

CABINET

Museums Service 9 October 2012

Report of Head of Community Engagement

PURPOSE OF REPORT				
To update members on the review of the Museums Partnership agreement with Lancashire County Council and agree future management responsibilities.				
Key Decision	X	Non-Key Decision		Referral from Cabinet Member
Date Included in Forward Plan	July 2012			
This report is public				

RECOMMENDATIONS OF COUNCILLOR SANDS

- (1) That Option 1 – the development of an enhanced partnership agreement with Lancashire County Council is pursued.
- (2) That the agreement be initially for a three year period in order to enable the new governance approach to take effect.
- (3) That the Chief Executive be delegated authority to establish the appropriate governance arrangements set out in the report.

1.0 Introduction

- 1.1 The Museums Service in Lancaster has, since 2003, been the subject of a Partnership Agreement between Lancashire County Council and Lancaster City Council. The establishment of the Museums Service Partnership Agreement came about as a result of Lancaster City Council budget deliberations for 2003/04.
- 1.2 Lancaster City Council funds the management of the City, Maritime and Cottage museums in Lancaster. Two others, not funded by the City Council, are Lancaster Castle and the Judges' Lodgings Museum.
- 1.3 The City Council own and have maintenance responsibilities for Lancaster City Museum, Lancaster Maritime Museum and the Cottage Museum. All the collections prior to the Museums agreement and those collected on behalf of the City after that agreement, belong to Lancaster City Council. All Museum staff that previously worked for Lancaster City Council were transferred to Lancashire County Council in April 2003.

1.4 Cabinet, at its meeting on 19 January 2010, resolved that:

Lancashire County Council be issued with 24 months notice to terminate the Museums Partnership Agreement from 1 April 2010 (i.e. to be implemented after 31 March 2012), and that officers of the City Council, over the ensuing period, examine options of future service provision, whilst examining cost savings. (Min No 113 refers).

1.5 Cabinet, at a further meeting on the 14 February 2012, resolved that:

- (1) *That the City Council continues with the existing partnership agreement with Lancashire County Council for a further year in order to continue ongoing dialogue aimed at developing a new shared service arrangement for the Museums service in the district.*
- (2) *That further reports are brought back to members during 2012/13 presenting more detailed information that will form the basis of the new arrangements prior to their implementation.*

2.0 Proposal details

- 2.1 Since the Cabinet meeting in February officers from the City Council have continued to meet with County Council officers to review the effectiveness of the partnership and understand the allocation of costs. In addition, a specialist museums consultancy Robert M Aitken Museum Design has continued to provide additional specialist advice.
- 2.2 In taking forward negotiations with Lancashire County Council, the main aim of the work was to provide an indication of how the current partnership 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.
- 2.3 The CHS clearly set out Lancaster's potential as a visitor destination based on its wealth of heritage and cultural (arts) offerings. It also highlighted the number of challenges that needed to be met and delivered to meet this vision. There are a number of significant opportunities for the district over the next few years. The proposed development of the Canal Corridor North site, Lancaster Castle and Luneside East will create a new east-west emphasis to the city centre. This means that the City Museum and the Maritime Museum will occupy increasingly important locations as key elements of a much bigger cultural and heritage offer in Lancaster as envisaged in the Cultural Heritage Strategy. The Cultural Heritage Strategy also makes a series of recommendations around marketing of the city and its attractions and festivals. It is imperative that the future of these, and other key buildings and areas such as the Storey CIC, Market Square and Sun Street, are considered in this light if the benefits of these significant investments are to be maximised.
- 2.4 The way forward for the City's museums must be seen against this background: both the City and the County must move forward together, albeit with a revised arrangement – but in the spirit of partnership and mutual benefit.

- 2.5 A number of options have been considered during the period of discussions some in more detail than others. Each option raises issues and associated risks, some of which may be easier to deal with than others. Options which essentially represented closure or disposal to the County or third parties create significantly more problems than they present realistic, sustainable solutions and were discounted quite early on in the process.
- 2.6 The main aim of the work was to provide an indication of how the current partnership 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 with a particular emphasis on maximising value for money for both the City and the County.

The two options given detailed consideration and presented in this report are:

- Option 1** Enhancing the existing partnership arrangements with Lancashire County Council or
- Option 2** Repatriating the museums service back to the City Council.

Option 1 - Enhanced Partnership with Lancashire County Council

- 2.7 This option proposes a revised enhanced partnership arrangement between the City and County Council. It proposes that the existing arrangements for the management of the City, Maritime and Cottage Museums in Lancaster on behalf of the City Council could be both improved and delivered at a reduced cost. The County Council have agreed that the present sum contributed annually by the City Council could now be reduced by £50,000 (to £500,000 a year) as a result of the savings made in the overall operating costs of the County's Museum Service due to restructuring and the creation of a Cultural Services 'block'.
- 2.8 This option proposes that an appropriate governing body (a Joint Museums Service Governance Group) involving elected members is needed to ensure "the alignment of the museums operations within the district (both City and County) with the priorities of both authorities". Option 1 recommends that a coordinated, strategic approach is delivered for the operation of the museums in the Lancaster District via a Joint Museums Service Governance Group comprising an appropriate number of councillors from both City and County. The proposed structure is set out in Appendix A.
- 2.9 There currently exists a productive and improving management approach to the partnership and officers have worked to ensure greater integration is provided within the partnership. It is envisaged that operational managers from County would contribute to business planning in particular at Williamson Park and Platform and additionally bring a new approach to delivering services to community facilities throughout the district (outreach work). There are possibilities to work with sport and physical activity officers who have built up a range of community / club / school contacts in recent years which in turn should help raise the profile of all three museums and enhance the cultural offer district wide. Opportunities exist to maximise partnership work with various arts organisations and such opportunities would be coordinated by City Council officers. Possibilities of linking outputs

delivered by the museums which are not currently recognised such as improved health (particularly mental health), improved education programme (links to ever expanding educational offers at Williamson Park which in turn generates revenue) and increased users of cultural facilities from hard to reach groups would be identified and reported.

- 2.10 The enhanced partnership would create the forum for officers to co-ordinate the development of the shared business plan and strategic plan for consideration by the Governance Group, which itself would not have decision making powers, as these would be subject to the normal processes of the two authorities. The Group would therefore advise their respective authorities on the operation of the museums and also on proposed development plans. Budgets would also continue to be agreed by the respective councils under their usual processes, but informed by the agreed ambitions of the Group, if accepted by the respective authorities.
- 2.11 If implemented and maintained – this option would give the City a greater involvement in the future of its museums at both member and officer level and the ability to influence and integrate the museums offer within the wider cultural offering of the district and wider region.
- 2.12 For the reasons set out in Paragraph 2.3, it is recommended that this enhanced agreement be initially for a period of three years to assess:
 - a) Whether the revised arrangements are delivering the intended benefits and offering a stronger contribution to the cultural offer and economy of the district and wider region and
 - b) The wider context in which the museums service would be offering including progress being made on the key initiatives described above.

Should option one be the preferred option an opportunity is created to reinvest some of the savings identified in to the enhanced partnership. A 50% assumption for reinvestment (£25k) could be allocated to areas most in need such as introducing new signs, banners to frontage of buildings and most importantly providing the opportunity for managers to improve exhibition displays as appropriate.

- 2.13 If this option is pursued the City council needs to develop clear negotiating positions particularly in the key areas of:
 - Creating a vision for the delivery of the City's heritage.
 - Management and governance, including the management of the contract by the City
 - Value for money considerations and their demonstration
 - Benchmarking and – crucially – the creation of performance indicators triggering either additional or reduced payments by the City to the County
 - Proper reporting arrangements by the County to the City on agreed benchmarks and performance indicators
 - The creation and delivery of capital investment strategies by both the City and the County

- The creation and delivery of commercial opportunities that are in the City's interest, including the City Museum's basement and potential catering and retail operations.

Option 2 - Repatriation of the Museums Service

- 2.14 This option proposes that all the functions are managed in-house by the City, with four areas (specialist repair and restoration, specialist advice on object handling, the design and delivery of exhibitions and the upgrade of the permanent collections) being offered for tender by the City under its usual procurement procedures and practices to the County and, if thought necessary, to independent third parties.
- 2.15 This re-allocation of responsibilities would give the City freedom to develop the museums as it sees fit, with the County acting as a third party contractor for defined services, at an agreed fee, possibly in competition with other bodies or private contractors for services such as exhibition design and the upgrading of the permanent exhibits.
- 2.16 Following a transfer, the City would:
- have direct control over all the public-facing elements of the service
 - have a management contract with the County for clearly specified and costed activities that the County will perform under the contract
 - use staff transferred from the County under TUPE arrangements to manage the service
 - place external contracts for activities that it is financially prudent to do so, under briefs set and managed by the service, and produced under the usual tendering procedures operated by the City.
- 2.17 This option proposes a Museum Board for the express purpose of maintaining the museums' planning cycle and setting all policies for the future direction of the museums service. The structure of this Board is set out in Appendix 2.

General issues for consideration

- 2.18 A key objective of any new arrangements must be to reduce the level of subsidy per visitor, thereby increasing value for money. The latter can be achieved (a) by reducing costs, and/or (b) by increasing visitor numbers.
- 2.19 Bearing in mind that the majority (72%) of the cost of running the service is either staff- or premises-related, or is concerned directly with point-of-delivery activities, reducing cost in any meaningful way may give the impression that the service is retrenching, and might actually reduce the current VfM. The second way – that of increasing visitor numbers – would appear to be the preferred route. A series of potential *Quick Wins*, have been identified:
- a new brand and associated marketing campaign
 - new signage, including banners to the front-of-house

- a new interpretive master plan for the Museum in the context of Lancaster district as a whole
- a master plan for the new museum offer, including the extension and basement
- consider the development of the basement by a third party commercial operator, the activity to be in keeping with both the history of the building and the spirit of the museum
- install new retail outlet on the Ground Floor of City Museum

3.0 Details of Consultation

A stakeholder event took place on the 26 May 2011 and further discussions have followed

4.0 Options and Options Analysis (including risk assessment)

There are two options considered in this report:

1. Negotiate an ‘enhanced’ partnership agreement with Lancashire County council effective from March 2013 for a period of three years.

This option carries minimal risk, carries on an existing working relationship with a respected partner and requires that the City needs to do little to implement this proposal other than establishing appropriate governance arrangements and taking a more pro-active role in the future strategic direction of the museums service. This option is consistent with the decision of Cabinet taken on the 14 February 2012 (Para.1.5), offers an immediate financial saving to the council and is complementary to the city council’s strategic direction to ‘share’ services with Lancashire County Council.

2 Bring the Museums Service back ‘in house.’

This option brings with it the ability to have direct control over all public facing elements of the service working flexibly within its own budgets to support the Council’s cultural heritage economic priority.

Whilst this option may be a desired outcome it would still leave two authorities running similar services in the district with separate decision making and budgetary provision, a potential risk of a divergence of opinion going forward and may not offer the maximum opportunity to generate efficiencies. In addition, there is a risk that the operation could cost more than it does under the current arrangements if the projected increases in visitor numbers do not materialise.

Currently the city is at a crucial if not pivotal moment in the development of the city’s future development. Proposals such as the Castle will become the ‘must see’ visitor attraction. Although it is being suggested the development will include a strong museum offer detailed plans have yet to emerge. This, together with developments such as the Canal Corridor, Square Routes etc. are “once in a generation” opportunities and the museum offer has a key role to play in maximising the positive impacts of these. In this context, it is considered to be not the right time to take a long

term decision as to the future of the museums service and its contribution toward the cultural heritage offer of the district.

Officer recommendation

In the light of the above the officer preferred recommendation is Option 1 - Negotiate an 'enhanced' partnership agreement with Lancashire County council effective from March 2013 for a period of three years.

5 Conclusion

The Museums service has a key role to play in supporting the development of the Lancaster's wider cultural offer and in turn the future prosperity of the city centre. The opportunity for effective involvement by City Council officers with a proven track record of improving services delivered to the public is appealing. The recent award to Williamson Park as a quality accredited excellent facility to Visit Britain being a good recent example of City Council achievements when involved in facility management. The opportunity to revitalise the partnership and include officers from County within the business planning process of the City Council can only further a cohesive approach. This approach coupled with improved governance arrangements can be delivered within option one and affords the necessary review timescale within three years to assess performance.

RELATIONSHIP TO POLICY FRAMEWORK

Management of the Museums is an important element of the Council's priorities of Economic Regeneration – and is cited within the Corporate Plan 'An improved future for the district's museums is secured'.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Will all be taken into consideration during the development of any new arrangements.

LEGAL IMPLICATIONS

If option 1 is approved Legal Services would advise and assist in the preparation of the enhanced partnership agreement.

In the event that option 2 is approved Legal Services would advise and assist in dealing with any issues arising from devolution from the County Council arrangements including TUPE issues.

FINANCIAL IMPLICATIONS

Option 1

The key advantage of this proposal to the Council is that the annual cost of the operation of its museums is known and fixed at £500,000 a year as at year 1, offering an instant saving of £50,000 a year, rising to over £54,000 a year if a 2% real year-on-year increase is assumed. This equates to a total saving over five years of just over £260,000. Consideration should be given as to whether further savings can be made by way of a detailed look at the workings of the City, County and Cottage museums (ie, at the operational level) to effect either further savings or increased income for the financial

benefit of the City. This would be investigated further going forward if this option is selected.

Option 2

The following table is based on assumptions regarding the initial set up costs of £239K to cover the cost of re-configuring the entrances to the City and Maritime museums, implementation of new systems, re-training of staff, re-brandings and re-launching the museums. It has been assumed that these costs would be funded from revenue for the purposes of this appraisal.

This option also assumes existing staff are transferred from the County to the City at current rates.

	2013/14	2014/15	2015/16	2016/17	2017/18	Totals
	£	£	£	£	£	£
Initial Set Up Costs						
Capital (Assumed to be financed from Revenue)	68,250					68,250
Revenue	140,490	30,135				170,625
Total Set Up Costs	208,740	30,135				238,875
Annual Running Costs						
Employees	418,833	430,383	442,721	446,790	446,790	2,185,515
Premises & Transport	55,366	56,473	57,602	58,754	59,929	288,125
Supplies and Services	147,273	150,219	153,223	156,288	159,413	766,416
Conservation, Marketing and Exhibitions	117,694	120,048	122,449	124,898	127,396	612,486
Total Expenditure	739,166	757,123	775,995	786,730	793,529	3,852,542
Income (see table below for details)	(197,849)	(225,140)	(242,025)	(254,127)	(260,480)	(1,179,621)
Net Annual Running Cost	541,317	531,983	533,970	532,603	533,049	2,672,921
Total Annual Cost	750,057	562,118	533,970	532,603	533,049	2,911,796
Cost of Current Annual Contract (2% compound)	559,980	571,180	582,603	594,255	606,140	2,914,158
Annual Cost / (Saving)	190,077	(9,062)	(48,633)	(61,652)	(73,092)	(2,362)
Cumulative Cost / (Saving)	190,077	181,015	132,382	70,729	(2,362)	

The initial investment of £239K would take 5 years to pay back.

The income generation assumptions made in these projections are as follows:

Income Assumptions	2013/14	2014/15	2015/16	2016/17	2017/18
Visitor/User Numbers	157,380	173,118	186,102	195,407	200,292
Annual Increase in Numbers Assumed	115.0%	10.0%	7.5%	5.0%	2.5%
Spend Per Customer	(£1.26)	(£1.30)	(£1.30)	(£1.30)	(£1.30)
Total Income	(£197,849)	(£225,140)	(£242,025)	(£254,127)	(£260,480)

As can be seen from the table above, it is assumed that visitor numbers will increase by 115% in the first year, and a total increase of 140% over the 5 year payback period. In addition, spend per customer would increase from the current 53p to £1.26. These assumptions include removing admission fees, installing a new retail outlet in the City Museum and having a new interpretive master plan. Clearly, if these increases do not materialise then the payback period would be greater. In fact, anything less than an increase of 85% in the first 5 years would not achieve any payback as the net running costs would be the same as the current cost of the operation under the County agreement.

A comparison of the two options is shown in the following table:

	2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
OPTION 1 : COUNTY PROPOSAL					
Annual Saving	(50,000)	(51,000)	(52,020)	(53,060)	(54,122)
Cumulative Saving	(50,000)	(101,000)	(153,020)	(206,080)	(260,202)
OPTION 2 : IN-HOUSE PROPOSAL					
Annual Cost / (Saving)	190,077	(9,062)	(48,633)	(61,652)	(73,092)
Cumulative Cost / (Saving)	190,077	181,015	132,382	70,729	(2,362)

Clearly the County proposal will generate greater savings over a 5 year period, and it has been forecast to take 13 years before the cumulative savings for both options reach the same level.

In summary, from a financial point of view, the least risk option is Option 1 and this will also generate the greatest savings over the medium term.

OTHER RESOURCE IMPLICATIONS

Human Resources:

Officers from Human Resources have been included within dialogue with County Council and will prepare definitive implications relating to staff should any variation of the museums operation be agreed. At this stage it is too early to consider TUPE implications until a clear way forward has been agreed and staff informed of any changes.

Information Services:

None identified to date.

Property:

The three museums referred to above are owned by Lancaster City Council

Open Spaces:

No implications

SECTION 151 OFFICER'S COMMENTS

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

MONITORING OFFICER'S COMMENTS

The Deputy MO has been consulted and has no further comments.

BACKGROUND PAPERS

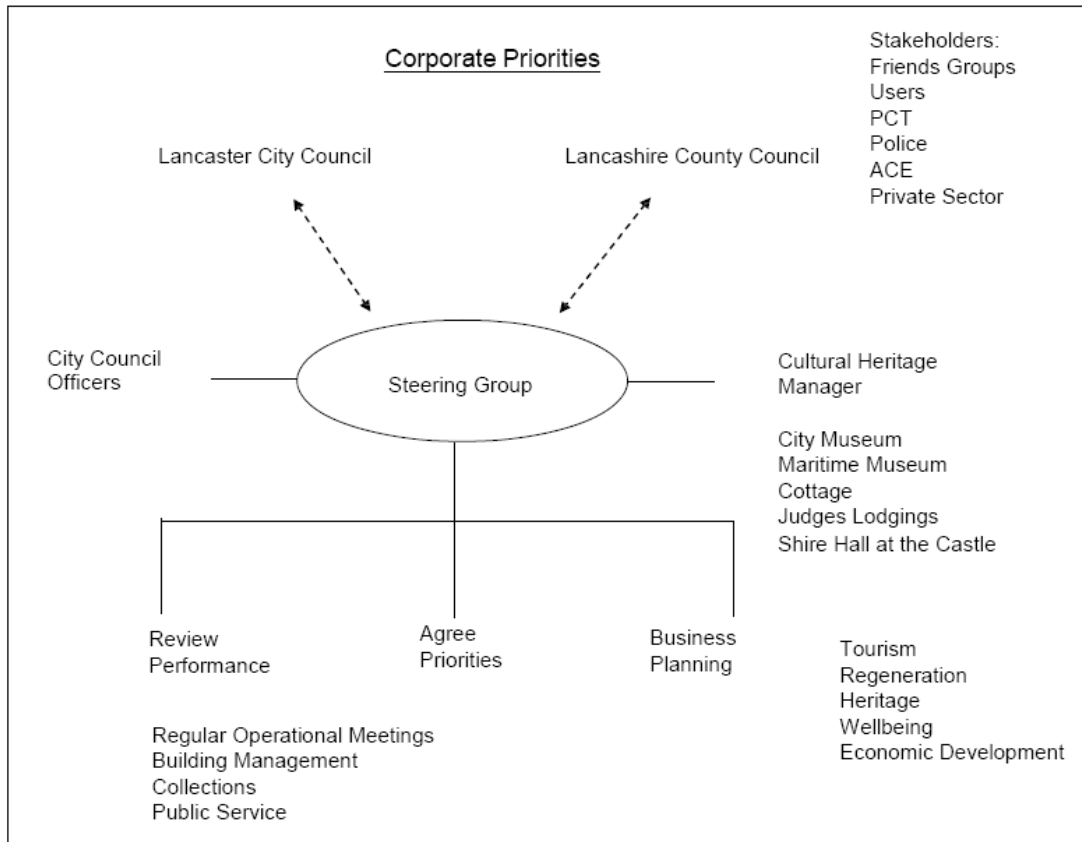
Robert M Aitken Museum Design - report

Contact Officer: Richard Tulej

Telephone: 01524 582079

E-mail: rtulej@lancaster.gov.uk

Appendix A



Appendix B

