian holiday makers, shrimpers and kite surfers…

The narrative is constrained only by the imagination of those engaged to produce the experience. And, of course, once the hardware has been put in place the number of such VR experiences is limited only by budget and the need to refresh the experience.

It is worth noting that his type of experience can be used for both training and educational purposes and if developed and managed appropriately, as well as being a significant income-generator for the museum, will place it at the vanguard of regional museums adopting this technology.

Figure 43: The relationship between the Orientation and immersive Virtual Reality galleries

There is adequate space between the proposed lift lobby and this immersive gallery to provide a 'holding area' for visitors to enable headsets to be retrieved, refreshed and redistributed. The existing adjacent staircase provides an alternative means of escape from this area with an exit onto New Street.

7.13 The permanent exhibition gallery

A series of thematic displays in the adjoining first floor gallery would then enable visitors to confront primary artefacts, to which they will already have been introduced in the 'Orientation' gallery, and understand the detailed stories that connect them with the District and its history through graphics and audio narrative.

The notional idea of '*The History of Lancaster in 50 Objects'* may have merit as an approach, particularly as 'the 50' can be changed regularly as part of a rolling programme.

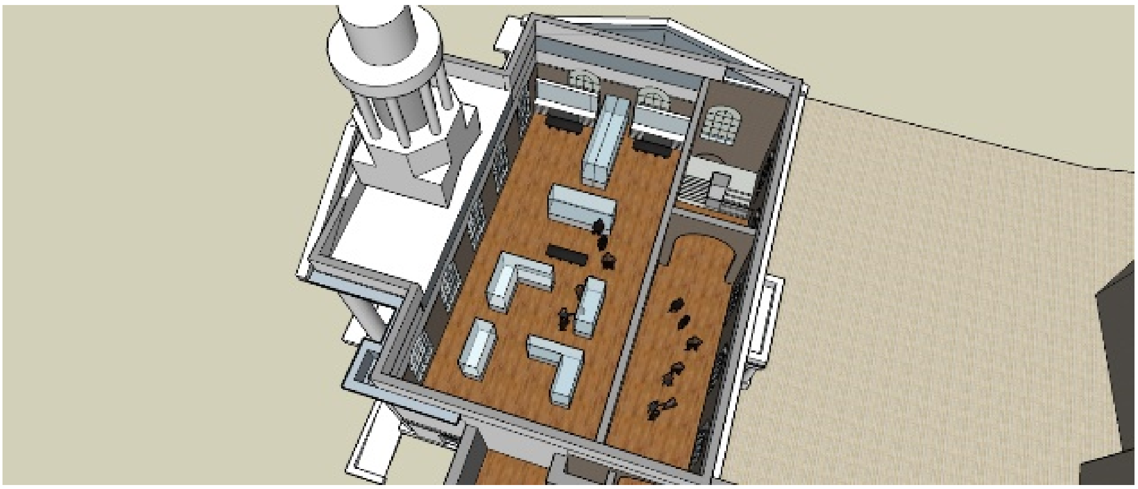

Figure 44: An indicative layout of the First Floor gallery

There will also be an 'investigative' area where groups of smaller objects will be stored in display drawers and cases and specific items can be studied in detail with touch screens providing access to the museum's intranet and curatorial resources.

With over 350,000 items in the collections, this is a tried and tested way of making more of these accessible within the museum itself, in addition to adopting an access policy in the remote Collections Centre.

Small object collections, such as coins, arrow heads or natural history specimens, will be displayed in secure drawers to encourage comparative study. This has important educational and research benefits and has the added advantage of increasing dwell time in the museum.

Similarly, hands-on activities should be encouraged. For example, replica Roman board games could be played alongside the actual gaming pieces, safe in their secure environment[73]. It is possible to envisage a whole suite of such experiential exhibits based around historic themes. '*Hazard'* a notorious dice-based betting game was introduced to the District sometime in the 14C, possibly by Henry of Grosmont, 4th Earl of Lancaster or perhaps by John of Gaunt, 1st Duke of Lancaster.

[73] In Lincoln exhibits are *Latrunculi (*Roman Chess) and *Terni Lapilli* (Tic-Tac-Toe).

It is anticipated that the existing architectural features in this gallery which testify to earlier uses, such as the ceiling mounted gasoliers and decorative historical frieze, will be retained and incorporated within the contemporary fit-out.

7.14 A new extension to the City Museum – the preferred option

The above commentary gives an indication of the way in which the City Museum could be redeveloped, subject to statutory controls, to attract and support a wider audience and significantly larger visitor numbers. The nature of the historic buildings it occupies, however, does limit the potential of the Museum in some key areas.

Reception and welcoming facilities remain inadequate together with a high-profile visitor information, and merchandising outlet. Curatorial office space is reduced in favour of increasing the public realm of the Museum and existing circulation routes compromise the optimal flow of visitors, particularly with regard to the location of the 'Orientation' gallery.

A key outcome of the stakeholder workshop, held in November 2016, is that the preferred option is for a new, two-storey extension to be built in the small square to the north of the Old Town Hall. This solution would potentially resolve the issues outlined above by providing some additional 300m^2 of floor area. Having due regard for existing building lines, a detached, essentially transparent building with a footprint of approximately 17m x 9m is envisaged.

Figure 45: A cutaway view of the proposed new extension

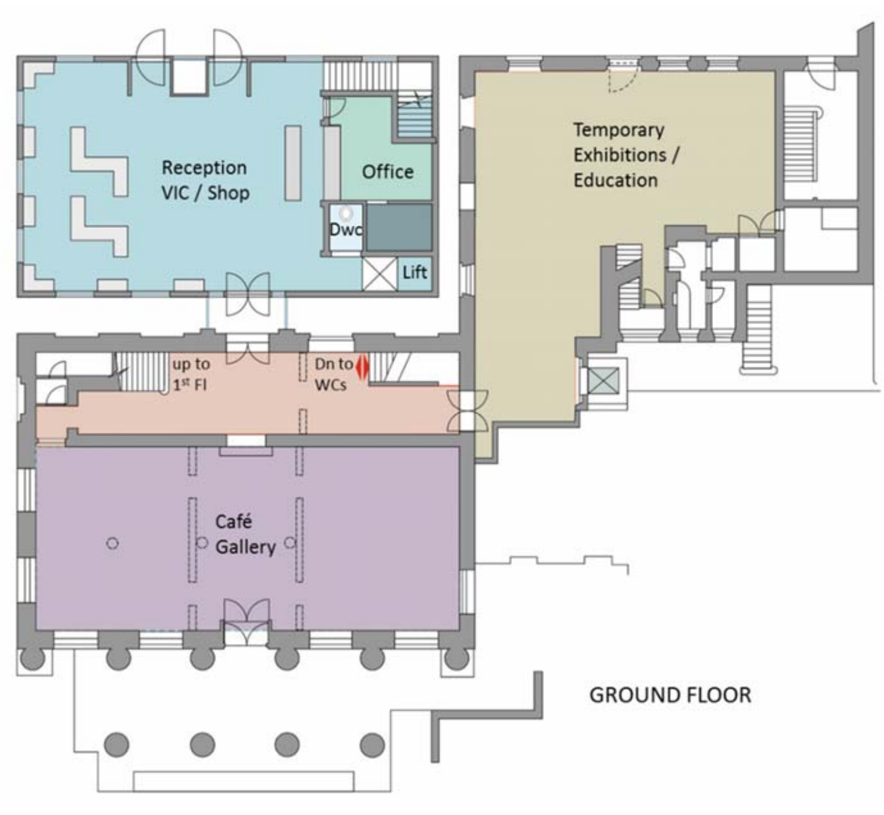

Figure 46: Ground Floor plan – the preferred option

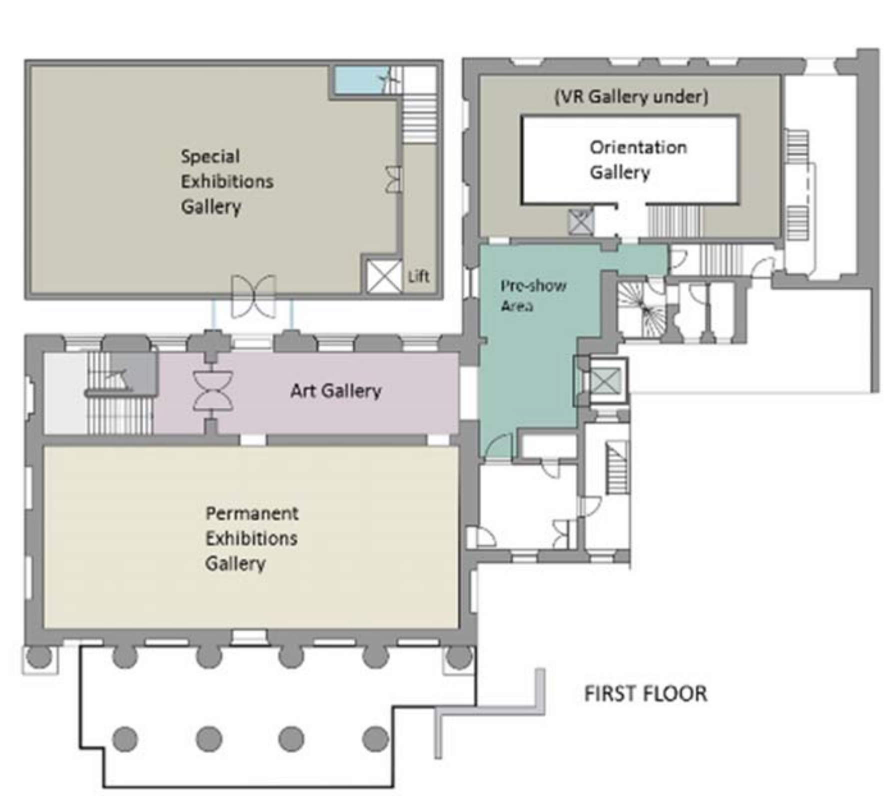

Figure 47: First Floor plan – the preferred option

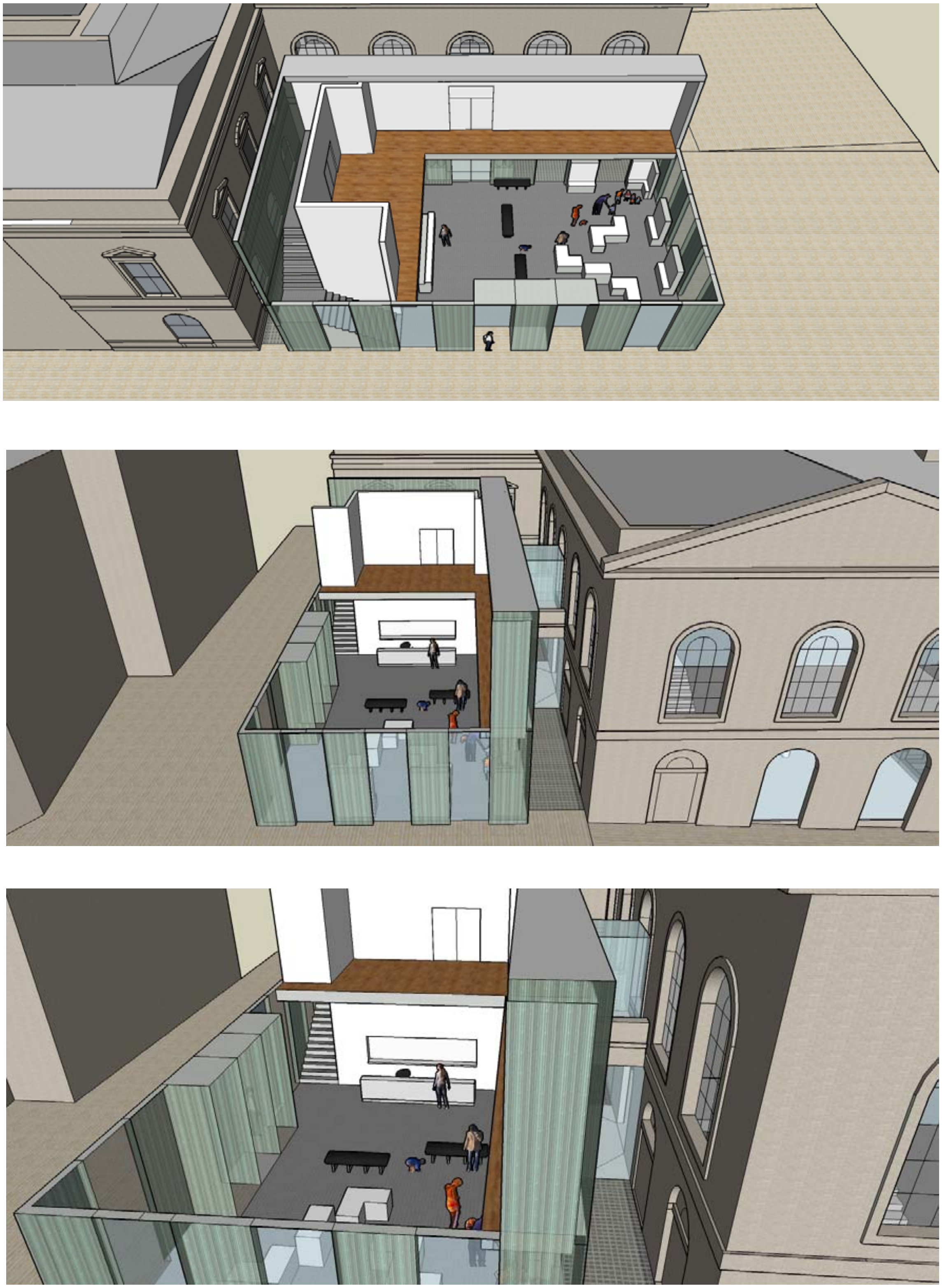

Figure 48: Cutaway views of the proposed new extension

It is understood that the proposed site for this new extension is currently owned by Lancashire County Council Highways Department and therefore a change of ownership would need to be negotiated prior to, or as a function of, the statutory Planning process. It is also noted that the two existing disabled car park spaces and four existing trees on this site would need to be relocated.

It is likely that excavations on this site as part of the development work will reveal important archaeology and an assessment of this, including a desk study and trial excavations, will be required prior to, or as part of, the formal Planning process. The outcome of this study will have important implications for the decision to develop this site and, in particular, the design of the foundations of the new building.

A new extension in this location would provide a highly visible new Museum entrance and reception area with curatorial offices, visitor information and merchandising at ground level and at the pedestrianised junction of New Street and Market Street.

A passenger lift and stairs to First Floor Level in the new extension will provide access to a purpose-built 150m^2 exhibitions gallery and will also enable visitors to enter the 'Old Town Hall' building, through a modified window opening above the existing entrance porch. This will permit an optimal top-down visitor flow through the existing Museum buildings, exiting through the retail area in the new extension.

A toilet for wheelchair users located on the ground floor of the new extension will obviate the need for a secondary passenger lift in the lightwell to provide disabled access to the basement toilet facilities.

The relationship and connectivity between the new extension and the existing Listed buildings will need careful consideration as part of the detail design process. The current plans indicate a void between the new and existing buildings and it will be important that they are both visually and physically disconnected. However, it is recognised that for practical purposes the gap will need to be effectively closed off to the public while providing access for maintenance and cleaning purposes.

Whilst it is recognised that this proposal would involve the development of a highly sensitive city centre site, a high-quality new building would transform the offer of the City Museum, over and above the benefits described above and act as a catalyst for the regeneration of both cultural and commercial activity in the immediate vicinity.

Figure 49: An aerial eye view of an indicative new extension to the City Museum

The added value of a new extension can be summarised as providing:

- Much-needed reception and welcoming facilities for an increased number of visitors
- A high profile visitor information centre and retail outlet (otherwise co-located with the café)
- Curatorial offices and retail storage space
- Direct access by stairs and a passenger lift to a new special exhibitions gallery
- Access to both the ground and first floor levels of the Old Town Hall building
- Disabled toilet facilities on the ground floor.

It will also:

- Reduce the need for demolition and new structural works to areas of the existing buildings
- Obviate the need for a new passenger lift within the existing buildings
- Enable spaces in the existing buildings to be used more flexibly
- Create management and staffing efficiencies
- Enable an optimal top-down visitor flow through the museum
- Enable a dedicated education space to be provided with a separate schools entrance
- Revitalise New Street by generating significant footfall
- Raise the profile of the City Museum as a new visitor destination.

7.16 St Albans Museum – a current comparator project

Planning permission and listed building consent for the new £7.75 million St Albans Museum and Gallery project has recently been granted by St Albans City & District Council. The Old Town Hall dates from 1830 and is one of the most prominent features of the City's Conservation Area.

The plans are for an ambitious scheme to convert the City's Grade II* Listed Town Hall into a new state-of-the-art museum and art gallery. Now that the Council is able to proceed with the project, building work is expected to start in the spring.

Historic England has worked closely with the Council on its proposals to transform the Grade II* Listed Building. The planning decision follows the recent £2.5 million award by the Heritage Lottery Fund which had previously provided £300,000 by way of Development funding.

Figure 50: St Albans Museum in the Old Town Hall

The project's publicity material states that[74]:

> *The new museum and gallery will rejuvenate the cultural life of the District. It has been in development since 2012 in a partnership between the Council, St Albans Museums and Galleries Trust and the University of Hertfordshire. It is scheduled to open in autumn 2017.*
>
> *The overall cost will be £7.75 million with the Council committed to providing funding of £3.3 million. St Albans Museums and Galleries Trust, a registered charity, is leading efforts to raise £1.7 million with the HLF providing the rest of the required finance.*
>
> *The old Town Hall's ground floor's entrance halls will be turned into a reception area and exhibition space. There will be an information resource for the building and City, a specialist shop, café and dedicated education area nearby.*

[74] Source: www.stalbansmuseums.org.uk/project/

The Victorian courtroom will be renovated and have a number of uses including education and providing additional café seating.

On the first floor, the Assembly Rooms will be refurbished and used for civic and public events including heritage and art exhibitions. Glazed walkways will connect the front and rear.

The basement will house a secure ambience-controlled gallery capable of hosting national and international exhibitions.

Figure 51: A model of the proposed redeveloped museum

8 Governance

8.1 Governance issues

Lancaster City Council currently has three museums, all based in Lancaster city centre: the City Museum in Market Square, the Maritime Museum on St George's Quay and the Cottage Museum at St Mary's Parade, opposite the main gate of Lancaster Castle.

Since 2003, all three of the City's museums have been managed by Lancashire County Council as part of a Museums Service Partnership Agreement which was established initially for a ten year period and which is currently under review.

Any future arrangements need to reflect (a) what the museums service can 'do' for Lancaster, (b) how it can do it, and (c) who is best placed to own, govern and manage it.

There appear to be three management options for the City's museums:

- Remain, as now, under a (perhaps revised) arrangement with Lancashire County
- Move the operation in-house to the City
- Move the operation into a stand-alone charitable company or trust[75].

These three are considered below, beginning with 'the trust option'.

8.2 The trust route

The fundamental, *theoretical* advantage of operating the museum service under some form of self-governing trust or similar vehicle is in its *potential* for effective governance and long-term planning, characterised by the following six elements. The governing body of an independent museum service should:

- Wholeheartedly believe in, and be prepared to work for, the museum's best interests
- Be free from local politics, but capable of exerting political influence when necessary
- Appreciate the vital importance of high quality, well-motivated staff
- Recognise that staff need academic and entrepreneurial freedom to perform creatively and effectively
- Be flexible in its response to changing circumstances to enable the service to adapt and evolve
- Be subject to a statutory guarantee of the inalienability of the service's collections.

[75] The Charities Act [2011] defines 'charitable purposes' as being an activity that falls within thirteen heads of charity, and is for the public benefit. Within these thirteen heads those that are specifically relevant to the provision of museums include 'the advancement of education', 'the advancement of the arts, culture, heritage or science', 'the advancement of environmental protection or improvement' and ` the promotion of the efficiency of the armed forces of the Crown'. Trading activities are considered charitable if, and only if, their sole purpose is to support the aims of the charity – such as a museum shop or museum café.

The responsibilities of the governing body are to:

- Provide a framework of plans and policies that define the museum's purpose, monitor achievement of these objectives, and to communicate these to all who work for the museum, and to external stakeholders
- Act as an advocate for the museum within the community and elsewhere
- Provide for the safety, security and preservation of the museum collection
- Secure adequate resources to enable the museum to carry out its work, and ensure that these are managed effectively and efficiently
- Ensure the museum serves the public
- Ensure the museum's financial stability.

In discharging these responsibilities, the governing body has four key roles:

- Ensuring a balance between benefits for present and future generations
- Maintaining goals consistent with financial resources
- Matching sources of funds with their uses
- Providing a sustainable organisation.

The emphasis is therefore on:

- Accountability (the monitoring of performance and incentives for good performance)
- The separation of strategy from delivery, and a focus on management rather than policy
- An inclination to introduce market mechanisms for delivery, including competition and contracting-out
- Responsiveness to customer preferences
- Disaggregation of (large) bureaucratic structures.

In most cases where a local authority devolves its museums to a third party, the following characteristics emerge:

- The devolved body is usually a charity ('a museum trust') created especially to deliver a local authority's museums services, with the intention of a long-term relationship between the council and the museum trust
- The collections may or may not be transferred to the trust
- All the council's museum responsibilities (including strategic planning) are transferred, not only day-to-day management responsibilities
- There is a sharing of risk between the council and the museum trust for a defined period.

Some fifty or so devolutions from local authorities have taken place in England and Wales over the last twenty years for museums and museum services of all sizes. Whilst the trust model is by far the most common, there are others:

- National museums (Merseyside County Museums became what is now National Museums Liverpool)
- Joint committees (such as those for Tyne and Wear Museums, the North of England Open Air Museum at Beamish, and for a number of the museums operated by the Hampshire County Museums Service)
- The private sector (eg, at Weymouth and Walsall)
- Outsourcing to an existing independent museum or heritage organisation (eg, West Park Museum at Macclesfield to Macclesfield Museum Trust, and Baysgarth House Museum in North Lincolnshire to Barton-on-Humber Community Heritage Arts and Media Partnership).

Reasons for the transfer are rarely couched in terms of the need to improve the service to the general public or to improve the service's efficiency and effectiveness. More common reasons are:

- To develop a newly-established museum service or capital project – while common in the 1980s and 90s, this is becoming increasingly less relevant
- As a response to funding difficulties within the local authority – increasingly the most common
- As an outcome of a best value review by the local authority
- As a consequence of moves to rationalise a service's branch museums or to combine the museums with other services.

The general advantages experienced by the devolved museum trusts are generally *reported to be*:

- A greater sense of direction, freed from the wider corporate issues of local authorities, and the ability to focus on the core business
- Flexibilities and freedoms to establish plans and policies appropriate to the need of current and potential audiences as well as stakeholders
- Management structures that enable timely decisions to be made at the most appropriate operational level
- A sustainable framework, based on funding arrangements, that create a stable basis for long-term business planning and development
- The opportunity for changes in working practices (and staff realignment) in the museum organisation
- Opportunities to benefit from the financial advantages of charitable status and to increase income through commercial activity and sponsorship within the constraints of the Charities Act [2011]
- Opportunities to make new connections and freedom to develop new partnerships (both in the museum sector and outside) relevant to the museum's core purpose
- A greater attractiveness to financial donors or persons considering long-term collections loans.

8.3 Remain in local authority control

Reasons to remain in public ownership include:

- It was believed that other means, such as a revised partnering arrangement, would reignite the museum
- The museum was perceived to be 'working well', so there was no reason to change
- Principled political hostility to 'hiving off' services
- Some stakeholders (eg, trades unions) may be opposed to what could be seen as being privatisation
- Devolution is perceived as 'selling the family silver'
- There was no substantial and immediate financial incentive to devolve (this needs to be tested on a case-by-case basis)
- Previous devolutions had led to financial or organisational difficulties for the council
- Legal obstacles (such as ownership of the collections) made the devolution tricky or potentially too expensive
- There was no political or management impetus from within the local authority
- Changes in key personnel (whether political leadership or senior management) either stifled the process of change or reversed previous decisions for political or career-based reasons
- Either the council or the museum service claimed insufficient capacity or resources to undertake a comprehensive review or to manage the devolution process
- The vested interests of museum staff who feared job losses or changed working arrangements, or council corporate staff who feared the impact of change on their operations and career paths.

8.4 Types of devolution

Where devolutions have occurred, they are of the following types:

- Full – where the museum/service is transferred as a going concern, with all its assets, to a newly-created recipient body (trust)
- Hybrid – where responsibility is devolved to a museum trust, as are some assets, but others are retained by the Council (eg, staff remaining part of the council and seconded to the museum trust).

Some museums have been transferred to more all-embracing 'culture/leisure trusts' which cover a wider range of cultural activities. While the benefits of a strategic approach to cultural policy is self-evident, whether there is sufficient advantage in translating this into operational arrangements needs to be considered on a case-by-case basis. For example, the relatively small scale of museum operations within a larger culture/leisure trust's operations (if, say, it includes leisure and sports provision as well) may simply transplant the difficulties they face within the wider local authority set-up, whilst paradoxically making advocacy to the funding body more difficult.

The evidence suggests that local authorities are unlikely to make immediate and substantial financial savings from devolution. The period of financial hand-over is likely to take years (in a few cases, decades) with the council usually retaining some form of financial commitment for the long term, albeit reduced from the initial sum.

Usually there is an up-front premium paid by the local authority to kick-start the transfer, not least in terms of legal and business planning costs as well as, for example, additional investment to compensate for deferred building maintenance (as would be the case in Lancaster).

Hence, rather than seeking immediate financial savings, key objectives for devolution are usually longer-term and are often expressed as the intention to:

- Develop the museum service and continuously improve its quality
- Make significant investment in the museums service through external funding not usually available to the council
- Promote the museum service to an expanded market, and respond more rapidly to market forces
- Provide direct accountability to the community on whose behalf the museum holds the collections
- Provide an economically-viable future for the museum, based on sound business planning
- Widen the financial support for the museum both within the community and nationally.

Devolved museums have usually been incorporated as charitable companies limited by guarantee (which may be styled as ‘trusts’), governed by boards of between five and fifteen members, of which up to 20% are usually nominated by the core-funding local authority.

Lacking any generally-accepted consensus of what constitutes ‘a successful museum’, it is difficult to state with confidence that devolved museums are any more successful than those that have remained part of local authorities. Devolution, in and of itself, is no guarantee of better governance or management.

Additionally, the following general points can be made:

- There is no single, shared business or operating model common to all devolved museums, the balance between earning income from visitors, winning grant funding, and commercial development differs from museum to museum and from place to place. Each case requires its own business model
- Devolved museums have performed well in attracting additional funding, though most of this comes from public funding sources available to other museums, and it appears that relatively little effort has been put into cultivating potential private donors, which has a longer lead-time and where benefits are less immediate
- They are generally responsive and entrepreneurial, although many have created new bureaucracies to replace those of their local authority predecessors. Their external funding bodies have their own reporting requirements which can prove onerous.

8.5 Risks of devolved museums

The risks faced by devolved museums are:

- Over-rapid growth that takes the museum beyond the levels where it can be sustained by its business model
- Stagnation of core funding increasing the income required from other sources beyond realistically-achievable levels
- Over-reliance on external project funding which places areas of activity at risk when that funding dries up
- A change of political philosophy within the local authority that requires an end to devolved arrangements and the return of services to direct delivery
- Changes in taxation (and especially in VAT) which inadvertently place pressure on free-admission museums
- Increasing pension liabilities compromising the museum's core budget
- The inability of the museum to recruit high-caliber trustees to replace the founding board.

8.6 Recommendation: management by the City Council

At present, Lancaster City Council contracts the management of its museum service to Lancashire County Council for a fee of approximately £520,200 a year. If this remains unchanged, it would equate to a cost of more than £2.6 million over five years, and more than £5.2 million over ten years, net of inflation.

The City Council is also under pressure to make substantial savings on a year-by-year basis on its overall costs and to provide additional value for money services for the assets under its control.

Our researches have led us to conclude that there is no reason, compelling or otherwise, for the museum service to continue to be operated outside of its direct control by some form of third-party arrangement.

There is little, if anything, to be gained by pursuing the trust route or continuing with the management arrangement with the County Council. Indeed, the risks in terms of the ability of the City to use its museum assets to support its wider cultural and economic development agendas are considerable if it continues so to do.

Our firm recommendation, based on the above analysis, is that the City should therefore terminate its arrangement with the County as soon as protocol allows and govern and manage its museums in-house.

The business case is based on this recommendation.

9 The Business Case

Producing a coherent business case for a new or revitalised museum service is fraught with danger since any and all businesses will be faced with issues that, at the time of their appearance, are likely to be outside their control. This is particularly the case with the 'visitor economy' in which issues such as petrol prices, inflation, national security and the availability of concessionary spend are all relevant.

Nevertheless, a statement of what the service is aiming to achieve and how it tries to achieve it is an essential component of any feasibility study; as is, of course, an understanding of the level of risk associated with any investment and the returns that are likely to be achieved.

This business case is in two parts.

The first looks at and considers capital costs; the second reflects on revenue implications. It begins with the overall approach.

9.1 Financial modelling – the approach

In taking a considered, balanced view of the future operation of the service a simple, linear decision-tree model using a quasi-Boolean approach[76] was developed and tested internally.

Such a model assigns judgemental values (most often reflected as percentages) to decisions or projections as they are made and, as decisions follow based on previous projections, a cascade of outcomes and their implications necessarily follows. The multiple of the percentages indicates the relative benefits (or dis-benefits) of making any particular series of decisions and hence in recommending any specific course of action.

When using percentages (as is the case here) a 'score' of 100% represents no change, anything less than 100% reflects a negative (detrimental) change, and anything over 100% a positive (beneficial) one.

Note that because the model is item-dependent (in as much as a change in one can have a large effect on the others through the resulting cascade) there are no absolutes: a 'plus 200% score' does *not* imply that the change will make the service *twice as good* … merely that is has a significantly greater chance of being 'better'.

And, of course, the proposed changes – and hence the weightings – are assessed against the overriding criteria of making the new museums service a flexible, outward-facing business that adds value to each and every visit whilst also making a positive contribution to the social and economic well-being of Lancaster and its district.

All models need inputs and all models produce outputs. At its heart, the model shown here uses qualitative inputs to infer quantitative outputs and, since the model works in a real-world

[76] Decision trees are a major part of Boolean (yes/no) Algebra and provide a useful tool with which to simplify and understand complex, real world problems. See: Crama, Y; Hammer, P. L. (2011*) Boolean Functions*, Cambridge University Press.

environment, theoretically any and all outcomes are possible and thus, in absolute terms, an infinite number of outcome-models could be produced. Therefore, to produce a usable model, the application of professional judgement is critical to the inputs and their respective weightings which are, in and of themselves, available for criticism and comment.

Based on these understandings and caveats, the resultant model is presented overpage, from which the following observations can be made:

- The decision to remain operating under the existing contract with Lancashire County Council will impact detrimentally on the service in Lancaster City since it does not generate growth nor, as it is being administered currently, can it foreseeably do
- Growth, in the terms demanded by Lancaster City Council as part of its wider economic development agenda, is more far more likely to occur if the service is taken under its direct control
- Long-term decision-making and financial well-being relying on Lancashire County Council is a major risk to the City and should be avoided
- The disposal of, and re-use, of some of the City's museum assets (specifically the Maritime, Customs House and the Cottage) will free up opportunities for the City Museum, 'found venues' and the Collections Centre
- The change of operation to in-house allows fresh thinking in terms of the delivery of services at the remaining outlets, including a new service-wide management structure: a new approach that will enable the service to become a real and vibrant part of the City's economic development ambitions
- All this will require new financial arrangements based on need and ability and focused on delivering an outward-looking service
- The objective is to minimise opportunity cost, manage all identifiable risks, enhance Value for Money, and deliver a better, sustainable and future-proofed service for the benefit of all.

The decision tree (as set out overpage) is helpful in as much as it indicates an overall, summary chance of the proposed model being successful at '150%'. This figure, which can be discounted as an absolute measure, simply means that the likelihood of long-term, sustainable success under the new model is higher and more readily achievable than following the status quo.

The rest of this business plan takes this analysis on board and hence describes a new way forward.

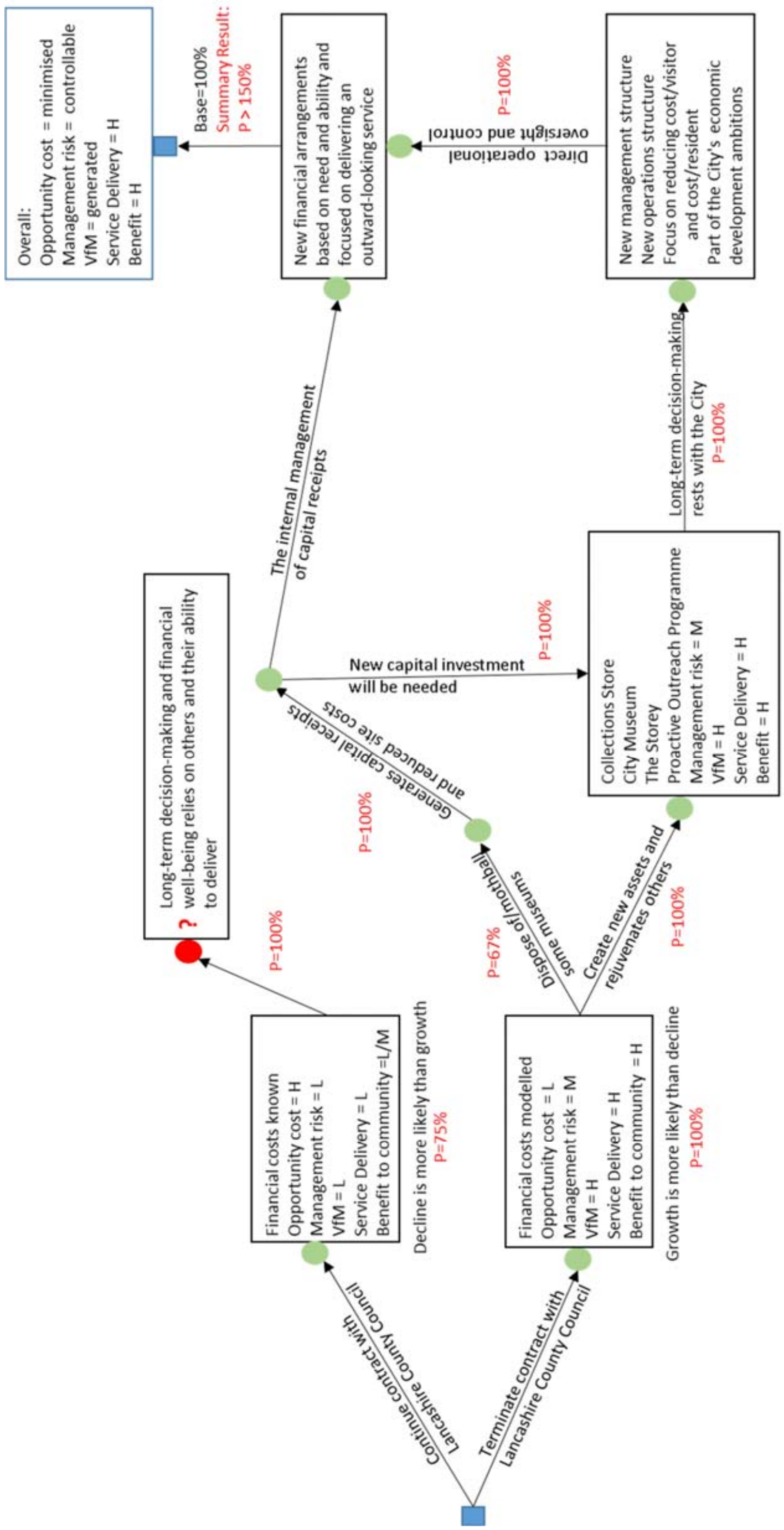

Figure 52: The business plan decision tree

9.2 Capital costs

The headline capital model is shown overpage and is laid out in the following four broad sections:

- The cost of creating a new Collections Centre in a new build facility on City Council-owned land (rows 2-5)
- The cost of redeveloping the City Museum in accordance with the ideas presented in this report (row 6-13)
- The cost of developing and promoting the service as a whole (rows 14-22)
- Summary numbers (rows 29-35).

The model suggests that the service as a whole requires a capital investment of some £7 million[77] to undertake the changes proposed in this report (row 25)[78].

These overall costs have been developed from (a) an understanding of the nature of the buildings to hand or to be developed, (b) external and published references regarding fit-out costs per m^2 and (c) our understanding of what will be required to, essentially, resuscitate and re-present the museums service pre-relaunch.

It should be noted that the plans thus far developed are at concept stage. Detailed discussions with the appropriate authorities, such as the City's Planning Department or Building Control have not taken place nor have the plans been subjected to any form of value-engineering as this is inappropriate at this time.

Of course, all these figures are available for scrutiny – and to an extent depend on what is permissible under Planning – but we are confident that they are both justifiable and reasonable.

The following table sets out capital cost estimates for the Collections Centre, the refurbishment and extension of the City Museum and the Service as a whole, including professional fees and contingencies.

Fee percentages differ due to the nature and value of the work involved. Architects' fees, for example, vary depending on whether the work relates to new buildings or the refurbishment of existing buildings. It should also be noted that if the decision is taken to proceed with the development of a new extension to the City Museum then certain proposed works to the existing building could become superfluous, resulting in potential cost savings.

Such works include:

- A new passenger lift in the 'lightwell'
- Demolitions to the temporary exhibition / education area

[77] Of interest is that the CBI estimates that, on average, every £1 spent on capital works generates an additional £2 in the local economy. Source: CBI reported by BBC News on 23 November 2016.

[78] The report by Carillion entitled *Lancaster Maritime and Cottage Museums Regeneration Opportunities Stage 1 Report*, dated January 2017, independently supports the overall capital costs for the Collections Centre. Their report suggests that the build costs could be in the region of £1.1m. AP+P has allowed an additional £400,000 for fit out.

- Landscaping to the new entrance square
- VIC and reception facilities in 'The Exchange'.

1	**OVERALL BUDGET HEADS** (1)	**£000**	**£000**
2	**The Collections Centre (Section 4)**		
3	Fit out 1,500 m^2 at £900pm^2 (assumes new build; some on mezzanine; see specification) (2)	1,350	
4	Add: Fees at 12.5%	150	
5	**Total**		**1,500**
6	**The Refurbished City Museum - Preferred Option (Section 7)**		
7	General works to the building envelope (3)	300	
8	Main exhibitions and interiors fit out at 400m^2 at average £2,200 pm^2	880	
9	Commissioned Virtual Reality for orientation space plus fit out	400	
10	Ground floor fit out at 215 m^2 at average £1,700 pm^2	366	
11	New extension, servicing, fit out and external works; 370 m^2 at average £4,600 pm^2	1,702	
12	Basement fit out 150m^2 at average £1,500 pm^2	225	
12	Add: Fees at 15%	581	
13	**Total**		**4,453**
14	**The Service as a Whole**		
15	Research, create and launch new brand, including promotional, touring exhibition	45	
16	Launch advertising	55	
17	Enhanced digital web presence	60	
18	Movement and consolidation of objects into Collections Centre	70	
19	Primary object conservation and documentation related to above	75	
20	Sub-total	305	
21	Add: Fees at 30%	92	
22	**Total**		**397**
23	**Estimated total of Capitalised Costs**		**6,350**
24	Add: overall contingency of 10%	635	
25	**Budget**		**6,985**
26	Of which:		
27	Fees	946	14%
28	All others	6,039	86%
a	(1) includes all tender costs, fees and works for all aspects, overheads and profit; excludes inflation and VAT		
b	(2) all m^2 areas are GIA		
c	(3) includes Bullen Conservation Limited's 2009 quote of £200K for essential works, updated to Q1 2017		
29	**Elemental Summary**		**£ 000**
30	The Collections Centre (Section 4)		1,500
31	The Refurbished City Museum - Preferred Option (Section 7)		4,453
32	The Service as a Whole		397
33	Sub-total		6,350
34	Add: overall contingency of 10%		635
35	**Budget**		**6,985**

Figure 53: Overall capital cost model

If, for whatever reason, the proposed and recommended extension to the City Museum were **not** to go ahead, the above capital model would be revised as:

1	**OVERALL BUDGET HEADS** (1)	**£000**	**£000**
2	**The Collections Centre (Section 4)**		
3	Fit out 1,500 m^2 at £900pm^2 (assumes new build; some on mezzanine; see specification) (2)	1,350	
4	Add: Fees at 12.5%	150	
5	**Total**		**1,500**
6	**The Refurbished City Museum - Without the Extension**		
7	General works to the building envelope (3)	300	
8	Main exhibitions and interiors fit out at 400m^2 at average £2,200 pm^2	880	
9	Commissioned Virtual Reality for orientation space plus fit out	400	
10	Ground floor fit out at 215 m^2 at average £1,700 pm^{2,} plus external landscaping to new entrance	466	
11	New extension - not included	0	
12	Basement fit out 150m^2 at average £1,500 pm^{2,} plus lift at £250k	475	
12	Add: Fees at 15%	378	
13	**Total**		**2,899**
14	**The Service as a Whole**		
15	Research, create and launch new brand, including promotional, touring exhibition	45	
16	Launch advertising	55	
17	Enhanced digital web presence	60	
18	Movement and consolidation of objects into Collections Centre	70	
19	Primary object conservation and documentation related to above	75	
20	Sub-total	305	
21	Add: Fees at 30%	92	
22	**Total**		**397**
23	**Estimated total of Capitalised Costs**		**4,795**
24	Add: overall contingency of 10%	480	
25	**Budget**		**5,275**
26	Of which:		
27	Fees	713	14%
28	All others	4,562	86%
a	(1) includes all tender costs, fees and works for all aspects, overheads and profit; excludes inflation and VAT		
b	(2) all m^2 areas are GIA		
c	(3) includes Bullen Conservation Limited's 2009 quote of £200K for essential works, updated to Q1 2017		
29	**Elemental Summary**		**£ 000**
30	The Collections Centre (Section 4)		1,500
31	The Refurbished City Museum - Without the Extension		2,899
32	The Service as a Whole		397
33	Sub-total		4,795
34	Add: overall contingency of 10%		480
35	**Budget**		**5,275**

Figure 54: Capital cost model without the extension

The effect of not having the extension is that the capital cost (Figure 54, row 35) is reduced to £5.28 million (this is, by a total of £1.71 million from the capital cost of the development *with* the extension; Figure 53, row 35).

This reduction takes into account and measures over all directly-associated fees and contingencies and includes the addition of a lift within the existing building to service both the basement and the first floor.

Such an outcome would, of course, have revenue implications, and these are picked up later in this Section.

9.3 Sources of capital grants – the Heritage Lottery Fund and others

Whilst this is, at first sight, a major investment at £7.0 million, funds are potentially available, particularly – but not exclusively – from the Heritage Lottery Fund (HLF), of which more below.

It is not this study's role, of course, to advise the City Council on the specific use of its own resources (capital or otherwise) as it has been assumed that this expertise can be found in-house.

The Carillion report of January 2017[79] suggests a number of options for the beneficial re-use of the Maritime Museum (Warehouse and Customs House) and the Cottage; buildings deemed superfluous by the current report to the way in which the service should develop. Carillion's report recommends the sale of the Cottage 'as is' and the refit the Maritime Museum as offices whilst exploring longer-term possibilities such as conversion to a boutique hotel, or restaurant-with-rooms. Various financial scenarios are presented by Carillion in their report.

The outcomes of these scenarios have *not* been included in the current analysis by AP+P since the use of these funds (whether capital or revenue) is outside the scope of the current brief; however, we note that they could be a source of match-funding.

Since the HLF is likely to be a major source of project funds, we would suggest that an early enquiry is be made of them for a grant of £5 million (70% of the capital cost), leaving the City to source and secure an additional £2 million (30%) from its available resources, either as funds produced by the disposal of non-needed museum assets (such as those cited above) or through central reserves or other channels[80].

[79] Source: Carillion plc: *Lancaster Maritime and Cottage Museums - Regeneration Opportunities - Stage 1 Report* (January 2017), prepared by S J Holland FRICS

[80] We understand that the City can borrow at the current (Q1 2017) rate of 2% for capital purposes.

The HLF[81] is the UK's primary public source for the funding of heritage projects and has been since its creation under the National Lottery Act *etc* [1993]. It made its first award in 1994 and has to date awarded over £7 billion to over 40,000 projects nationwide.

The HLF awards grants in seventeen categories including Landscape Partnerships, Grants for Places of Worship and Skills for the Future[82].

The category most appropriate for the current project is *Heritage Grants* for which applications can be made for funding of between £100,000 and £5 million, or for more than £5 million in exceptional circumstances under the 'major grants' programme. It is recommended that the application here is for less than £5 million, or circa 70% of the total capital cost.

For information, the minimum contributions required of the applicant by the HLF for grants over £1 million are 10% of the costs of the development phase and 10% of the costs of the delivery phase.

Heritage Grants applications of between £2 million and £5 million are subject to a two-round process so that applicants can assess the chance of success before committing to detailed work, and hence additional cost. At both the first and second rounds, applications are assessed by the HLF within three months and then passed onto the next decision-making meeting which take place four times a year (in January, March, June and September).

Applicants can decide how long to take over the second round, providing that it is completed within twenty-four months. The City should therefore consider a twenty-four month development period as the maximum time it should allow for both rounds of the application process once a decision to move to the first round has been made.

In Lancaster's case, the application will be handled by the HLF's North West regional office, located in Manchester.

The table overpage, taken directly from the HLF's grant application material[83], indicates the different levels of information required in both the first- and second-round applications.

[81] The HLF is administered by the Board of Trustees of the National Heritage Memorial Fund (NHMF). Whilst not being a government department, the Secretary of State for Culture, Media and Sport issues financial and policy directions to the organisation, which reports to Parliament through the Department. Decisions about policies and large applications are made by the Trustees of the NHMF. There are also decision-making committees in the English regions, Scotland, Wales and Northern Ireland. Lancaster is within the North West region with head offices in Manchester.

[82] See the HLF website at www.hlf.org.uk/looking-funding/our-grant-programmes

[83] Source: The Heritage Lottery Fund *Heritage Grants over £100,000 – Application Guidance* (August 2015, and extant).

Activities	**Outline proposals:** Who is your project likely to involve The nature and range of activities that will engage people with heritage	**Detailed proposals**: A detailed action plan, showing all the activities in your project. This will be included in your activity plan
Capital work	**Outline proposals**: An initial breakdown of the capital work you plan to deliver Plans for architectural elements up to and including RIBA work stage 1 (or old RIBA work stage B)* Plans for non-architectural elements, such as interpretation or digital outputs, at the equivalent of RIBA work stage 1 (or old RIBA work stage B)	**Detailed proposals:** Detailed plans and proposals for capital work you plan to deliver Plans for architectural elements up to and including RIBA work stage 3 (or old RIBA work stage D) Plans for non-architectural elements, such as interpretation or digital outputs at the equivalent of RIBA work stage 3 (or old RIBA work stage D)
Project outcomes	**Outline information** about the outcomes your project might achieve	**Detailed information** about the outcomes your project will achieve.
Project management	**Detailed information** about the work you will do during your development phase Detailed information about how you will manage your development phase, including briefs for work to be undertaken by consultants and new job descriptions Detailed timetable for your development phase Outline information about how you will manage your delivery phase Outline timetable for delivery phase	**Detailed information** about how you will manage your delivery phase, including briefs for work to be undertaken by consultants and new job descriptions Detailed timetable for your delivery phase A project business plan, if required
After the project ends	**Outline information** about how you will sustain the outcomes of your project after funding has ended, including funding additional running costs	**A conservation plan**, if required (submitted early in your development phase) Detailed information about how you will sustain the outcomes of your project after funding has ended, including funding additional running costs Detailed information about how you will evaluate your project A management and maintenance plan, if required
Project costs	**Detailed costs** for your development phase. **Outline costs** for your delivery phase Possible sources of partnership funding for your delivery phase and/or a fundraising strategy for your development phase	**Detailed costs** for your delivery phase An indication that you will have secured partnership funding in place before you start your delivery phase

Figure 55: The two-round HLF application process

As part of the tender process, the project will need to supply four documents to sit alongside the formal application, all of which can be produced as part of the round one work:

- An activity plan
- A management and maintenance plan
- A conservation plan for the City Museum
- A project business plan.

The HLF applies seventeen criteria across four categories as headline assessment aids. These are listed below, from which it can be seen that the current project (as proposed) satisfies each and every one:

Outcomes for heritage		
heritage will be better managed	weighted by HLF	✓
in better condition	weighted by HLF	✓
better interpreted and explained		✓
better identified and recorded		✓

Outcomes for people		
developed skills	weighted by HLF	✓
learnt about heritage	weighted by HLF	✓
changed their attitudes and/or behaviour		✓
had an enjoyable experience		✓
volunteered time		✓

Outcomes for communities		
negative environmental impacts will be reduced	weighted by HLF	✓
more people and a wider range of people will have engaged with heritage	weighted by HLF	✓
your local area/community will be a better place to live, work or visit		✓
your local economy will be boosted		✓
your organisation will be more resilient		✓

For projects requesting £2million or more		
more than one outcome for heritage		✓
more than one outcome for people		✓
more than one outcome for communities		✓

Figure 56: The HLF's headline assessment criteria

There are, of course, many other agencies and charities available that offer grants for heritage projects.

For example, the Heritage Funding Directory[84] cites nearly four hundred such bodies currently active in the UK ranging from the Arts Council to the Zibby Garnet Trust.

Clearly, some of these sources will be more relevant than others, but the key point here is that if the HLF guidelines are followed, every one of these 400-odd organisations is likely to be satisfied in terms of the material made available to them.

If an early approach is made to the HLF (as is recommended strongly here), the issue of the Fund providing development funding for the project should also be advanced. Some of these grants are themselves substantial.

For example, the Society of Antiquaries of London received (in August 2016) initial support for a £4.7 million grant and was awarded £334,800 towards the first (development) round of a £6 million project

[84] Source: The Heritage Funding Directory (2016) www.theheritagealliance.org.uk/fundingdirectory/main/results

to secure the future of Kelmscott Manor, the former Cotswolds retreat of William Morris, owned and managed by the Society and open to the public as a historic house and museum. The total HLF investment is therefore in the region of 80% of the total capital cost.

9.4 Public consultation

A successful bid to the HLF requires a sustained campaign on behalf of the applicant from all available sources of support, including political leadership, staff, consultants, volunteers and the general public.

In order to demonstrate public support for the project in all three elements ('heritage', 'people' and 'communities') the HLF requires that bidders undertake formal public consultation exercises at relevant stages in the project's development, particularly for grants of the order being considered here.

In this case, three stages of consultation might be appropriate: (a) before the project becomes 'real' in the sense that capital funds are acquired so that public acceptance of, and input to, the bid can be described; (b) during the development phase so that issues of, for example, access and the acceptance of various forms of interpretation can be assessed; and (c) once the project has been opened so that the effect of the project in terms of heritage, people and community can be formally evaluated. These three stages are usually termed 'front-end analysis', formative evaluation' and 'summative evaluation' respectively[85].

Therefore, as part of the bid process, the project should consult formally with the general public over the plans for the museums service as a whole and the City Museum in particular. It is suggested that this takes place through the use of a touring exhibition at various locations throughout the District and, to achieve as wide a coverage as possible, venues should be chosen that have a large 'natural footfall', such as supermarkets.

Public response would be assessed formally through the use of questionnaires so that support can be demonstrated with a high degree of statistical authority. *P*+P has used such techniques in the past when building support for projects[86]. The very fact that the exhibitions are taking place offers the opportunity for considerable PR benefits, particularly through local media.

For this project an exhibition touring four venues (say, Lancaster, Morecambe, Heysham and Carnforth) might be appropriate with the exhibition staying in each venue for a calendar week. The exhibition would be permanently manned by appropriately-briefed personnel so that questions raised by the public can be addressed immediately.

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[85] See, for example, Prince D R Prince, *The Manual of Curatorship: A Guide to Museum Practice*. Butterworths: London. (Reprinted many times, latest 2011).

[86] A good example is the public consultation exhibition for the National Army Museum North project at Catterick Garrison, in conjunction with Tesco plc.

On average, the HLF makes available in the region of £400 million a year for 'heritage' projects of all sizes[87]. Hence, Lancaster will necessarily be in a competitive environment, particularly bearing in mind that other local projects (such as the Judges' Lodgings) might well also be seeking HLF funding at the same time.

The City therefore needs to put in place – subject to a decision to proceed – a project team to organise and mount the bid campaign. This team will grow as the project develops and is likely to include third party, specialist appointments for some of the work (for example, architectural design services) made as a result of the City's usual tender processes. Many successful bids have included a 'client-side' consultant to advise the staff (and others) throughout the bid process.

In this case, this report has suggested the appointment of a Heritage Business Development Manager as a key post to develop the service on a day-to-day basis. It might be that consideration is given to the appointment of this person early in the HLF bidding process (perhaps after a successful first round bid and in the role of 'Business Change Manager') to concentrate on putting the second round bid together and planning the development work on the ground, as this is when much of the detailed work will take place.

9.5 Revenue throughputs

The primary revenue model is shown in Figure 57 (overpage) which sets out all sources of income and costs, as far as these are either known or can be reasonably projected.

It needs to be stated at the outset that all comparator figures provided are subject to extreme variation at source and, in some case, lack of verification from City and County sources, of which more below.

Summary notes on how these figures have been compiled are to be found in the right hand column of the table and throughout this section of the report. Details are:

- Rows 2-4 are visitor numbers projected from the earlier analysis in Section 5
- Rows 5-11 are projected major cost items including staff (see later in this Section) promotions and advertising, conservation, documentation and education, the operation of the Collections Centre and the provision of the VR experience as part of the orientation
- Rows 13-17 look at earned income to offset the total costs shown in row 12
- Rows 18-22 show the effect on the service as a whole.

Of course, all inputs and their projections are subject to scrutiny and debate and will be worked up in greater detail and signed off by the City's staff as and when a formal business plan is submitted to, for example, the HLF as part of the second round bid. We are confident that the level of analysis presented here is entirely consistent with that of a feasibility study running in parallel with the evolving designs.

[87] Source: The HLF website www.hlf.org

	Year	1	2	3	4	5	Principal notes (for details see accompanying text)
2	Visitors: base	150,000	138,750	145,688	149,330	153,063	Drawn from separate subroutine
3	Of which: free entry	100,000	92,500	97,125	99,553	102,042	66% of total
4	Of which: charged for special exhibitions	50,000	46,250	48,563	49,777	51,021	34% of total
5	Museum Service staff costs	425,000	425,000	425,000	425,000	425,000	17 fte @ £25K average, including all on-costs
6a	Premises and other like-for-like costs comparable with the existing offer	28,650	28,650	28,650	28,650	28,650	Current cost x 1.5
6b	Rates payable on the City Museum, including the extension	50,000	50,000	50,000	50,000	50,000	Estimate provided by the City Council
7	Direct advertising and promotion	75,000	69,375	72,844	74,665	76,531	50p per attracted visitor
8	Temporary exhibition cost (85% of that charged for income)	0	0	0	0	0	Drawn from separate subroutine
9	Conservation, documentation, educational services	127,500	127,500	127,500	127,500	127,500	Estimated at 30% of staff costs
10	Collections Centre	80,000	80,000	80,000	80,000	80,000	Annual premises running costs, incl rates, excl staff
11	VR software per year	0	44,400	46,620	318,570	48,980	15% budget based on take-up; year 1 costs capitalised
12	Cost	786,150	824,925	830,614	1,104,385	836,662	Sum of relevant rows
13	Exhibitions Income	0	0	0	0	0	Drawn from separate subroutine
14	VR orientation income (at 60% take up)	320,000	296,000	310,800	318,570	326,534	30% take up of free visitors
15	Retail + VIC income (Nett @ 30p a head)	45,000	41,625	43,706	44,799	45,919	Minimum target
16	Catering income (Nett @ 40p a head)	60,000	55,500	58,275	59,732	61,225	Minimum target
17	Income	425,000	393,125	412,781	423,101	433,678	Sum of relevant rows
18	Outturn cost per year	361,150	431,800	417,833	681,284	402,983	Cost minus income; low in year 1 due to capitalised items
19	Current Cost (museums plus VIC)	666,900	666,900	666,900	666,900	666,900	From figures provided by Lancaster City Council
20	Difference (annual saving)	305,750	235,100	249,068	-14,384	263,917	Row 19 minus row 18
21	Cost per visitor current (£)	9.37	9.37	9.37	9.37	9.37	From figures provided by Lancaster City Council
22	Cost per visitor projected (£)	2.41	3.11	2.87	4.56	2.63	Calculation (average over 5 years = £3.12)
23	All figures exclude inflation and VAT except where specified						

Figure 57: The primary revenue model

Fixed costs in the model account for approximately 85% of expenditure as they are reflected in staff costs (row 5), premises costs (rows 6a and 6b), conservation, documentation and educational services (row 9) as a function of both staff costs and the costs of running the new Collections Centre (row 10).

These headline costs are offset by the income received from charging for the VR (row 14) and retail and catering (rows 15 and 16), of which more below. All figures exclude inflation and VAT throughout this report except where specified.

In total, the model suggests that the museum service can, and should, be operated as a public service at a nett subsidy of around and average £3.12 per attracted visitor a year (row 22) compared with the current £9.37 (row 21). A subsidy at this level (£3.12) equates to around 6p a week for each resident of the District[88].

When set against the cost of running the Council as a whole it could be argued that, at least at this very headline level, it represents, or could be seen to represent, 'value for money'.

It should also be noted here that the potential rental incomes to the Council as a result of its letting of the Warehouse and Customs House (which could be in the region of £150,000 a year from the Carillion report[89] together with the potential disposal of the Cottage at £120,000 as a one-off capital receipt) have been **specifically excluded** from the analysis. Readers should therefore refer to the Carillion report for further details.

The primary reason for this is because it is important for the Council to be able to compare what is proposed in this report for the museums service with what currently exists in the District on a like-for-like basis. Moreover, the ways in which the Council wishes to treat the returns from the disposal of its built assets is clearly outside the scope of this current report and over which the authors have no influence.

9.6 Staffing (row 5)

Whatever buildings and physical facilities are developed for the refreshed service, these will always remain secondary in terms of service delivery to the people who will be recruited to make the service real, vibrant, relevant, enjoyable and engaging.

At their heart, museums should be people-focused: the objects, artefacts, conservation techniques, storage requirements and so on are all secondary when compared with what the service can do and what is can achieve for local people and visitors alike.

[88] Calculated as nett cost under the model over five years (£420,000 a year divided by the population of the District (140,000 people). This would make it directly comparable with the cost/resident/week achieved by *The Collection* in Lincoln.

[89] Source: Carillion plc: *Lancaster Maritime and Cottage Museums - Regeneration Opportunities - Stage 1 Report* (January 2017), prepared by S J Holland FRICS.

This report has emphasised consistently that the service needs a new staffing structure and, above all, a corporate attitude focused firmly on delivery … on attracting – and keeping – new audiences, and on prompting the work of the museum both on- and off-site.

To facilitate this, this report recommends that key staff should be embedded with others in the Council so that the museums service is not seen as an add-on. Far from it: the service needs to be viewed as a major player in the City's future prosperity and well-being.

This demands, at minimum, the repatriation of the service from Lancashire to Lancaster and, we would contend, the co-location of museum staff with others in the City, possibly in Lancaster Town Hall.

Having considered the future role of the service in the context of the Council's aspirations for 2016-2020 as reflected in its Corporate Plan[90] together with the ideas presented in this report, a suitable staffing structure is shown overpage.

Headline job descriptions for the key posts are set out in Section 9.7.

A number of points can be made.

- The proposal suggests that a new post is created (entitled, perhaps, 'Heritage Business Development Manager') to lead and focus the work of the service. This should be an outward-looking, highly-focused position whose primary aims are to link with other Council departments and deliver new partnering arrangements. As envisaged, this new post reports to, and is thus part of, the Council's Economic Development department
- Two teams are created to deliver the service under the development manager: (a) a 'Promotions and Exhibitions Team' comprising staff engaged in exhibitions and events, marketing, and front-of-house/visitor information services and (b) a 'Collections and Community Team' including a curator, two people with responsibility for collections management and conservation, two dedicated to outreach and education and one devoted to community engagement
- Both these teams are supported by two FTE central administrative staff and include front-out-house staff as appropriate.

In total, this proposal creates an establishment of 17 FTE jobs (more than at present in the museums service) and accounts for the dove-tailing of VIC staff into the operation of the City Museum. But the key point is that these posts are *not site-specific* and are thus not restricted to a particular location. There is thus a significant change in the way in which the service is delivered in that most of the new posts are outward-looking and aimed primarily at bringing people *into* the museum and encouraging wider engagement with what the service has to offer. This is an important step-change and it reflects the philosophy that the future service must look to exploit every opportunity for engagement wherever it appears in the District. No longer can the museum service sit quietly in its buildings and 'just open the doors'.

[90] Source: 2016-2020 Corporate Plan, Lancaster City Council.

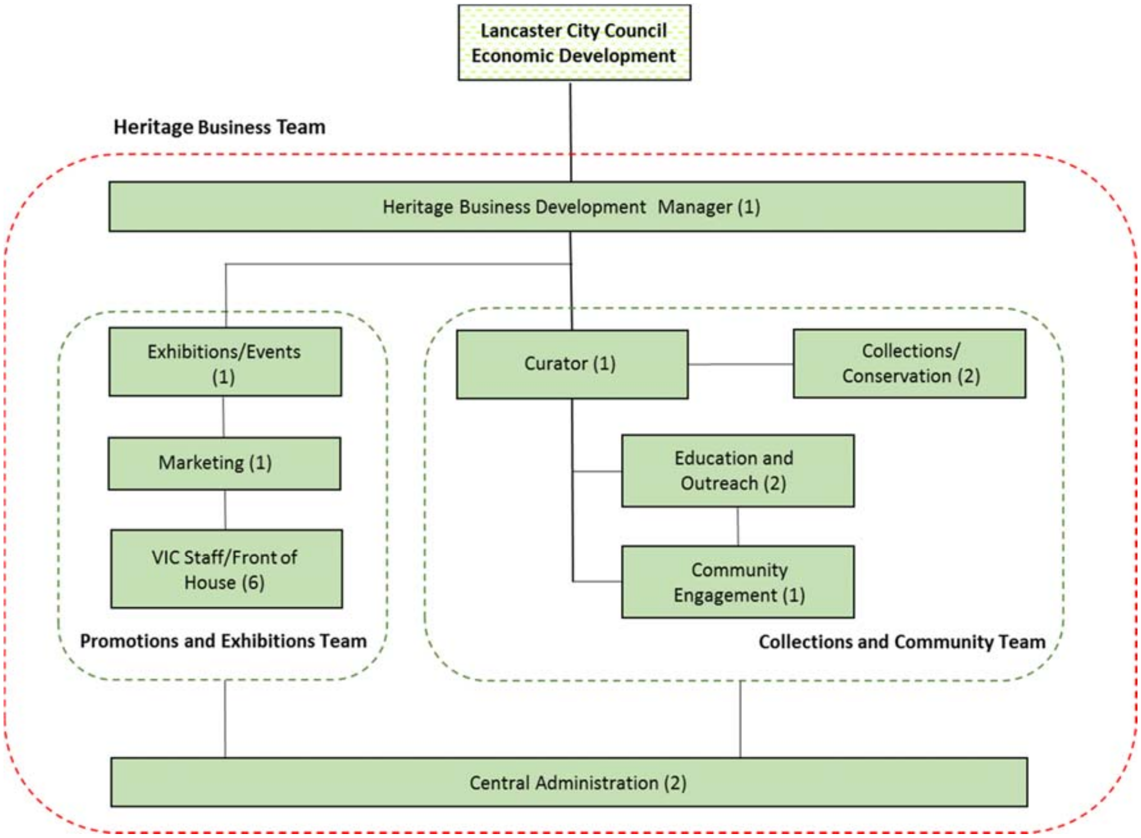

Figure 58: Staffing model

The base financial model in Section 9.3 suggests that these 17 FTE staff (staff numbers are in parentheses in Figure 57) will cost the City £425,000 a year, including all on-costs, or £25,000 per FTE person employed at an average salary of £20,000 a year. These figures are based on the following sub-routine:

1	**Post**	**Average (£)***	**Number**	**Total (£)**
2	Heritage Business Development Manager	39,000	1	39,000
3	Curator	35,000	1	35,000
4	Exhibitions/Events, Marketing, Community Engagement, Collections Management	30,000	4	120,000
5	Lead Education and Outreach, Conservation	25,000	3	75,000
6	Lead Front of House, Lead Administration	21,000	2	42,000
7	Education and Outreach	18,000	1	18,000
8	Central Administration	16,000	2	32,000
9	Front of House	15,000	3	45,000
10	**Totals**		**17**	**406,000**
11	* including NIC and tax, but excluding expenses			
12	**ADD**: for training, expenses etc (budget)			19,000
13	**TOTAL**			**425,000**
14	Average per member of staff total cost			25,000
15	Average per member of staff salary			20,000

Figure 59: Analysis of staff costs

Clearly, any reduction on this average would reflect positively on the revenue model.

It may be, depending on the outcome agreed between the Service and the KORR that the former may have residual curatorial responsibilities for the latter. This is an unknown factor at the time this report is being is written and hence no allowance has been made.

9.7 Outline job descriptions

The following key-post job descriptions set out the key responsibilities and tasks of the posts but they are not exhaustive. Indeed, they may alter with the changing needs of the developing museums service and may be reviewed and updated at any time. They do, as set out, describe in detail the ambition of the new service.

Heritage Business Development Manager

This a crucial, highly-important and significant appointment which is designed to give long-term leadership for the service as a whole as well as playing a major role in the planning and development stages of the project.

The post-holder is immediately responsible to the Economic Development Department, Lancaster City Council, for the implementation of the museum service's statement of purpose, policies, strategic vision and business plan. They will take ownership of the new heritage vision, existing funded plans and business planning while leading on an operational strategy to deliver brand and visitor development. Ensuring the successful management, conservation and accessibility of the Council's heritage sites they will provide maximum public benefit for the residents of Lancaster and surrounding areas. They will deliver management solutions for the continuing development of Lancaster's heritage assets, for revenue generation, and for the promotion of a relevant and positive profile of the museum service and of Lancaster.

They will monitor the commercial and financial viability of proposed initiatives, create an accessible and high quality exhibition programme, and lead on and manage key stakeholder relationships. Within the heritage teams they will inspire staff to deliver the highest standard of work, encourage the extensive use of web and social media for audience capture, and be responsible for the efficient and safe operation of all heritage sites.

Curator

The post-holder is immediately responsible to the Heritage Business Development Manager for the preservation, security, display, development and administration of the museum collections in accordance with the museum service's statement of purpose, policies, strategic vision and business plan. They will manage the collections to the Accreditation Standard set out by Arts Council England providing an integrated approach to all questions of stewardship, interpretation, access, collections development policy and display. In co-operation with colleagues, the Curator will be responsible for the collections management framework of the museums and its essential components such as loans administration, SPECTRUM-compliant[91] documentation, remedial and preventative conservation, exhibit security, and acquisitions. They will also play a leading role in the provision of public benefit through the preparation of accessible permanent, temporary and special exhibitions, researching and delivering talks, answering enquiries and presenting an exciting vision of the collections to the Press and through social media.

Conservation Officer(s)

The post-holder will be responsible to the Curator for the conservation and care of the Collections in general together with those artefacts which fall within their designated professional speciality. They will formulate, together with curatorial colleagues, a conservation programme which will ensure that professional standards of museum stewardship are fully met. The Conservation Officer will prepare items for display and exhibition, monitor conditions within permanent and special exhibition galleries, and advise on exhibition construction in so far as it might affect the integrity of artefacts. They will advise on the preparation and packaging of items for transport, both within the United Kingdom and overseas, and maintain full conservation records on the Museum's computerised database. Attendance will be required as necessary on training courses for the updating of professional knowledge and techniques, and the ability to maintain and regulate equipment stocks and materials will be essential. They will ensure the efficient and safe use of all conservation equipment; including compliance with health and safety regulations, the storage and use of hazardous substances in accordance with regulations relating to COSHH, the operation of machinery, and the use of the work spaces.

Education and Outreach Officers

The post-holders will be responsible for the organisation and promotion of educational activities, embracing a service both to specific groups, such as schools, and to the community at large. They will provide open access opportunities for people of all ages to receive information, guidance and advice on heritage matters relevant to Lancaster. They will prepare and deliver talks on Lancaster's heritage assets through researching and assembling information (objects, photographs, documents and sound records) and through the exploitation of the latest audio, website and social media opportunities. They will develop and maintain a service providing educational materials and resources based on the Museum's collections for use by schools, specialist groups and the community. The preparation and management of special Educational events, holiday programmes, and study days will be an important development together with responding to educational and historical enquiries from children and schools. They will provide advice to colleagues on the educational content and exploitation of exhibitions, publications, special events and intellectual access.

[91] SPECTRUM is the UK's Museum Collections Management Standard which, since 2013 also includes Digital Asset Management. SPECTRUM has guidance on 21 procedures of collections management from object entry to deaccessioning and includes eight primary procedures that are linked to UK Accreditation.

Community Engagement Officer

The post-holder will take particular responsibility for the development and implementation of a community engagement strategy, to facilitate and deliver better access to, and usage of, the heritage assets available in Lancaster. They will promote Lancaster's heritage as an anchor for the community, establishing projects in partnership with all groups of residents regardless of age, gender or ethnic origin. They will identify community interests, needs and issues, and plan and deliver a wide range of activities in response to those diverse needs. In so doing they will reach wider audiences and bring new experiences based on local heritage. The post-holder will raise and maintain the profile and status of Lancaster museums within the local community, amongst current and potential users, and public, charitable and business funders; and support those groups or individuals who seek to include heritage in their activities. They will work closely with the Curator, Education Officer, Marketing Officer and Exhibitions and Events staff to plan and deliver a community engagement programme of events, exhibitions, activities and resources focussing on Lancaster's heritage collections and initiatives.

Exhibition/Events Officer

Working closely with colleagues, the post-holder will be responsible for devising, planning and delivering an exhibition programme highlighting Lancaster's heritage as expressed in its buildings and its museum collections. This will embrace longer term displays as well as special and travelling exhibitions. The programme must be physically and intellectually accessible and should stimulate wide interest among residents and visitors to the area. They will support and extend the impact of exhibitions and strategic heritage plans through a vibrant schedule of events designed to involve the community in Lancaster's vision.

The post-holder will take a central role in the project management of exhibitions and in their installation and maintenance. They will play a role in the interpretation of the exhibitions for the public, in the organisation of publicity material, associated publications and research into exhibit effectiveness. They will organise exhibit loans where relevant, work with colleagues to ensure that exhibition and event themes engage local communities and support business development. To this end they will negotiate, facilitate and deliver commercial bookings to achieve maximum profit to deliver public programmes.

Marketing Officer

The Marketing Officer will reinforce and refresh the brand and reputation of Lancaster museums using a new website and existing resources to manage stakeholders and audiences and communicate messages from across the heritage sites and collections. They will ensure an excellent reputation for heritage activities while promoting Lancaster's new vision and its newly refurbished venues and services. Using new and well-tested techniques such as brochures, flyers, posters, press releases, website content, e-newsletters and social media they will ensure that Lancaster museum's presence in the community is always relevant and up-to-date.

The Marketing Officer will manage energetic and extensive press and social media campaigns before and during the launch of Lancaster's new approach to its heritage, including, where relevant, 'viral marketing' and other effective forms of contact with potential audiences and supporters. Working with heritage service colleagues they will develop and apply the overall brand of Lancaster's museums in order to present to the public a positive, arresting and informative message about the year-round activities promoted by the Council.

9.8 The role of friends and volunteers

All museums everywhere benefit from the time given by Volunteers and Friends Organisations, from the British Museum and the V&A to the smallest museum with its collection of local-interest material.

Volunteers can either be people with a strong interest in some aspect of the collection or work of the museum (many a local expert has emerged after exposure to an exhibition, and hundreds of volunteers are engaged on a daily basis in, for example, cataloguing collections) or a person wishing to work in museums and giving freely of their time by way of an internship[92].

Such people are clearly to be encouraged, but it is vital for the museum to have a code of conduct in terms of how these individuals are to engage with the work of the museum, what can be expected of them, when and why[93].

Similarly, Friends Organisations help the work of museums in many ways from fund-raising, helping visitors find their way in and around the galleries to supporting retail and catering activities. Again, clear guidance must be provided by the museum itself in terms of what levels of engagement are needed or desired[94].

What the museum – any museum – can ultimately achieve depends primarily on people (professionals and others) and how they get along with each other and work collectively for the benefit of the community that the museum serves. The revitalised museum service in Lancaster needs to take on board fully what local people can offer, and the ways in which they can offer it, to make a real difference to the well-being of the City and its District.

This is precisely why, in the management structure, we have recommended the role of a Community Engagement Officer to oversee and manage the work of Friends and Volunteers who, in many cases, will be one and the same.

[92] The Museums Association (see their website at www.museumsassociation.org/careers/volunteering-careers) has a whole section on volunteering.

[93] For example, Leeds City Museums volunteering policy runs to some ten pages. Source: http://www.leeds.gov.uk/museumsandgalleries/Release%20Documents/Volunteer%20Policy%20Apr%202015%20(2).pdf

[94] See, for example, The British Association of Friends of Museums at http://www.bafm.co.uk/home/about-bafm/.

9.9 Premises costs (rows 6a and 6b)

Due to the way in which the Council accounts for internal charges – and the way in which it handles its contract payments to the County for services rendered for the museums service – figures assigned to the overall term 'premises costs' are potentially problematic.

However, detailed background information, and its accompanying rationale, on business rates has been supplied by the City Council. On balance, it has been agreed that an annual 'rates bill' of £50,000 should be applied to the rejuvenated City Museum, including its extension, based on a rateable value of around £100,000 and applying the local multiplier of 48p in the pound.

The total of £50,000 therefore appears in Row 6b of Figure 56 which does not, it should be noted, take into account any *reduction* of rates incurred by the closure of the Maritime and Cottage Museums (particularly as Listed buildings are involved), nor the *increase* in rates payable to the City by these buildings' beneficial re-use as per the Carillion plan.

In terms of additional premises costs (row 6a) these have been set at one-and-a-half times the current charges at the City Museum to take into account the increased space (particularly retail and catering space) if the extension is approved.

The Collections Centre appears separately in row 10 whilst the current costs of operating the Maritime Museum (Warehouse and Customs House) and the Cottage have been set at zero. Of course, any change of policy relating to these historic buildings will have an effect on cost and hence on the overall financial model *if and only if* such costs are applied to the new museums service.

It has been assumed, following the recommendations made in the Carillion report that the Collections Centre is to be built on land owned by the City Council, thereby obviating the need for annual rental payments although business rates will obviously apply and these have been taken into account.

It must be said that, in overview, the 'rates issue' has only a relatively minor impact on the operation of the business model.

Far more significant is the attraction of visitors by the renewed way in which the museums service presents itself.

9.10 Direct advertising and promotion (row 7)

Promoting the museum service and what it does for the community is seen as being an on-going business commitment and thus an essential exercise that needs to be funded appropriately.

These direct advertising and promotional costs, which are focused on enhancing considerably the service's digital presence whilst also blending more traditional media, have been set at 50p per visitor attracted in any one year. This is just under 9% of total expenditure in any one year, 18% of net income generated, or 17% of the total net outturn cost.

It is, of course, notoriously difficult to ascertain precise marketing budgets from comparable organisations (most are confidential), and research by *The Guardian* newspaper[95] found a huge range of between 2% and 15% of cost depending on the nature of the organisation.

Nine per cent therefore represents a reasonable compromise that can be afforded by the business model year-on-year.

9.11 Temporary and special exhibition costs, including events (row 8)

These costs – which balance the income from temporary and special exhibitions – have all been set at **zero** as has the income. This is in-keeping with the overall proposal that admission to the museum should be free of all charges save from those made for special or additional services, such as for the VR experience, of which more in Section 9.14.

The reason for this is that research has consistently indicated that a charge – any charge at any level – is a major barrier to entry for many people[96], and removing barriers to access and engagement is a key philosophical principle running throughout these proposals.

The cost of mounting special events (such as one-off performances and the like on peak days in, for example, Market Square) – and their associated income – have not been modelled separately, and should therefore be treated as extra-over income, should it arise. It is envisaged that the cost of such events would be offset by event-specific sponsorship, grants and so on as a business development activity managed by the heritage business development manager and associated staff.

9.12 Conservation, documentation and education (row 9)

Under the existing Management Agreement, the City pays the County in the region of £55,000 a year for conservation and collections management services, including exhibitions, design, marketing, documentation and outreach. Of this, perhaps 25%-30% is nominally assigned to 'conservation'; say £15,000, with a further £10,000 for documentation. It is impossible to be more precise as the overall contract value of £520,200 has not been broken down elementally.

However, the 'new' service must not only care for its collections but must use them proactively. To this end a budget of £127,000 has been assigned for 'Conservation, Documentation and Education' which together account for 15% of all expenditure and has been calculated at 30% total staff costs to reflect the fact that each and every member of staff has a responsibility to deliver in these areas. Whilst this is a significant increase on current expenditure it is entirely warranted by the nature, style and philosophy of the 'new' service.

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[95] Source: *Marketing is an investment – even for non-profits.* The Guardian (Professional), accessed November 2016.

[96] See, for example, Prince D R 'Factors Influencing Museum Visits: An Empirical Evaluation of Audience Selection', *Museum Management and Curatorship*, Vol.9, No.2, pp.149-168.

9.13 The Collections Centre (row 10)

A cost of £80,000 a year has been provisioned for the running costs of the new Collections Centre, excluding staff costs which are covered by row 5. The £80,000 shown in row 10 therefore covers the annual cost of servicing and maintaining the building and its interior systems (bearing in mind that they will be new), together with business rates.

The actual cost of servicing the Centre depends greatly on the amount of environmentally-friendly and appropriate materials used in its construction, part of which's brief is to be as sustainable as possible in terms of energy, recycled materials and so on, as reflected by the outline design specification in Section 4 of this report. Further information on annual cost can only be developed alongside the evolution of the designs during later stages and when a specific site (or building) has been identified.

It is important to note that this annual estimate also assumes that the Centre is located on City-owned land, as is recommended by the Carillion report, and thus that rent payable will be a nominal zero (that is, that if the City charges the Centre rent, that sum will be offset by internal accounting arrangements).

9.14 VR software (row 11)

The single visitor experience for which, it is suggested, a charge should be made is the Virtual Reality space as described earlier in this report. The cost of establishing the first VR experience has been accounted for in the capital model in Section 9.2 of this report as a rolled-up £400,000.

The costs set out in Row 11 are thus for annual upgrades from year 2 onwards, save for year 4 where an additional £318,000 has been provisioned *out of revenue* for the introduction of a new, or updated, experience.

In reality, the additional cost in year 4 should be treated as being a one-off capital investment (similar to special and temporary exhibitions) for which additional funds should be sourced by the service's day-to-day management by way of corporate sponsorship, grants etc.

Such work is, after all, an essential part of the senior management team's responsibility as reflected in their prospective job descriptions, whilst the cost of producing 3D-VR experiences both in terms of hardware and software are falling on a daily basis as new systems come on-stream and as competition intensifies.

9.15 Total cost (row 12)

The annual operating cost of the service is shown in Row 12. This averages £875,547 a year measured over all activities including the refreshment of the VR experience (row 11). Of this total cost, 81% is fixed and measures over staff, premises (including rates), and the core museum activities of conservation, documentation, education and outreach.

9.16 Exhibitions income (row 13)

This income – which balances the cost of temporary and special exhibitions, including events – has been set at zero for the reasons explained In Section 9.11, in that these three, potentially relatively high-risk activities should not be undertaken unless either the potential loss is covered by business sponsorship, grants and/or other guaranteed underwriting (as is the case with all the major national museums) or the risk is profiled on a case-by-case basis for each exhibition and event and a decision made by senior management *at the time* that the risk is worth taking – it is, after all, part of their role.

The financial model, with this policy as is basis, is therefore risk-averse in terms of mounting temporary and special exhibitions and events for the main reason that since the actual make-up of these activities (what they are, what they will show, when and where they will show them, how long they will run for, what markets are to be targeted and so on) is unknown, attempting to model income and expenditure is highly problematic at best, and dangerous at worst.

The prudent route adopted here is therefore to model-out all such financial implications in the knowledge that sound management should be able to produce a net income on these activities to the overall benefit of the financial model in the long run.

9.17 VR orientation income (row 14)

The best national and regional museums are embracing VR to provide a step-change in the visitor experience and the way in which collections are interpreted and themes presented.

Advances in the gaming industry, the widespread use of 3D imagery and CGI animation in film, television and other digital media, together with the vast improvements in drone technology, have combined to produce more reliable hardware and affordable software to provide dramatic and enthralling individually-immersive experiences.

Whilst these techniques are now commonplace in mainstream media, Lancaster would be in the vanguard of their use in museums – an ambition which we believe it should, and must, embrace.

The business plan therefore suggests that a fully-immersive VR experience is an option for visitors to the City Museum at an additional charge. These charges are shown below and average £6.40 per person (including VAT), or £5.33 nett of VAT.

Based on an uptake of 60,000 visitors a year this would generate an income of £320,000 (nett of VAT) drawn from a total annual visitor throughput of 150,000 people (ie: 60,000 x £5.33 = £320,000).

	£	£ minus VAT	%	Numbers	Income minus VAT
Adult	8.00	6.67	50	30,000	200,000
Child	4.00	3.33	30	18,000	60,000
Consession	6.00	5.00	20	12,000	60,000
Total				60,000	320,000
Average					5.33

Figure 60: Pricing policy for the VR experience

Please note that the '60,000 visitors to the VR' is 60% of the 100,000 free entrants to the museum modelled in Year 1. The '50,000 visitors for special exhibitions' is thus over-and-above this figure. The reasoning behind this is that it is envisaged that the majority of the 100,000 'free visitors' will be non-residents who will be using the museum as a first point of entry to the District and will therefore wish to engage in all that is on offer, particularly as the VR experience, as planned, is essentially part of the overall orientation role of the new service. The '50,000 for special exhibitions' are more likely, although obviously not exclusively, to be residents of the District who have previously been to the museum and taken part in the VR experience but are visiting on this occasion to see a specific special exhibition.

In terms of pricing policy, the key issue here is that the business plan is proposing a VR *experience* lasting 15 minutes – essentially a 3D VR, fully immersive and interactive digital presentation of the District and its main features to add a new dimension to the orientation of visitors to the City. It is *not* simply the viewing of selected objects in 3D, which is often the case in museums (see, for example the Hancock Museum in Newcastle upon Tyne which has fifteen objects, mostly from the pottery collection on 3D VR viewers for which a charge is not made).

This is why we can say that Lancaster will be in the vanguard of the use of such technology in a regional museum setting in ways that other such museums have not contemplated.

Hence, valid comparators in the UK are not available. However, in the USA, two examples are the *Digital Museum of Digital Art* (DiMoDA) at the Transfer Gallery in Brooklyn, New York and *The Void* in Utah which 'combines activities in the physical environment with VR technology'. At the latter, 30 minute shows are charged at between $29 and $39, or an average of $34 (£28) per show, or around £1 a minute. Crudely applied to Lancaster, a 15 minute show on this basis could attract an entry fee of an average £15, whereas the model suggests less than half this at an average £6.40 per person, including VAT (£5.33 net of VAT).

A further point is that as VR becomes more widely-used in museums, and elsewhere, the cost of producing both the hardware and software will fall with the result that cost-per-minute of use will also fall. In terms of Lancaster, this may mean that the planned reinvestment in VR technology over the first five years of operation (modelled at £460,000; row 11) *could* reduce by 30% to (say) £320,000. If income were to mirror this and reduce by a similar 30% over the period to £1.1 million (as opposed to the modelled £1.5 million; row 14) the total effect on the model would be a reduction in income of £67,000 a year on average over the five years, which the overall business plan can easily sustain.

Another, perhaps extreme, way of looking at the risk profile for VR is to say that *nobody takes up the experience at all*. In the highly unlikely event that this were to happen, the total income generated over the first five years of operation (£1.57 million, Row 14) would be offset by the cost of operation and renewal (£0.46 million, Row 11) with the result that the service would be 'down' around £1 million over the five year period (an average of around £275,000 a year).

Even with this highly unlikely eventuality the service ***would still cost the City less than at present*** to operate (of which more in Section 9).

9.18 Retail and catering income (rows 15 and 16)

Nett income from these activities has been estimated at 30p and 40p per attracted visitor respectively, taking into account all staff, materials and premises costs. This equates to an average spend per head of £2.80 (excluding VAT) per visitor measured over *both* retail and catering:

Retail and Catering sub-routine	£
Turnover (at £2.80 per visitor, nett of VAT)	420,000
Mark-up	3.00
Hence, cost of goods	140,000
Staff (in addition to the base model) (number=3 for catering)	45,000
Gross Profit	235,000
Nett Profit (taking into account premises, VAT and other charges)	105,000

Figure 61: Nett income from retail and catering

However, these incomes from both retail and catering must both be viewed as being ***conservative*** bearing in mind the museum's location in the very heart of Market Square, the fact that entry to most of the activities of the museum will be free, that there will be a new entrance facility on New Street (*Museum Square*) and that income has been modelled purely on visitors rather than people casually passing by, or through, the museum and deciding to drop in for, say, a cup of coffee on the ground floor or visiting the VIC/shop simply to buy something[97].

The model also assumes that both the catering and the retail will be run in-house, although the option of letting out both under suitable management contracts could be considered. Certainly, the projected income from the catering operation makes this a possibility, although care must be taken since any and all activities will, or could, affect the overall brand of the new organisation and affect the way people respond to it.

For reasons of commercial confidentiality and thus business modelling, it is very difficult to ascertain the annual throughputs of comparable museum services or individual museums in terms of both retail

[97] There is, of course, a degree of active competition in the immediate area (both New Street and particularly Market Street offer a number of coffee houses and cafes) and hence the model has been prudent in its outcomes.

and catering activity. Many organisations simply roll these up as 'earned income' and many include general admission charges in this category, a particular forte of the charitable sector.

However, a review of a number of publications[98] suggests that a well-run, appropriately-stocked 'museum/heritage-type' shop should be capable of generating an annual turnover of approximately £4,000 per m^2 of retail income if open to the general public without an entry charge, as is the case here. Some, of course, do better depending on the nature of the collections, the range and mix of goods on sale and the ability of their sales force to deliver. In this last context, the role of the highly-experienced 'Storey VIC' staff is seen to be of relevance.

Unlicensed cafés operate at approximately half that level at, say, £1,700-£2,000 per m^2 a year. Licensed cafés, turnover roughly twice as much at (say) £3,500 per m^2 a year, and it is recommended that the offer in the City Museum is licensed.

Assuming that these overall, average figures apply to the City Museum with its extension, the outcome would be:

	Retail	Catering	Total
Sales area (m2)	50	80	
Turnover/m2	4,000	3,500	
Annual turnover	£200,000	£280,000	
Total turnover			£480,000

Figure 62: Retail and catering industry comparators

The total figure of £480,000 shown in Figure 61 is higher than the £420,000 recorded in the main business model (Figure 56 – where they are shown as nett figures; and also Figure 60 which is based on direct visitor take-up), and hence the latter can be seen to be the more conservative estimate.

We are therefore confident that the overall analysis in terms of retail and catering income remains both valid and sound.

9.19 Total income (row 17)

This is simply the sum of all relevant rows and, with all the caveats of the above descriptions in mind, equates to an average of around £418,000 a year average allowing for annual visitor fluctuations over the five years shown in the model.

[98] Sources: *nicholasboonin.com/articles/notforprofit.pdf;* https://www.museumsassociation.org/museum-practice/your-retail-case-studies; http://www.aim-museums.co.uk/downloads/629171cb-13e8-11e2-b292-001999b209eb.pdf

9.20 Financial implications (rows 18-22)

From these estimates the outturn cost for the service as described on an annual basis is an average £418,000 a year (Row 17, measured over five years) which calculates as an average 'saving' of £207,000 a year (Row 20, again measured over five years) based on the current estimated annual cost of the service, plus the VIC in the Storey, of £666,900 (Row 19).

The effect of all this is that the annual subsidy paid by the City to operate the service is reduced from £9.37 per attracted visitor (Row 21) to an average of £3.12 a year (Row 22, measured over five years).

In addition, the movement of the VIC to the City Museum from the Storey creates the new opportunity for the City to exploit the vacated space in the Storey positively (as well as saving around £30,000 in building-related costs) perhaps for other income-generating activities and events, space which, we understand, is in high demand.

9.21 Risk and financial sensitivities analyses

Whilst acknowledging that the throughputs of the financial model discussed above are held bona fide, it is clear that things can go wrong at any time, and for almost any reason, and the City needs to know, as far as it can be projected sensibly, what is the reasonable level of risk it is proposing to undertake when considering the repatriation of its museums service along the lines recommended in this report.

The primary risks are:

Planning

The Old Town Hall is Listed II* and thus both internal interventions and external additions will be looked at critically. Initial discussions with the City's Conservation Officer have led us to believe that the proposals presented in this report will be acceptable in principle. Further discussions will clearly be required as the project, and the specific designs, proceed. If the preferred model of the extension in the proposed *Museum Square* is prohibited, the secondary designs proposed in this report will enable the bulk of the activities – crucially the income-generating activities – to be delivered.

Site availability for the Collections Centre

Whilst the Carillion report[99] has identified three suitable sites for the proposed Collections Centre, further work is clearly required to pin down the site precisely and thereby assess what is actually needed to be developed on the ground. We are confident, however, that the capital sum allocated for the Centre (£1.5m) is adequate and has been supported by the Carillion report. In making a decision, the City needs to be aware of the opportunity cost of locating the Centre on *any* of its landholdings.

[99] Source: Carillion plc: *Lancaster Maritime and Cottage Museums - Regeneration Opportunities - Stage 1 Report* (January 2017), prepared by S J Holland FRICS

The Market

There is no doubt that there is an appetite – nationally – for the type of rejuvenated service described in this report from both museum professionals and visitors alike.

Whilst this report has set out a bold and imaginative future for Lancaster and its District it is by no means unique. Precedents can be found elsewhere in the country in terms of both collections management and visitor engagement that mitigate the risk of the City 'breaking new ground': it will be following closely other cities that have made similar decisions and that have planned for similar futures.

In this important sense, the main risk is for the City ***not*** to develop in the way recommended.

Financial

The primary risk here is that the City may be unable, or unwilling, to embark on the project in the knowledge of the capital costs involved (and hence capital funding required) and the revenue risks associated with operating the new service, as proposed. This last is considered in detail below, whilst the former is a matter of judgement by the City and the way in which it wishes to view the museums service as part of the overall economic future of the District, as expressed in its various policy statements.

Sensitivity Analysis

To advance thinking on the revenue issue, which is known to be of concern to the City, an algorithmic sensitivity analysis has been applied to look at the effect(s) of a number of variables as they interact with each other and vary from the base model.

To do this, rather than simply asking (say) 'what's the effect of reducing visitor numbers by 10%', maximum and minimum spreads were set for each market-dependent variable. To take two examples, a cup of coffee could be £1.50 minimum and £2.50 maximum, the VR experience could be £5 minimum and £10 maximum (with all quoted figures including VAT) and the model tasked to generate a series of likely (arithmetical) outcomes across all the variables as they interact simultaneously.

In all this, of course, fixed costs remained fixed (ie, their 'allowed variation' in the model is set at zero). VAT considerations were also removed from the arithmetic.

The effect of all this is that the model randomises outcomes from within the prescribed parameters against an independent variable. In this case, the independent variable is visitor numbers which has been modelled to ***reduce*** from the base-modelled 150,000 a year to the current, stated 60,000 a year across the existing service, and which thus acts as the keystone against which the other variables are allowed to fluctuate[100].

[100] To do this, the Excel data from the main financial model was exported to the Statistical Package for the Social Sciences (SPSS) which then generated the arithmetical variations and re-exported them to Excel to be represented graphically. *IBM SPSS Statistics* (as it has been called since 2015) was originally (back in the late 1960s) a research-level mainframe computer

Importantly, this approach also simultaneously takes account of whether or not the extension is built (the recommended model) since it models reduced visitor numbers based on developed and accessible space and thus, *de facto*, accounts for reductions in both retail and catering space as visitor numbers decrease within a smaller venue.

The outputs of this modelling activity need interpretation, the most common method of which is simply to graph them so that trends can be observed.

These outcomes are shown in Figure 62 (below) which shows the effect of reducing visitor numbers from the base model (150,000 visitors a year, cited at '1' on the x-axis) to the current throughput at all the City's museums (circa 60,000, cited at '6' on the x-axis) against all the other specified variables.

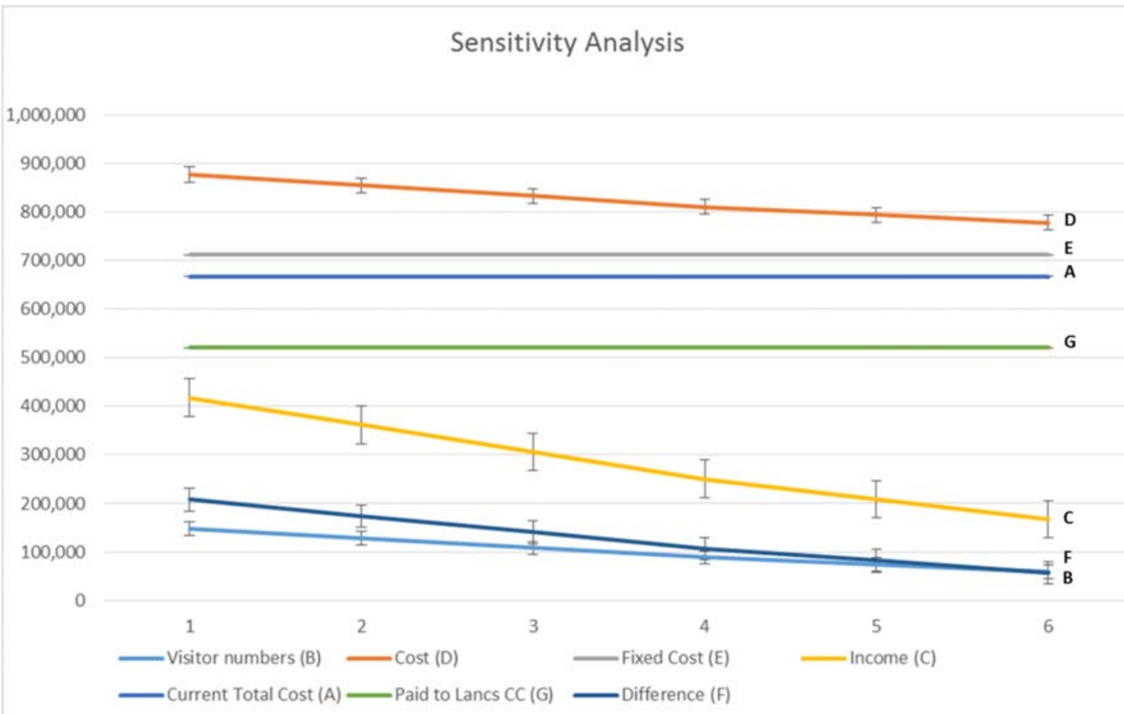


Figure 63: Sensitivity analysis

programme used primarily for the manipulation of large-scale non-parametric data. Its laptop version is now used routinely by a range of social, marketing and healthcare professionals.

The above graph illustrates the following:

A	The current cost of the museum service plus the VIC is roughly £667,000 a year, taking into account costs paid to Lancashire, the cost of the VIC in the Storey and appropriately-provisioned services and building costs
B	This is the modelled (programmed) decline in visitor numbers from 150,000 a year to the current 60,000 – the independent variable
C	The declining income as a direct factor of falling visitor numbers (B)
D	Reducing costs related to declining visitor activity as part-reflection of the inter-dependence of both B and C
E	Fixed costs for the new service at £712,000 a year.
F	Declining difference between the service as now and as projected
G	The current payment by the City to Lancashire County Council of £520,200 a year

Figure 64: Explanation of sensitivity variations

Note in the graph that as ‘E’ (fixed costs) and ‘A’ (current costs) are similar it implies that the key variable driving financial performance is visitor numbers. The general direction of the outwardly-focused business and staffing models have been established to facilitate the attraction of as large a number of visitors as possible.

The overall interpretation of the graph is that as visitor numbers decrease (light blue line, B) income declines (yellow line, C) but that the difference between the operation as now (dark blue line, A) and the ‘difference line’ (blue line, F) is ***always positive***, indicating that the proposed in-house operation ***will always out-perform the outsourced one with Lancashire County Council*** in terms of the underlying subsidy required.

Statistical variations produced by the algorithms for each iteration are shown by the I bars on each line. These bars indicate the maximum and minimum arithmetical variances for each outcome within the limits set. Thus, fixed costs (A, E and G) show no variation, for obvious reasons, whilst income (yellow line, C) shows the greatest potential variance, as would be expected since it is dependent on visitor numbers.

In terms of total income the model suggests that whilst this is likely to vary between £417,000 (average over five years) to £168,000 a year depending on visitor numbers and their spending (yellow line, C) as visitor numbers fall away, the variation of income *within each iteration* is no more than 20%.

The key, therefore, to the effective demonstration of the business model ***on the ground*** is to maximise visitor throughput[101] whilst, obviously keeping a weather-eye on costs.

[101] For example, further in-depth analysis of income (line C) suggests that the actual ‘returns’ are dependent almost entirely on the number of children in the museum at any one time: the more the children, the less return from retail, catering and the VR experience, as would be anticipated intuitively.

This financial model suggests that the annual average saving to the City by terminating the existing contract with Lancashire County and following the principles described in this report is approximately £207,000 a year.

What this analysis demonstrates clearly – and this is the key point – is that ***under all reasonably predictable circumstances*** – the City is ***better off*** going it alone financially by terminating the existing contract with Lancashire County Council, let alone setting aside all the other benefits for the City's collection, the image of Lancaster as a 'heritage city' and the way in which the service as a whole can underpin many of the City's wider development ambitions.

10 Conclusions and key outcomes

This report has set out a clear way forward for Lancaster's museums service.

Working at the centre of the City Council's administration, the museums service should actively engage with all other departments in delivering the common goals of value for money and economic growth which are the twin pillars of Lancaster's corporate strategy.

Whilst some may see these recommendations as being radical, they are rooted in an honest and forthright assessment of what there is now, how it is managed and what it has achieved, and what are the opportunities presented by a new, and modified, service.

In summary, this report has delivered the requirements of the brief by:

- Recommending and costing a physical design for the Collections Centre
- Recommending and costing a physical design for the City Museum
- Setting out an interpretation/use plan for the collections
- Recommending a governance model and staffing structure
- Considering an Audience Development Plan and Marketing Strategy
- Laying out a Business Case for the redesigned museums service and ancillary services by describing outline costs for all capital investment and revenue expenditure as well as considering a funding and investment framework.

The headline outcome is that the museums service – under all and realistically anticipated outcomes – can not only do more for the District but is better off financially under the City's direct care.

In order to increase visitor numbers to the City Museum to a projected 150,000 a year there is a need to improve public accessibility (including wheelchair access), extend the public realm of the building and provide much-improved exhibition, visitor and staff facilities. Flexibility is key to the future-proofing of any new museum development, to enable it to adapt to new trends and technologies and to provide a constant renewal of activity.

The proposed redevelopment of the museum is based on the provision of the following key components:

- New reception and visitor information facilities
- A museum café and retail space
- An orientation gallery
- An object rich permanent exhibition
- A revenue-earning immersive experience
- Temporary and special exhibition galleries
- Wheelchair access to all areas and new toilet facilities.

This strategy is designed to attract and sustain a new and diverse audience, generate revenue, display the most important elements of the collection, host touring exhibitions, some of national significance, and to support a lively programme of temporary exhibitions to encourage repeat visits.

Reception and welcoming facilities remain inadequate together with a high-profile visitor information, and merchandising outlet. Curatorial office space is reduced in favour of increasing the public realm of the Museum and existing circulation routes compromise the optimal flow of visitors, particularly with regard to the location of the ‘Orientation’ gallery.

A key outcome of the stakeholder workshop, held in November 2016, is that the preferred option is for a new, two-storey extension to be built in the small square to the north of the Old Town Hall. This solution would potentially resolve the issues which will remain despite the proposed improvements to the existing buildings, by providing some additional 300m^2 of floor area.

Whilst it is recognised that this will involve the development of a highly sensitive city centre site, a high-quality new building would transform the offer of the City Museum, over and above the benefits described above and act as a catalyst for the regeneration of both cultural and commercial activity in the immediate vicinity.

The added value of a new extension can be summarised as providing:

- Much-needed reception and welcoming facilities for an increased number of visitors
- A high profile visitor information centre and retail outlet (otherwise co-located with the café)
- Curatorial offices and retail storage space
- Direct access by stairs and a passenger lift to a new special exhibitions gallery
- Access to both the ground and first floor levels of the Old Town Hall building
- Disabled toilet facilities on the ground floor.

It will also:

- Reduce the need for demolition and new structural works to areas of the existing buildings
- Obviate the need for a new passenger lift within the existing buildings
- Enable spaces in the existing buildings to be used more flexibly
- Create management and staffing efficiencies
- Enable an optimal top-down visitor flow through the museum
- Enable a dedicated education space to be provided with a separate schools entrance
- Revitalise New Street by generating significant footfall
- Raise the profile of the City Museum as a new visitor destination.

Other key outcomes of this report are that:

- There is a clear, well-founded and justified way forward for the City’s museums service in terms of governance, management, audience development, collections care and facilities development that offers significantly increased value for money in ways that contribute substantially to economic growth
- For this to be made real, the City should terminate its existing arrangement with Lancashire County Council and manage its museums service in-house within a new business delivery department which is integrated fully within the City’s Economic Development section

- It should do this for two main reasons: (a) it is financially beneficial and (b) it will enable the City to directly use its museum resources for economic development in the context of delivering increased value for money
- The issue of managing the service through a trust, charitable company or some such similar vehicle has been explored in detail and rejected
- The cost of developing the new service in capital terms is in the region of £7 million (excluding VAT) and is focused on the creation of a new Collections Centre on land owned by the City and a refurbished, refocused and revitalised City Museum
- The new service will employ more staff than currently, but these staff will undertake different functions within an avowedly outwardly-focused service
- The principle concern in this report is to balance the conservation and maintenance of the collections with the widest possible access to the service, and this has been achieved
- The City will need to begin the process of developing the 'soft' side of the proposals, including contacting all available sources of funding and considering issues of staff retention and recruitment
- The City should actively consider the creation of a dedicated project implementation team to take all the issues and concerns of this report forward as soon as a decision to proceed is made
- The City should transfer the KORR Museum to Lancaster Castle or elsewhere, albeit with the City, perhaps, retaining a form of long-term curatorial and collections-care role
- The City should begin the process of preparing the collections, in their current stores, for transfer to the new Collections Centre
- As part of this, the City should prepare for the closure of the City Museum for a period of, perhaps, two years whilst urgent and necessary developments take place and, in support of this, plan for a concentrated, funded and well-publicised archaeological excavation of Quay Meadow and its immediate environment, beginning with the 2017 season
- Begin to develop these proposals into (a) practical and deliverable designs on actual sites (for the Collections Centre) and (b) for the reconfiguration and redisplay of the City Museum
- Begin the process of disposing of unwanted physical assets – such as the Maritime Museum and the Cottage – at a pace and in ways commensurate with market factors as advised by other consultants to the City, in the knowledge that this action will not have a negative impact on the delivery of the service as a whole once the new arrangements are in place
- Begin the process of orchestrating the City's financial resources to deliver the key outcomes of this study with perhaps an application to the HLF for development funding.

From an overall financial perspective, all figures and projections in this report carry contingencies and associated risks. Both these elements are described in detail throughout this document and have been defined by the best available information.

A major potential source of capital funding is the Heritage Lottery Fund and the way in which this body can be approached is set out in Section 9.3.

One of the aims of this report was to produce and maintain a high productivity, low risk service that generates third party income through overnight stays in the District as well as increased tourism spend from day trippers.

We are confident that the level of analysis presented here is entirely consistent with that of a feasibility study in that it presents a clear, unambiguous and positive way forward for the City to manage and care for the significant collections it holds in trust, and to enliven and reinvogorate the City Museum as a major player in the District's overall economic development programme.

This financial model suggests that the annual average saving to the City by terminating the existing contract with Lancashire County and following the principles described in this report is approximately £207,000 a year.

The analysis demonstrates clearly – and this is the key point – is that ***under all reasonably predictable circumstances*** – the City is ***better off*** going it alone financially by terminating the existing contract with Lancashire County Council, let alone setting aside all the other benefits for the City's collection, the image of Lancaster as a 'heritage city' and the way in which the service as a whole can underpin many of the City's wider development ambitions.

11 Overall timetable and the way forward

Projecting a delivery timetable for such a complicated project covering a number of disparate sites and measuring over a number of activities that have yet to be defined fully is fraught with difficulty, especially at the feasibility stage.

Nevertheless, a very broad brush attempt has been made, overpage, which looks at (say) a 36-month timetable following the go ahead based on a Council decision that, it can be assumed, is supported by the necessary funds being either ear-marked or actually in place.

The diagram suggests various indicative periods for design (light green), development (dark green) and fit-out (sandy), as well as the need to recruit staff during the development period to see the new service into its opening phase and beyond (pink).

The crucial point here is that the first effort must be focused on the development of the Collections Centre since physical works at the City Museum cannot take place until the Centre is able to receive material, under controlled and acceptable circumstances, from the City Museum and the other museum sites under the City's control.

The above also indicates the need to appoint new people to the key posts described in this report as and when appropriate so that they have a good run-in before the service re-opens. Indeed, their expertise in this regard should be a criterion for their selection.

There will also be a need for the City to appoint dedicated project staff in-house to facilitate the smooth transition of the service from the County to the City and to manage the development process, the cost of which *has not* been estimated in this report.

The timetable also suggests that the City Museum will be closed for a time for refurbishment, fit-out and redisplay before re-opening to the public. From the above, this period of closure could be at least 18 months, possibly 24. The financial implications of this period of closure *have not been modelled* in the current study, and this is an issue of which the City should be aware.

Please note that the plan shown overpage effectively starts *after* notice of termination has been given to the County *and after* the initial design-development team has been assembled through a suitable selection process, the timescales for which are both subject to events external to this report's authors.

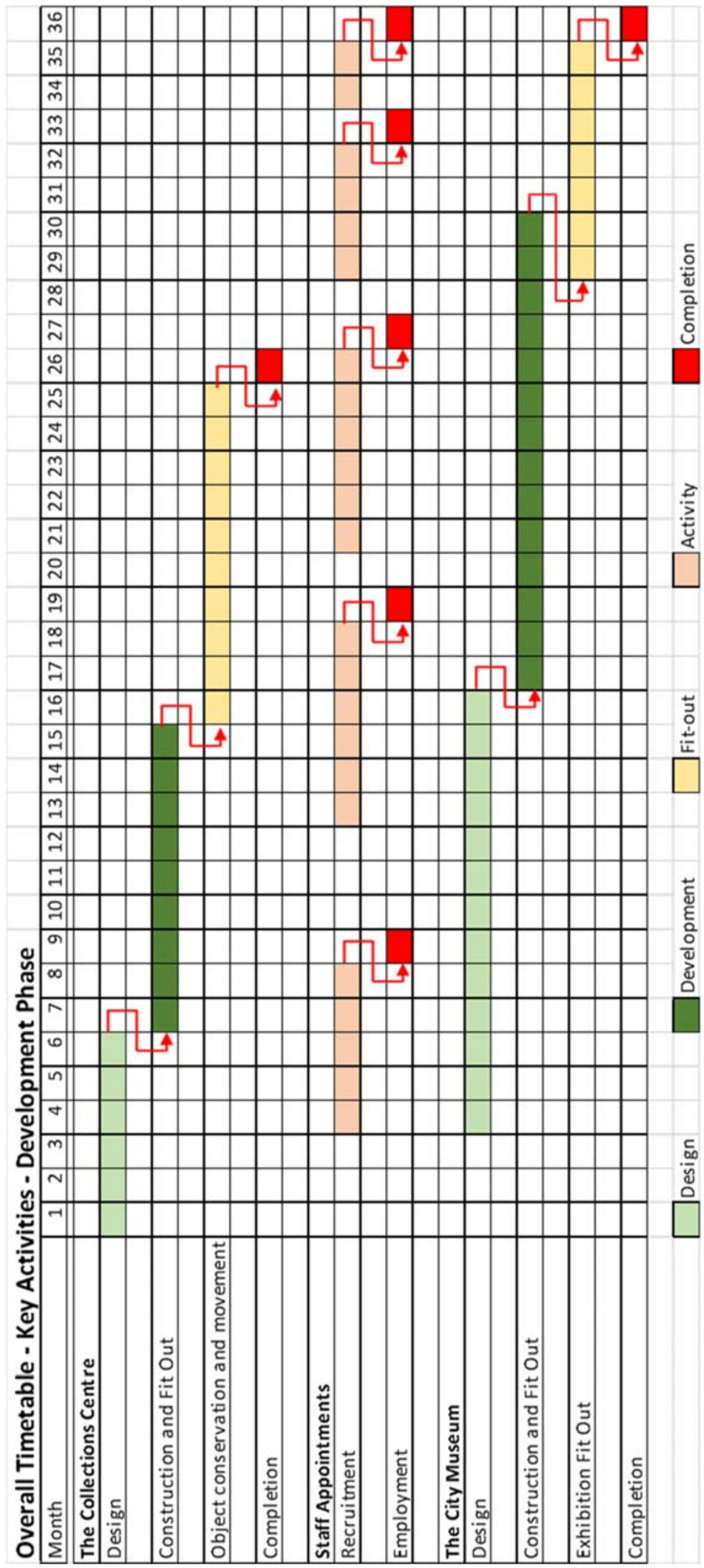


Figure 65: Overall project timetable

In summary the key activities to be undertaken now, in loose order, are:

- Terminate the existing arrangement with Lancashire County Council
- Nominate a project director and assemble a client team and advisors to drive the projects and maximise their chances of success
- Open pre-Planning discussions with the Planning Department and Historic England with regard to the redevelopment of the City Museum
- Open discussions with the Heritage Lottery Fund to ascertain the potential for development and capital funding
- Begin the process of procuring design teams and other consultants for the Collections Centre and City Museum projects
- Begin to develop this feasibility study into (a) practical and deliverable designs on actual sites (for the Collections Centre) and (b) for the reconfiguration and redisplay of the City Museum
- Review, refresh and reconsider all recommendations made in this feasibility report as they apply to the 'soft' side of the development, including all funding sources, staff recruitment and the creation of a dedicated project implementation team
- Plan, develop and implement a programme of public consultation over the development proposals to enlist widespread public support
- Begin the process of disposing of unwanted physical assets – the Maritime Museum and the Cottage at a pace commensurate with market factors supplied to the City by its other consultants, primarily Carillion
- Begin the process of preparing the collections, in their current environments, for transfer to the new Collections Centre
- Actively look at the possibility of transferring the KORR to Lancaster Castle (or elsewhere)
- Plan for concentrated, funded and well-publicised archaeological activity at Quay Meadow and its immediate environment for the 2017 season as a means of keeping the work of the museums service in front of the public.

Appendix A Consultees

In all consulting exercises the ideas, knowledge and expertise of the people who work with these issues on a day-to-day basis are crucial, and this is the case here.

Many people have engaged with this project and have given freely of their thoughts and ideas based, in many cases, on a number of years' experience in the sector. To these we give particular thanks.

We therefore thank the following for their contributions to this joint effort:

June Ashworth	Cllr, Lancaster City Council	✓
Sue Ashworth	Lancashire County Council	
Alexander Bird	North West Museums Development Officer	✓
Eileen Blamire	Leader, Lancaster City Council	✓
Darren Clifford	Cllr, Lancaster City Council	✓
Stephen Gardiner	Lancaster City Council	☑
Richard Hammond	Lancaster City Council	☑
Janice Hanson	Cllr, Lancaster City Council	✓
John Harman	Secretary, Friends of the Maritime Museum	✓
Anne Marie Harrison	Lancaster City Council	☑
Stephen Holland	Carillion PLC	
Roger Mace	Chair, Friends of the City Museum	✓
Susan Parsonage	CEO, Lancaster City Council	☑
Paul Rogers	Lancaster City Council	☑
Pierrette Squires	Bolton Library & Museum Service	
Col Christopher Warren	Chairman of Trustees, KORR Museum	✓
Ian Watson	Lancashire Museums Service	✓
Lisa Westcott-Wilkins	Dig Ventures Limited	
Brendon Wilkins	Dig Ventures Limited	
Cllr Wilkinson	Cllr, Lancaster City Council	✓

Figure 66: Consultees

✓ Indicates those non-City Council staff present at the workshop in the Borough Hotel, Dalton Square, on Thursday, 17 November 2016

☑ Indicates those City Council staff present at the same workshop.

Appendix B Lancaster City Council Museum Collections [102]

Overview

This document lays out information regarding Lancaster City Council's museum collections that are **not** currently accommodated within the galleries or stores at any of the City Museum sites. Reasons for such absences range from ongoing loans – eg to the Judges' Lodgings Museum or the Museum of Lancashire – to items removed from Lancaster City Council's St Leonardsgate premises and temporarily stored at LCC's store as well as items awaiting delivery to Lancaster – particularly archaeology destined for the warehouse at the Maritime Museum once the site has been cleared of Keepmoat's welfare facilities and the shelving installed. This material was due to arrive at the Maritime at least 12 months ago and includes the archaeological archives from the Lancaster Pot House (St George's Quay) and Mitchell's Brewery (Church Street), the latter is currently at Oxford Archaeology North's (OAN) premises in Lancaster.

NB there may be a small number of items that are not included in this – eg items currently going through the Portable Antiquities Scheme process etc.

Items on loan

Location	***Item***	***Note***
Judges Lodgings Museum, Lancaster	*Framed oil painting – portrait of John Manby by LP Spindler*	*Currently in store after being on display. Will be returned to MM store.*
	Framed oil painting – portrait of an unidentified lady in a frilled cap and hood	*On display – panelled room ground floor*
	Framed oil painting – portrait of an unidentified lady holding drapery in left hand	*On display – panelled room ground floor*
	Framed oil painting – portrait of an unidentified gentleman in wig and striped robe	*On display – panelled room ground floor*
	Framed oil painting – portrait of an unidentified lady in blue dress and brown shawl	*Currently in store after being on display. Will be returned to MM store.*
	8 no Gillow & Co drawings of room interiors for furnishing layouts and designs	*1 no framed and on display in Gillow's furniture gallery – first floor. Remaining drawings currently in store after being on display. Will be returned to MM store.*
	Porcelain dish – 18th C	*On display – panelled room ground floor*
	Porcelain dish – 18th C	*On display – drawing room 1st floor*
	3 no porcelain bowls – 18th C	*On display – panelled room ground floor*
	Porcelain mug – 18th C	*On display – panelled room ground floor*
	Porcelain bottle – 18th C	*On display – panelled room ground floor*

[102] The authors are grateful to Sue Ashworth of Lancashire County Council for proving this Appendix, in November 2016.

Museum of Lancashire, Preston	*Model of Waterhouse Hawkin's iguanadon*	*On display – Gateway Gallery*
	Bust of Sir Richard Owen	*On display – link area to Lancashire at Play*
	Poster – Morecambe for a Perfect Holiday	*On display – Lancashire at Play Gallery*
	Maquette/statuette by G Ibbeson – Eric Morecambe	*On display – Lancashire at Play Gallery*
	Original graphic/painting for Morecambe & Heysham holiday guide ' Morecambe and Heysham has everything under the sun'	*On display – Lancashire at Play Gallery*
	Police charge register with photographs 1893-99	*On display – Lancashire Law & Order Gallery*
	Framed drawing/cartoon by Starling from the 'Handless Corpse Trial' at Lancaster	*On display – Lancashire Law & Order Gallery*
	Framed engraving, portrait bust of Sir Robert Peel	*On display – Lancashire Law & Order Gallery*
	Craam	*On display – Lancashire at Work Gallery*
	Push net	*On display – Lancashire at Work Gallery*
	Net	*On display – Lancashire at Work Gallery*
	Fine net	*On display – Lancashire at Work Gallery*
	Cockle and mussel gauge	*On display – Lancashire at Work Gallery*
	Application form for cockle and mussel permit	*On display – Lancashire at Work Gallery*
	Licence for cockle and mussel fishing	*On display – Lancashire at Work Gallery*
	Sail maker's palm	*On display – Lancashire at Work Gallery*
	Herring gull – taxidermy specimen	*On display – Lancashire at Work Gallery*

Items currently in LCCMS store, Preston

Item	**Size in mm - HxWxD**	**Cubic metres**
Oak court cupboard	1700 x 1400 x 660	1.58
Gillows & Co mahogany sideboard	2300 x 2300 x 700	3.8
Piano	1200 x 1400 x 800	1.35
Early 20th century display case (full length) with mahogany frame and curved glazing	2300 x 1400 x 660	2.13
Delftware pot house archaeology – stored in standard sized boxes H260xW415xD250	Shelf lengths:- 5 no 1300 x 1900 x 500 3 no 1000 x 1900 x 500	9.05
Decorative, 'ormolu' display case – Baroque style [currently in Lancashire Conservation Studios]	2020 x 1270 x 400	1.03

Items currently at OAN, Lancaster

NB: sizes not supplied

169 boxes of archaeological finds from a succession of excavations at 4 different points in the Church Street/Mitchell's Brewery/multiplex cinema development, plus 3 loose stones.

[OAN has also alerted the County to a very significant archaeological archive pertaining to Walton-le-Dale (ie outside of Lancaster City Council's collecting area. This is mostly Roman material and cannot be accommodated within LCC's Museum Service store. This has been added here in case Lancaster City Council is considering a store with scope to rent out space for others in the way that Bolton Library and Museum store has offered space in a purpose built spirit store with specific environmental controls.]

BUDGET AND PERFORMANCE PANEL

Performance Monitoring 2017 – 2018 Quarter 3

06 February 2018

Report of Chief Officer (Environmental Services)

PURPOSE OF REPORT
To report on the overall performance of key indicators as at 31st December 2018 – Quarter 3
This report is public

OFFICER RECOMMENDATIONS

(1) That Budget and Performance Panel considers the performance of key indicators at the end of Quarter 3 2017 – 2018 (31st December 2018)

1. PERFORMANCE QUARTER 3 – 2017 - 2018

1.1. The attached performance monitoring report and appendices provides a summary of the Quarter 3 progress and performance of key indicators towards the achievement of the corporate priorities and outcomes.

1.2. Appendix A provides a summary narrative, while Appendix B provides a more detailed scorecard.

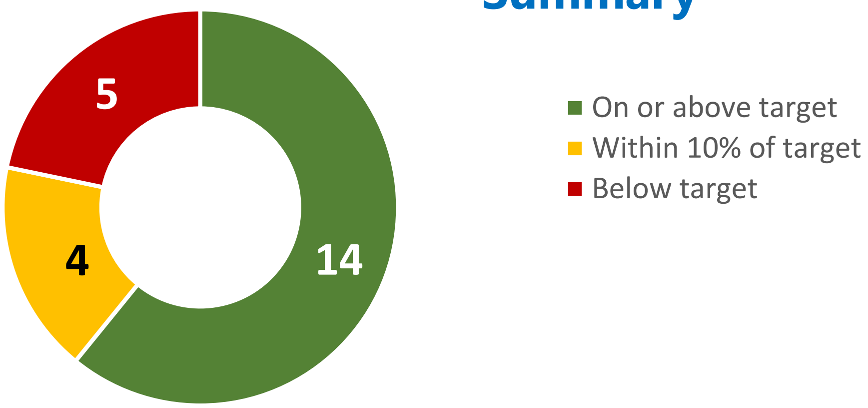
1.3. Budget and Performance Panel are asked to consider the report and attachments in line with their Terms of Reference within the Constitution relating to the monitoring and review of the council's performance.

CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing) None directly arising from this report
LEGAL IMPLICATIONS None directly arising from this report
FINANCIAL IMPLICATIONS None directly arising from this report
OTHER RESOURCE IMPLICATIONS **Human Resources / Information Services / Property / Open Spaces:** As set out in the relevant appendix
SECTION 151 OFFICER'S COMMENTS Section 151 Officer has been consulted and has no further comments
MONITORING OFFICER'S COMMENTS The Monitoring Officer has reviewed the report and has no further comments

BACKGROUND PAPERS	**Contact Officer:** Bob Bailey, Organisational Development Manager **Telephone:** 01524 582018 **E-mail:** rbailey@lancaster.gov.uk **Ref: B&PP 06/02/2018**

Appendix A

Quarter 3 - Overall Performance Summary



New Indicators

In addition to the indicators that have been reported since Quarter 1, four more included in Quarter 3 performance monitoring for the first time, as requested by Budget and Performance Panel. These are:

- Occupancy rates for all commercial properties (including estate shops)
- Cost/M2 spent on energy across all corporate buildings (Lagging – Quarter behind)
- Amount of energy usage in council buildings (Gas/KWH) (Lagging – Quarter behind)
- Amount of energy usage in council buildings (Electricity/KWH) (Lagging – Quarter behind)

The indicators relating to energy usage have been set as 'Baseline' where a target figure has not been assigned. This is mainly due to a change of energy supplier which has improved the reliance that can be placed on the accuracy of the data provided but does not provide for a meaningful comparison with the previous year. By Quarter 1, 2018/19, the Council will be in a better position to set a realistic target for these indicators based on accurate 2017/18 data.

Significant Improvements

Overall, performance for Quarter 3 has improved significantly when compared to Quarter 2 as the number of key performance indicators achieving/exceeding the target has risen from **10 to 14**. This is mainly as a result of the following indicators that have excelled in achieving their targets for this quarter:

- **The number of followers on Lancaster City Council's Twitter Page** – The number of twitter followers has risen sharply by 460 people since Quarter 2. This is due to the council's continued efforts in using Twitter as a means of dealing with service requests as well as using it to promote the district as a place to work, live and visit. The recent initiative of Services promoting their day to day activities on Twitter has certainly helped to attract more people to the page, as well as other promotional activities and projects carried out by the council.
- **Total number of admissions to Salt Ayre Leisure Centre** – Since Quarter 1, there has been a huge increase in the number of visitors to Salt Ayre Leisure Centre from 131,856 to 237,222 visitors. The opening of Gravity Flight Tower as well as the recent opening of the new Spa facilities has helped to increase the number of visitors throughout the course of the year.
- **Number of properties where 'category 1 hazards' have been eliminated** – The recent flooding put added pressure on available resources as staff 'went the extra mile' in helping vulnerable people who

were badly affected. Despite this there has been a significant increase in the number of properties that have had 'category 1' hazards eliminated. Rising from just 16 in Quarter 2 to an impressive 42 properties in Quarter 3, easily surpassing the target of 25 properties for this quarter.

- **Number of fly tipping reports actioned within 5 days** – Since Quarter 1, the number of fly tipping reports actioned within 5 days more than doubled in Quarter 2 and remained significantly higher that the target in Quarter 3. This is a direct result of improvements in the work schedule of street cleansing operatives and continuously improving working practices within the service.

Benchmarking

Some services benchmark themselves against other councils across the country through membership of performance networks such as HouseMark and APSE (Association for Public Service Excellence),. Other services are part of regional benchmarking clubs. . Set out below, are some highlights of the Council's performance when compared with others:

- **Average number of days of sickness absence per full time employee** – For the year 2016/17, Lancaster City Council were ranked fourth out of 14 local authorities within Lancashire for having the lowest number of average days lost to sickness per employee at 6.46 days.
- **Number of fly tipping reports actioned within 5 days** – For the year 2015/16, the council were in the APSE top quartile for the cost of street cleansing services provided per head of population.
- **Kilogrammes of residual waste per household** – Since 2014/15, the council has remained in the APSE top quartile for net refuse costs for the collection of household and trade waste, and recycling.
- **Total number of admissions to Salt Ayre Leisure Centre** – For the year 2015/16, the council was in the APSE top quartile for the overall performance of sports and leisure facilities.
- **Percentage of planning applications determined** – For the year 2016/17, Lancaster City Council came first out of 14 local authorities within Lancashire for the overall performance of determining planning applications within the agreed timescales.

Areas for improvement

Time taken to relet council houses – Whilst, there has been a good reduction in the average number of days taken to re-let council houses from 71.67 days in Quarter 2 to 66.31 days in Quarter 3, this indicator remains substantially behind the ambitious target of 38 days. Plans are in place to continue this improvement and this will be further helped by the recent Cabinet approval of the RMS Development Programme and support from an external company, Ad Esse, who specialise in lean systems thinking and process improvement.

Number of page visits made to 'Welcome Lancaster and Morecambe webpage' – These webpages have seen a significant decline in the number of views since the beginning of the year and are becoming increasingly outdated. This position will be addressed through the recent appointment of a Marketing Manager, and the release of a new, user friendly website which should see the number of page visits increase in the coming months.

Appendix B

LANCASTER CITY COUNCIL
Promoting City, Coast & Countryside

Lancaster City Council

Corporate Indicators - Quarter 3 (17/18) Report

Quarter 3 - Overall Performance			
14 Indicators	4 Indicators	5 Indicators	4 Indicators
On or Above Target	Within 10% of Target	Below Target	Baseline

↑ Performance is improving
→ Performance is the same
↓ Performance is declining

Performance Information			Quarter 3 2016/17	Quarter 2		Quarter 3		Direction of Travel	Comments
Reference Code	Indicator	High/Low/ Neutral		Target	Actual	Target	Actual		
Community Leadership									
Outcome 1: Business and customer needs and expectations are met through use of modern technology									
CP1.1	Number of services with fully transactional on-line self service capability	High is Good	**N/A**	Baseline	**49**	Baseline	**50**	↑	**New indicator 17/18:** Fully transactional meaning that from the end users point of view the service is fully usable via a web interface without requiring other communications such as telephone or filling in forms offline. This can be broken by Services as follows: Environmental Services - 6, Governance - 4, Health and Housing - 20, Regeneration and Planning - 10, Resources - 10
CP1.3	Number of followers on Lancaster City Council's Twitter Page	High is Good	**N/A**	9000	**8,835**	9000	**9,295**	↑	**Green :** Since Q2, the number of twitter followers have increased by 460 people.

Outcome 2: Reputation, quality and value-for-money of council services maintained									
CP2.4	Average number of days of sickness absence per full time employee	Low is Good	**2.04**	1.75	**1.37**	1.75	**1.79**	↓	**Green:** The cumulative total number of average days lost due to sickness at quarter 3 is 4.41. It is normally the case that levels of sickness absence will tend to rise in the 3rd quarter of the year, as the number of seasonal viruses tends to increase resulting in higher levels of staff sickness absence, therefore the rise in sickness in the 3rd quarter was anticipated. Over the course of the financial year the Council remains well on track to achieve the end of year target of no more than 7.0 days absence lost to sickness per employee. Performance has improved in comparison to quarter 3 in 2016/17.
CP2.5	Occupancy rates for all commercial properties (including estate shops)	High is Good	**N/A**	100%	**96%**	100%	**97%**	↑	**Amber - New Indicator 17/18:** The achievement of meeting high occupancy levels is mainly due to the level of capital investment the council has, and is continuing to add to its commercial portfolio. Also with the current demand of businesses wanting to locate to the district has contributed to properties being occupied.
CP2.6	Average time taken to process new Housing Benefit and Council Tax claims	Low is Good	**25.3**	23	**26.9**	23	**26**	↑	**Amber:** Welfare reforms, particularly the introduction of Universal Credit, have led to a higher complexity of new claims, and delays in waiting for information from the Department for Work and Pensions. In comparison to quarter 3 in 2016/17, performance has slightly dipped.

Performance Information			Quarter 3 2016/17	Quarter 2		Quarter 3		Direction of Travel	Comments
Reference Code	Indicator	High/Low/ Neutral		Target	Actual	Target	Actual		
Health and Wellbeing									
Outcome 4: People live safe, healthy, active and independent lives									
CP4.8	Number of people statutorily homeless	Low is Good	**22**	25	**20**	25	**24**	↓	**Green:** The number of statutory homeless presentations have slightly increased from the previous quarter due to households affected by the recent floods, despite this we have only seen a slight increase in the number of people statutorily homeless compared to quarter 3 last year.
CP4.9	Number of Disabled Facilities Grants completed	High is Good	**43**	50	**46**	50	**50**	↑	**Green:** The average number of DFG completions per month in 2016/17 was 16. The average number of grants completed per month at the end of Q3 in 2017/18 is 17. This increase in completions has been achieved despite the Home Improvement Agency having only 50% of the required Technical Officer capacity. Staffing issues at the County Council Occupational Therapy (OT) Service have also resulted in a shortage of DFG referrals. To address the lack of referrals the Home Improvement Agency piloted the use of Independent OT's, and has undertaken a wide range of promotional activities to raise awareness of the availability of DFG's to local residents. A Technical Officer has now been recruited to the vacant post, this should lead to an increase in DFG completions in Q4. In comparison to quarter 3 last year, the number of disabled facilities grants completed has increased this quarter.
CP4.10	Number of properties where 'category 1 hazards' have been eliminated	High is Good	**33**	25	**16**	25	**42**	↑	**Green:** Target achieved despite some staff being diverted to flooding respsonse work. In addition, 48 category 2 hazards have been reduced to an acceptable level.
CP4.11	Percentage of premises scoring 4 or higher on the food hygiene rating scheme	High is Good		90%	**88.35%**	90%	**88.49%**	↑	**Green:** This represents a 0.14% increase on the last quarter. Specific actions are in hand to bring about further compliance improvements leading to high ratings for food hygiene, which will be positive both for consumers and businesses.
CP4.12	Percentage of high risk food hygiene inspections completed	High is Good		100%	**85%**	100%	**93%**	↑	**Amber:** There were 14 high risk premises due in the quarter and 13 were inspected. The remaining premises is already subject to ongoing enforcement action and is due for re-inspection imminently.
CP4.14	Total number of admissions to Salt Ayre Leisure Centre	High is Good		180,000	**145,669**	230,000	**237,222**	↑	**Green:** Predicted throughput achieved as a result of a busy October holiday period. Trends are showing that participants of Energy and Xheight are being accompanied by family members / friends and therefore having a positive effect on throughput. The new Spa facility also opened in October. Similarly, swimming lesson numbers have increased and again, participants are often accompanied by family members.
CP4.15	Time taken to re-let council houses	Low is Good	**59.28**	38	**71.67**	38	**66.31**	↑	**Red:** Significant progress has been achieved in the management of the time taken to re-let council houses. Improvement in the management of re-letting homes remains high priority. The overall numbers of empty council houses continues to reduce. Further significant and sustained improvements are projected. The average re-let time for council houses let within the month of December 2017 was 52.14 days.

Performance Information			Quarter 3 2016/17	Quarter 2		Quarter 3		Direction of Travel	Comments
Reference Code	Indicator	High/Low/ Neutral		Target	Actual	Target	Actual		
Clean and Green Places									
Outcome 5: High standards of cleanliness maintained									
CP5.1	Number of fly tipping reports actioned within 5 days	High is Good	**175**	125	**394**	125	**313**	↓	**Green:** Between 1st October and 31st December 2017 Public Realm received 425 service requests in relation to Fly Tipping. Of these 313 were closed on the system within 5 working days. This equates to 73.64% of the total number. Significant improvement has been made in dealing with fly tipping incidents within 5 days compared to quarter 3 last year.
CP5.2	Number of fly tipping enforcement notices issued	High is Good	**233**	199	**190**	233	**162**	↓	**Red:** As was commented last quarter, the Environmental Enforcement team was half staffed pending recruitment for a period up to December 2017. This coincided with its transfer to Health & Housing (Public Protection) in November 2017. During that period attention was focussed more on higher risk offending, such as substantive fly tipping, and the time-consuming commitment of work on abandoned vehicles had a particular impact. This meant there was less lower-risk regulatory action contributing to this Q3 result. Nevertheless, 162 enforcement actions were undertaken by a reduced-strength team. There has been a reduction of fly tipping enforcement notices issued for this quarter in comparison to quarter 3 for the year 2016/17.
CP5.4	Percentage of household waste recycled (Lagging)	High is Good	**43.66%**	45%	**36.5%**	45%	**41.4%**	↑	**Amber:** This is a lagging measure and is currently still being validated. The data for Q2 can be broken down by the following: 20.8% dry materials, 20.63% garden waste. Combined to date recycling rate 39%. Q2 has seen an increase on the dry materials for the same period last year (16.08%) and a decrease for garden waste (27.58%).
CP5.5	Kilogrammes of residual waste per household (Lagging)	Low is Good		87.17	**89.2**	87.17	**88.4**	↑	**Green:** Q2 shows a slight decrease compared with Q1 of 0.8kg per head. The decrease is more significant compared to Q2 last year (7.9kg per head), this will of course have resulted from the decrease in garden waste.
CP5.6	Total number of subscriptions to the Garden Waste Scheme	High is Good	**N/A**	30,000	**23,888**	30000.00	**23,971**	↑	**Red:** Performance on garden waste has been extensively reported on. As charging was only introduced in 17/18 target was based on information from other Councils. The 18/19 target will be based on actual performance. The sign up campaign for 18/19 is now underway.

Reference Code	Indicator	High/Low/ Neutral	Quarter 3 2016/17	Quarter 2 Target	Quarter 2 Actual	Quarter 3 Target	Quarter 3 Actual	Direction of Travel	Comments
Outcome 6: Minimising impact on the environment									
CP6.1	Diesel Consumption - Council Vehicle Fleet (Litres)	Low is Good	**119,839.60**	121,728	**123,610**	121,728	**120,321.50**	↑	**Green:** Road diesel usage has gone down by 3288.50 litres from quarter 2. In comparison to quarter 3 figures from last year, fuel consumption has increased by 481.90 litres.
CP6.2	Cost/M2 spent on energy across corporate buildings (Lagging)	Low is Good	**N/A**	Baseline	**£3.27**	Baseline	**£3.31**	↓	**New indicator 17/18:** This figure relates to July to September 2017. A cost per square metre of £3.31 is in line with the previous quarter, given that they are covering similar months in terms of weather.
CP6.3	Amount of energy usage in council buildings (Gas/KWH) (Lagging)	Low is Good	**N/A**	Baseline	**738,881**	Baseline	**809,376**	↓	**New indicator 17/18:** This figure relates to July to September 2017. There is a slight increase in consumption compared to previous quarter. This would be as expected, as the weather starts to cool and some heating systems are adapted to suit the temperature.
CP6.4	Amount of energy usage in council buildings (Electricity/KWH) (Lagging)	Low is Good	**N/A**	Baseline	**595,395**	Baseline	**656,213**	↓	**New indicator 17/18:** This figure relates to July to September 2017. We can see a slight increase this quarter (July to September 2017) from the previous quarter, which is in line with what we would expect. Days start to shorten towards the end of September so we will be switching on more lights or lights will be in use for longer periods.

Performance Information			Quarter 3 2016/17	Quarter 2		Quarter 3		Direction of Travel	Comments
Reference Code	Indicator	High/Low/ Neutral		Target	Actual	Target	Actual		
Sustainable Economic Growth									
Outcome 8: City, town and rural areas are enhanced and improved									
CP8.3	Number of empty properties brought back into use	High is Good	**18**	15	**19**	15	**14**	↓	**Green:** 14 empty homes were brought back into use with Council involvement in Q3. Therefore, 276 properties being monitored in this quarter 5% were brought back into use with Council involvement.
CP8.5	Percentage of minor planning applications determined within 8 weeks or agreed time (Speed of Decision)	High is Good	**96%**	92.13%	**98%**	92.13%	**98.41%**	↑	**Green:** Of 63 Minor applications received in Q3, 62 were determined within the statutory 8-week timescale or within a mutually-agreed timeframe with the applicant. Percentage of minor planning applications determined has improved since quarter 3 last year.
CP8.6	Percentage of other planning applications determined within 8 weeks or agreed time (Speed of Decision)	High is Good	**99%**	70%	**100.00%**	70%	**99.32%**	↓	**Green:** Of 146 other applications received in Q3, 145 were determined within the statutory 8 week timescale or within a mutually agreed timeframe with the applicant. Percentage of other planning applications determined has slightly improved from qurater 3 last year.
CP8.7	Percentage of major planning applications determined within 13 weeks or agreed time (Speed of Decision)	High is Good	**100%**	60%	**100%**	60%	**100%**	→	**Green:** All 12 Major Applications received in Q3 were determined within the statutory timescale, or within a mutually-agreed timeframe with the applicant. Performance has been consistent since quarter 3 last year.

Outcome 9: City, town and rural areas are enhanced as destinations for residents and visitors									
CP9.2	Number of page visits made to 'Welcome Lancaster' webpage	High is Good	**14,861**	19,250	**17,254**	19,250	**11,359**	↓	**Red:** This is a combination of page visits to our Lancaster page on www.visitlancashire.com and our new standalone website - www.visitlancaster.org.uk. The figure is down on the previous quarter as Oct-Dec is part of the low tourist season. There has been an increase in visits to our standalone website but there continues to be a decline in the views on visitlancashire.com which is managed by our partner - Marketing Lancashire. The visitlancashire.com website is becoming increasingly out-dated (not mobile friendly) and we have been informed there will be a new version soon which is mobile responsive and thus will assist with greater page views again. In comparison to quarter 3 last year, there has been a significant reduction in the number of page visits to 'Lancaster Webpage' this quarter.
CP9.3	Number of page visits made to 'Welcome Morecambe' webpage	High is Good	**5011**	9,750	**12,794**	9,750	**4,903**	↓	**Red:** Quarter 3 represents the low season for visitors and consequently view on our visitor websites. There has been a decline in the views to our Morecambe Bay page on visitlancashire.com which is managed by our partner - Marketing Lancashire. The visitlancashire website is becoming increasingly out-dated (not mobile friendly) and we are informed there will be a new version soon which is mobile responsive and thus will assist with greater page views again. We are finalising the production of our own morecambebay visitor website - like we have done for Lancaster - where we are in control of our own editorial and performance of the site overall. Due to be live in February 2018 ready to be included in the next quarter figures. Compared to quarter 3 last year, there has been a reduction in the number of page visits to 'Welcome Morecambe' webpage this quarter.