

**BRISTOL CITY COUNCIL**

**CABINET  
4 October 2012**

**REPORT TITLE:** Governance Options Appraisal, Bristol Museums, Galleries & Archives

**Ward(s) affected by this report:** Citywide

**Strategic Director:** Graham Sims, Interim Chief Executive  
Rick Palmer, Interim Strategic Director Neighbourhoods and City Development

**Report author:** Julie Finch, Head of Museums, Galleries & Archives

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**Report signed off by executive member:** Simon Cook  
Leader

**Purpose of the report:**

This report outlines the governance option proposed for the Bristol Museums, Galleries & Archives Services (BMGA). This report is led by the recommendations of the Select Committee Report that gained all party support in November 2009. The report identifies the most suitable model of governance for BMGA to support an improvement strategy and optimise enterprise activity creating a more sustainable future for the service and meet demand.

**RECOMMENDATION for Cabinet approval:**

1. To agree in principle to the transfer of the BMGA to an independent trust at the existing funding levels of £3.7m subject to an agreed business case.
2. To adopt the governance model that will be a single independent museums trust, closely bound into the BCC family through specified interfaces and trustee compositions. Staff would become employees of the new organisation. The major assets will remain the property of the Council.
3. To agree to the implementation of phased approach to a change in governance

whereby Bristol City Council (BCC) delivers BMGA activities through a company limited by guarantee with charitable status.

4. To develop the business plan that will frame the transfer and all associated interfaces, service level agreements and entrustment agreements.
5. To establish the terms for use of the assets (Collections and Properties) that will remain in the ownership of BCC.
6. To implement a managed transition plan over several stages, this will be the lowest risk and lowest cost process for transition. This transition will be undertaken through a shadowing process to minimise future risks to the new organisation and BCC.

### **The proposal:**

#### **Changes in the National Context**

7. The public sector is undergoing significant change due to public spending cuts. The cultural offer is more vibrant than ever, with the continued policy of free entry to publicly funded museums, the demand for high quality services and experiences has grown exponentially.
8. Arts Council England is now the single agency providing partnership funding for the cultural sector, competition for funding is even greater than before. The universal cultural offer in a locality therefore has to be competitive, ambitious, vibrant and at the leading edge in order to attract future funding.
9. Many cultural organisations are exploring or have moved to new forms of governance with the emphasis on flexibility in going to market, meeting customer demands and optimising income through enterprise activity.

#### **Bristol Context**

10. The cultural offer provided by Bristol is recognised as being innovative, connected to economic growth, supporting communities and a highly visible attractor of tourists.
11. BMGA, as a dynamic museum service has provided better quality customer service through the opening of M Shed and a more dynamic public programme that spans the service, both have attracted attention nationally and internationally.
12. The increased demand for high quality museum services builds the case for development of the Bristol Museum and Art Gallery and a City Resource Centre.
13. The contribution that BMGA makes towards the reputation of the city as a place to live and work is important in supporting economic growth and the quality of life for those that live and work in the city.
14. BMGA is linked to all the National Museums in Britain through its status as a Major Partner Museum as part of the Arts Council England partnership. Its professional standards and excellence are recognised through and beyond this partnership.

## **Bristol City Council's Priorities**

15. The City Council's long term aims and priorities are aligned with those of Bristol's City Strategy, the 20:20 Plan. The 20:20 Plan, developed by the Bristol Partnership, has four main outcomes, one of which, 'Making our Prosperity Sustainable' is also shared with the West of England Local Enterprise Partnership (LEP)

The four outcomes are:

Priority 1 – Making our prosperity sustainable

Priority 2 – Reduce health and wealth inequalities

Priority 3 – A city of strong and safe communities

Priority 4 – Raising the aspirations and achievements of our children, young people and families.

16. Due consideration of the priorities for BCC is recognised as the basis for the recommendations made in this report.
17. The level of change required to continue to improve BMGA to meet the demands of its users and customers is at the core of the recommendations made by the Black Radley Culture Options Appraisal Report (Appendix 3) commissioned by BMGA.
18. In November 2009, the Select Committee report on BMGA explored the opportunities provided by alternative governance models including Glasgow Museums, Sheffield Museums, Tyne and Wear Museums and York City Museums. The report gained all party support, a key aspect of which was support for exploration of alternative governance models that enable BMGA to 'do things better' and become a more flexible organisation responsive to market needs and build resilience in a rapidly changing environment. Since that time there has been a move away from framing new governance models around financial savings towards developing new models of governance to create an environment of enterprise and improvement.

## **The Case for a New Form of Governance**

19. The compelling argument for an improvement strategy to meet the changing and ever increasing demands of the public is partly as a result of the success of the 'dynamic' museum model, M Shed.
20. M Shed invites the public to use the museum as a shared space, it is an interface between people and every aspect of city life. This is a unique model that continues to attract attention worldwide.
21. Demand for better display and access to collections has increased with the acquisition of the British Empire and Commonwealth Collection, greater access to and optimisation of this asset is important in telling the story of global human endeavour, reflected through the eyes of Bristol's communities.
22. Enterprise and business opportunities are increasingly important to museums, BMGA is at the forefront of this wave of activity as a local authority service.

However, the stretch and reach of enterprise activity is restricted by the boundaries and associations of the parent organisation, BCC.

## **Option Appraisal Report Context**

23. The report commissioned examines whether a change in the governance of Bristol City Council's museums, galleries and archives service would add value. Typically, a change in governance means moving the functions into a newly created organisation (completely or partially independent), or into an existing third party provider.
24. The context for the options appraisal is based on the recession, the change of government, a tough public sector environment; all of which have speeded up the pace of change. There is also a market driven by greater user expectation, more choice, and greater demand for accessibility results in a focus on improvement and customer engagement, the success of M Shed has demonstrated demand for a high quality cultural offer within the city of Bristol.
25. Universal services such as museums, and the broader cultural sector, are experiencing disproportionately high cuts. The traditional methods of delivering cultural organisations and museums in particular, are being challenged. Governing bodies, especially Local Authorities, now need to explore new or alternative models of delivery. The challenge context makes this by no means straightforward, representing significant change for service, authority and user.
26. A focus on long-term sustainability and improvement is important for BMGA; the cultural offer of the city enhances the longer term economic investment opportunities and can lead to greater prosperity for the city.
27. BMGA is leading the museum sector in providing a diverse democratic and accessible offer at M Shed, the future of the rest of the service will need both revenue and capital investment for development to continue to attract national and international attention to the city, combined with offering world class cultural offer to the citizens of Bristol. This is particularly important for the communities of Bristol and the West of England, an ever increasingly diverse population who expect high levels of engagement in cultural organisations.
28. Museums will thrive in an environment where re-visioning and re-thinking service delivery models, working structures and partnerships take place. There is significant evidence that devolution from local government of the direct delivery of, libraries and arts organisations can accelerate organisational innovation and growth, increasing user benefit and financial sustainability. The main areas of focus for the options appraisal were positioned around doing things well; staying viable; maintaining support from a political perspective. For future vitality, BMGA has to focus on the right balance of operational, financial and political functioning.
29. Financial and comparator modelling demonstrated that there is a potential tax benefit to moving to an independent trust, that independence gives the potential for significant increases in net income through enterprise activities and the local context has a huge influence on the success of the new organisation. All of these financial benefits can be easily negated if there is poor management of the transition, a lack

of stakeholder support, or a reduction in the local authorities on going-commitment. See Appendix 3 Black Radley Culture Options Appraisal (Appendix 5 in report), NNDR and VAT savings which will need testing as part of the implementation phase.

## Options Analysis Proposal

### Testing Criteria

30. The options appraisal highlighted the complexity of tensions between political, operational and financial perspectives. In order to arrive at a recommendation that is most likely to benefit BMGA a series of testing criteria were established, they include:-
31. **Semi-detached** - The independent organisation, closely tied option has a strong fit with the semi detached criteria. It will allow the service flexibility and some independence; it will keep BMGA close enough to the Council through the business plan and stronger member involvement on the board.
32. **Three points of focus** - The distance from the Council created by this option will allow BMGA to focus on a smaller number of customer activities, as long as they meet the needs of the Council's agreed business plan and its Board. It will allow the service to deliver programmes for hard to reach audiences in the city on one hand, whilst also concentrating on more lucrative products for other audience groups.
33. **More bangs per buck** - The evidence from comparator organisations, and the perception of stakeholders, suggests that a closely tied independent organisation is much better placed to secure increased value from the resources available to it. The wider distraction posed by being directly run by the Council are removed, as are some of the bureaucracy within the Council. This will enable the service to respond more quickly to change.
34. **Tightly controlled support services** - The semi detached approach which this option reflects will give the service greater control over its support services. It can maintain relationships with the Council but manage them through a more robust SLA which may provide better value for money. The service can also explore the opportunity provided by third party suppliers for ICT, HR support, Legal advice and marketing.
35. **Economies of scale** - The critical mass provided by the majority of the current BMGA service moving to an independent situation will be sufficient to allow it to prosper within the mixed cultural economy of Bristol, the sub region and the region. If given suitable support and flexibility it will also enable the service to continue to compete effectively within the museums sector at a national and international level.
36. **Dynamic Museums Model** - The closely tied independent model will allow the service to have reasonable flexibility to focus on developing a dynamic museums model, although this will need to be included in any planning process with the Council. It will also provide the service with the opportunity to thoroughly review the assets it has available, consider ways of maximising them more effectively and, if

necessary discuss with the Council ways of potentially disposing of those which are not adding value.

## **Summary of Findings**

37. As a strategic progression from the proposals posed by the BMGA Select Committee report which gained all party approval in November 2009, BMGA commissioned an external report to explore governance options for the future of BMGA as part of an improvement strategy overall.
38. The strongest arguments for a change to governance rests on an increase in enterprise, that is, greater flexibility and responsiveness to customers, philanthropists and funders, resulting in increased financial health.
39. The view expressed by key Bristol stakeholders was broadly consistent. People were supportive of the idea of BMGA having greater independence, while still being within the Council's sphere of influence.
40. Stakeholders were keen on maintaining the focused and dynamic direction of travel that M Shed's success has illustrated, while looking for continued improvements for the service and in particular the City Museum and Art Gallery and a City Store.
41. An independent trust is the most appropriate form of organisation to make this real. The major assets (premises and collections) would remain in City Council ownership.
42. This option meets the expectations and demands of the majority of stakeholders. It envisages the majority of the BMGA service becoming a single independent organisation.
43. Financial modelling demonstrates that such an approach gives the potential for an improvement in financial performance compared to the existing approach, although there will continue to be a requirement for City Council existing subsidy as the key funder, therefore the strategic decision making process would continue to be influenced by the Council. See Appendix 3 Black Radley Culture Options Appraisal 2012 (Appendix 5)
44. Extensive comparator analysis and stakeholder consultation has been undertaken to support these findings.

## **Implementation**

The recommendations in this report are based on:

45. Agreeing implementation of a phased approach to a change in governance whereby Bristol City Council delivers BMGA activities through a company limited by guarantee with charitable status. (See Appendix 1)
46. Establishment of the business case that will underpin the Service Level Agreement and Entrustment Agreement that reflects BCC ownership of assets, all property, legal, HR and procurement matters and service interfaces.

47. Agreeing a BCC sustained budget of £3.7m pa (2013/14 for the duration of the agreement) to enable the delivery of an improvement strategy for BMGA.
48. Agreeing TUPE arrangements for staff to ensure continuity of service.

### **Transition to new form of governance**

49. A phased transition to a new form of governance is necessary to reduce risk and cost of transfer. The key transition issues include:-

### **Resources**

50. **BCC Revenue Contribution to Trust Funding:** The BCC contribution will remain consistent for the duration of the service level agreement at £3,695k pa.
51. **Enterprise Dividend:** The enterprise dividend will be optimised as set out in Appendix 3 (Detail of which is in Appendix 5. The enterprise dividend includes the opportunity to explore alternative providers for support services and increase enterprise activity to attract income. This dividend will be used to improve BMGA products and services.
52. **Pension Costs:** Pension costs will be met outside of the costs shown if proved to be appropriate, this will be explored throughout the implementation phase.
53. **Prudential Borrowing:** Repayment of Prudential borrowing relating to the capital costs of M Shed will begin in 2013/14 (£354k pa): this will be met by the new Trust from income generated through its enterprise activity but explored in the first instance through the business plan.
54. **Transition costs:** An allowance for transition costs will be necessary to facilitate transition to cover legal costs, systems transfers, and some HR costs: currently this is estimated to be in the region of £150k.
55. The current Arts Council England funding continues until 2015. During 2014 there will be negotiations for a further three years funding from ACE as a Major Partner Museum as part of the national portfolio of museums in England. Should the full amount not be realised, there will be a reduction in the overall revenue budget spend by BMGA.

	<i>13/14 Non Trust £000's</i>	<i>14/15 Trust Formed £000's</i>	<i>15/16 Year 1 £000's</i>	<i>16/17 Year 2 £000's</i>	<i>17/18 Year 3 £000's</i>
<i>BCC contribution</i>	3,698	3,698	3,698	3,698	3,698
<i>Arts Council England Funding</i>	1,670	1,670	1,670 (anticipated)	1,670 (anticipated)	1,670 (anticipated)
<i>Enterprise Income</i>	2,332	2,332	2,332	2,332	2,332

56. **Assets** - The ownership of the main assets of the service, the premises and collections and the roles and responsibilities of all parties in using them will need to be covered by the service agreement.
57. **Support timescale** - In order to commit to delivering the service any independent delivery organisation will need to know the period of time for which BCC is willing to provide funding and also the level of that support. Ideally the commitment would be associated with an agreed rolling business plan for between 3-5 years.
58. **Liabilities** - When the independent delivery organisation is established it is unlikely to have significant levels of reserves. Therefore it will not be able to take on significant liabilities, real or contingent. The main liabilities that would definitely crystallise in some form are pensions for staff, redundancy costs (if there is a staff reduction) and premises costs relating to maintenance and/or refurbishment. In particular, the next phase of development for BMGA focuses on refurbishment of the City Museum and Art Gallery and a City Store.
59. **Staffing** - The new organisation will need assurance that the workforce transferred will support the delivery of an effective service within the agreed financial parameters and based on the necessary skills and knowledge to deliver the improvement strategy.
60. **Termination** - The transfer agreement needs to cover the eventuality of either party wishing to terminate the arrangement.
61. **Interface Management** - Any new governance arrangement results in internal or external interfaces that have to be managed effectively. The organisation will need to manage its interfaces with people, functions and organisations that are outside of the organisation. For each interface, 'the ask', offer and quality assurance (including penalty) processes need to be understood by the parties involved. The process of defining these interfaces will be a major aspect of the transfer. Arts Council England is a key partner in both the current and future model for BMGA and should be considered as a significant stakeholder in the overall improvement strategy.

## In Conclusion

62. Contextually, reductions in public funding nationally and locally have established a greater need to develop a more sustainable enterprise model for cultural delivery.
63. Bristol's vibrant cultural offer has been significantly developed with the opening of M Shed in 2011. Visit figures of over 700,000 demonstrate the stakeholder interest in culture and continue to demonstrate this interest with higher than expected demand in 2012/13 to date for on site and service attendance.
64. The Select Committee Report which gained all party approval in November 2009 recognised the potential for improvements to a city's cultural offer through different models of delivery and governance.
65. Black Radley Culture were appointed to assess the current situation, assess financial information, test the viability of service aspirations, agree the criteria and



model possible options assisting in the governance options decision.

66. The options appraisal considers operational and financial perspectives and the extent of freedom and control for BMGA. The key report finding is for BMGA to be semi-detached from BCC; still within the Council family and shaped by Council strategic priorities; but with almost complete operational decision making independence.
67. There is a need for BMGA to have closer control over a more responsive set of support services, built around its operational imperatives for more flexibility.
68. The new form of governance will need to ensure that the composition of membership and associated voting rights will ensure balance between the organisation being truly independent and BCC retaining an appropriate level of influence to meet BCC strategic criteria and enable continual improvement and development of the BMGA cultural offer to support the city's profile.
69. BCC will retain ownership of the key assets to protect them and care for them for community benefit to meet the needs of a growing and diverse city.
70. The transfer of business and services to a new organisation will represent a TUPE transfer for staff.
71. The options appraisal modelled enterprise scenarios for BMGA. The models demonstrate that the more enterprising the organisation is able to be, the more resilient it can be. The modelling assumes current levels of BCC and Arts Council England investment will continue across the 3-5 year period in question.
72. The assets which form the core of BMGA are as follows:
  - Bristol City Museum and Art Gallery (BMAG)
  - M Shed
  - Bristol Records Service
  - Blaise Castle Museum
  - Red Lodge
  - Georgian House
  - Roman Villa
  - Bristol and Region Archaeological Service (BARAS)
  - Bristol and Region Environmental Service (BRERC)
  - All collections acquired by BMGA through the Arts Council England (ACE) Accreditation and Designation Scheme - held by BCC (including the recently acquired British Empire and Commonwealth Collection)

### **Consultation and scrutiny input:**

73. **Internal consultation:**
  - Leader BCC
  - CEO BCC
  - BMGA Wider Management Team
  - BCC Finance Staff
  - Strategic Director Neighbourhoods and City Development

Service Director Neighbourhoods  
Councillors (Richard Eddy, Colin Smith)  
Service Director Capital Programmes  
Service Director Marketing and Communications  
Service Director Environment and Leisure

**74. External consultation:**

Director, Arnolfini  
Stephen Williams, MP  
CEO, Watershed  
Director, Spike Island  
Director, West of England Academy  
Director, Old Vic  
CEO Colston Hall  
CEO ssGB  
University of West of England  
University of Bristol  
Chair of Destination Bristol  
Chair of Bristol Cultural Development Company  
CEO Destination Bristol  
Senior Manager Cabot Circus  
Chair of Friends of Museums and Art Gallery  
Head of National Programmes, British Museum  
Director of Communications University of Bristol  
Director of National Portrait Gallery  
Head of Engagement, the National Archives  
Acting Regional Director, Heritage Lottery Fund  
Regional Director, Arts Council England  
Paul Hamlyn Foundation  
Different Directions  
Merchant Venturers  
Bristol Museums Development Trust, Chair and Trustees  
Director of Operations, Compass Group

**75. Comparator Analysis**

Birmingham Museum Trust  
Heritage and Arts Trust, Coventry  
Norfolk Museums Service  
Wigan Leisure and Culture Trust  
Leeds City Museums  
Luton Culture  
Glasgow - Culture and Sport  
Museums Sheffield  
York Museums Trust  
Tyne and Wear Museums  
Bath and North East Somerset Museums  
Coventry Transport Museums  
Manchester City Galleries  
National Museums Liverpool  
Nottingham Museums and Galleries

#### Other options considered:

76. Several models were considered as part of the options appraisal, discussion and information was undertaken through comparator analysis. The models considered were as follows:-
77. **Continue as is** - BMGA would be maintained as a directly run Council Service, buying in services from other Council services
78. **Independent Organisation closely tied** - BMGA service becomes a single independent organisation. It maintains a close relationship with key senior officers and members. The financial and legal interface is determined by a rolling business plan, developed and agreed together. A longer terms concordat covers on-going relationship management, dispute resolution and planning cycles. There is a good member representation on the board of trustees, with governing party dominance. A service agreement is in place describing planning, budget and meeting schedules.
79. **Independent Organisation arms length** - BMGA becomes an independent organisation which has a grant maker/grantee relationship with the Council. The financial/legal interface is determined by a contract, which has a three to five year rolling budget figure. Contractual terms are in place to cover dispute resolution. There is low member representation on the board of trustees. A managed exit from Council corporate services support takes place.
80. **Independent broad scope cultural organisation** - An independent organisation is created which has responsibility for core BMGA functions. The scope of which covers the arts budget, delivering other aspects of the Council's cultural portfolio including the library service, convening and co-ordinating cultural/heritage players, enunciating the cultural proposition for Bristol.
81. **Strategic marketplace** - This option breaks the museums functions into a number of separate components and positions them as separate trusts.
82. **Radical outsourcing** - This option involves passing the whole function across to another business or existing independent. Such a move would need to be managed under contract; therefore there would be similar specific points to the arm's length option above.
83. **Risk management / assessment:**

**FIGURE 1****The risks associated with the implementation of the (subject) decision :**

No.	RISK  Threat to achievement of the key objectives of the report	INHERENT RISK  (Before controls)		RISK CONTROL MEASURES  Mitigation (ie controls) and Evaluation (ie effectiveness of mitigation)	CURRENT RISK  (After controls)		RISK OWNER
		Impact	Probability		Impact	Probability	
1	Failure to meet stakeholder and community expectations	High	Medium	Improvement strategy to include stakeholder consultation throughout the process	Medium	Low	Julie Finch
2	Failure to obtain balance between the new Trust and Bristol City Council	High	Medium	Ensure that legal interface and SLA are representative of the right service delivery targets for BCC	Medium	Low	Julie Finch
3	Failure to secure future funding from Arts Council England in 2015 due to loss of credibility (poor handling of transfer)	High	High	Ensure that ACE are kept informed of the developments and implementation of new governance model Position strategic plan around ACE goals, deliver current plan to high standard	High	Medium	Julie Finch
4	Failure to secure the appropriate level of financial support from BCC	High	Medium	Ensure that full cost analysis is undertaken for all service areas Business plan for 5 years (SMART)	Medium	Low	Graham Sims
5	Failure to recruit trustees with the appropriate skills to manage the trust	High	Medium	BCC to undertake an open process of trust recruitment to a prescribed set of skills	Medium	Low	Julie Finch
6	Failure to secure the revenue support from BCC for transfer to deliver the change programme within the new organisation	High	Medium	Ensure the business case clearly reflects the activity necessary to deliver an improvement strategy and identifies the funding necessary to support this realistically	Medium	Medium	Graham Sims

**FIGURE 2****The risks associated with not implementing the (subject) decision:**

No.	RISK  Threat to achievement of the key objectives of the report	INHERENT RISK		RISK CONTROL MEASURES  Mitigation (ie controls) and Evaluation (ie effectiveness of	CURRENT RISK		RISK OWNER
		(Before controls)			(After controls)		
		Impact	Probability		Impact	Probability	
1	Insufficient budget in future years to sustain the quality of BMGA Public offer and profile of Bristol	High	High	Negotiation of sustained levels of funding	High	Medium	Graham Sims
2	Lack of public giving, philanthropic giving and corporate gifts due to association with Bristol City Council	High	High	Slow down improvement strategy for BMGA and seek public funding support for development of City Museum and Art Gallery and City Store	Medium	Medium	Julie Finch
3	Failure to meet community and visitor expectations as a result of increased demand and reduced budgets	High	High	Introduce charging for museums	High	Low	Graham Sims
4	Failure to gain ACE funding for 2015 onwards	High	Medium	Deliver current plan to high standard, continue to foster good relationship with ACE Resist cuts to avoid contractual BCC budget to avoid contractual cuts tracking BCC budget from ACE	Medium	Medium	Julie Finch

5	Insufficient enterprise income due to constraints of BMGA and BCC	High	High	Construct a plan around realistic income targets and reduce service delivery	Medium	Medium	Julie finch
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#### 84. **Public sector equality duties:**

A screening EqIA will be completed at the early stages of implementation and undertaken during staff consultation processes.

Further equalities work with stakeholders will be progressed as the project is implemented and research will need to be undertaken with regard to the proposals that emerge.

A full equalities impact assessment will need to be undertaken prior to the 'go live' at the end of the project.

#### 85. **Eco impact assessment**

The significant impacts of this proposal are:

Transfer of a number of environmental impacts out of Bristol City Council management and control to an independent trust.

The proposals include the following measures to mitigate the impacts:

The Service Level Agreement and Entrustment Agreement will specify the BCC and independent trust interface for environmental impact measurement.

The net effects of the proposal are:

Unknown: This will be addressed as part of the implementation phase of work prior to the 'go live' point.

Advice given by: Tanya Sarker, Environmental Performance Officer  
Date: 12<sup>th</sup> September, 2012

#### 86. **Resource and legal implications:**

- a. Financial (revenue) implications: The transfer of the BMGA to an independent trust will be subject to the development of a full business plan. Funding arrangements will need to take into account any future redundancy, pensions and maintenance liabilities that may occur in changing governance, whether or not the tax and VAT savings are realised.

Transition costs estimated to be in the region of £150k will need to be funded from reserves.

Advice given by Mike Harding, Finance Business Partner  
Date 20<sup>th</sup> September, 2012

- b. **Financial (capital) implications:** None

Advice given by Mike Harding, Finance Business Partner  
Date: 20<sup>th</sup> September, 2012

**c. Legal implications:**

The legal implications of a transfer of the BMGA to the trust company limited by guarantee with charitable status by a transfer agreement should have regard to the TUPE implications, and reflect BCC ownership of assets, property, legal and HR and procurement matters of the BMGA activities. The establishment of a charitable trust Company should comply with the requirements of Charity Commission registration. Furthermore, providing that the Trust company is a company over which the Authority has the control that it would have over its own departments, there is no private sector ownership of the service provider and it carries out the principle part of its activities with the Authority, the arrangement will not be treated as a contract subject to the procurement regime of the Public Contracts Regulations 2006 as amended.

Advice given by: Colin Honnor, Solicitor  
Date 17 September 2012

**d. Land / property implications:**

It is intended that all property assets will remain within the ownership of Bristol City Council and their use agreed as part of the service level agreement which will be explored during the implementation phase set out in Appendix 1. However as all of the assets involved are listed buildings care will need to be taken to ensure that responsibility for their care and maintenance is clearly set out along with a clear understanding of how this will be financed. It is recommended that surveys are undertaken of the assets concerned to ascertain their current condition to enable appropriate decisions to be made.

Advice given by Lois Woodcock, Principal Corporate Property Officer  
Date 13 September 2012

**e. Human resources implications:**

The HR implications of the proposal will be managed in accordance with the implementation programme. Staff consultation on the proposals has been a feature of the work to date. This will continue alongside comprehensive consultation with the trade unions. Any organisational changes that may arise will comply with the Council's Managing Change Policy.

In respect of the transfer to the new organisation, this will be undertaken in accordance with TUPE regulations i.e. existing terms and conditions of employment and continuous service will be protected. The detailed implications regarding TUPE and pensions will be set out in a further Cabinet report in 2013.

Advice given by Mark Williams, Programme Manager, People Programme

Date

13 September, 2012

**87. Appendices:**

**Appendix 1 - Transition Plan**

**Appendix 2 – Abstract BMGA Select Committee Report 2009 (Section pages 3-10 Recommendations)**

**Appendix 3 - Black Radley Culture Options Appraisal 2012**

**Appendix 4 – Eco Impact Assessment**

**Access to information (background papers):**

**Value for Money**

**Equalities Policy**

**Bristol 20:20 Sustainable City Strategy**

**Bristol Museums Galleries and Archives Select Committee Report November 2009**

**Charging Policy for BMGA**

**Collections Management Policy, BMGA**

## Appendix 1 - BMGA Governance Transfer Plan

[illegible]

(1) Staff Matching - Allocation of existing staff who TUPE across to the new structure

(2) Strategic Focus - Developed in context of other cultural services within the city

(3) Agree Service Specification - Agree level of service required by CBB, financial model, roles and responsibility, use of premises and collections

(4) Agree BCC Interface - Agree the services which will be provided by BCC to the new organisation, this will be an ongoing process as the new organisation settles down. Initially may be prudent to leave core functions with BCC.

(5) Project Comms Plan - Identify discrete audiences of public, partners, staff, funders and members



**The Report of the Museum & Archives Select Committee July 2009**

**Foreword by the Chairman of the Committee**

I was delighted to be asked to join the Museums and Archives Select Committee last December, and even more so when invited to succeed the original chairman, Councillor Simon Cook, when he became Cabinet Member for Culture in February 2009.

Museums and local history have always been important to me, and the time we have spent on seven meetings and four fascinating days visiting Museums here and in Glasgow and Newcastle, have given us all time to reflect on the value of the work of these services, supported by extraordinary collections established over the last century, and brought to life by committed staff and volunteers working in partnership with local communities and many other organisations.

We have seen how Bristol City Council has been the main funder for this work for many years, and therefore the enormous benefit that national funding has brought to Bristol recently. The combination of £11.3m from the Heritage Lottery Fund towards the Museum of Bristol, and over £10m from Renaissance in the Regions for an expanded programme over the last five years, has led to significant developments that have helped raise the profile of Museums locally, regionally and nationally.

This has been reflected in the contributions of a series of important national figures in the Museums and Archives world who have come to give evidence to us over the last six months.

Record numbers of people are now using Bristol's Museums. More schools and community groups than ever are discovering insights into their lives through visits and on-line access. Our role has been to understand what is driving this, and how Bristol can best sustain the excellent work of Museums and archives in a future that could be challenging given the competition for resources.

I would like to pay tribute to the passion, knowledge and commitment of the Select Committee members, as well as to the support given by the staff and friends of the Museums and Archives Service. They have devoted many hours to this work, and I am sure will be as keen as I am to see these recommendations actioned as soon as possible, so that Museums and Archives can play an even more dynamic role in the future of Bristol.

***Councillor Richard Eddy***

## EXECUTIVE SUMMARY AND RECOMMENDATIONS

This Select Committee was established by the Overview & Scrutiny Management Committee on September 11<sup>th</sup> 2008 following a recommendation from the Quality of Life Scrutiny Commission. The Commission was concerned about the overall Museum and Archives Service forward plan including funding for the Museum of Bristol and the consequence of the reduction in funds deriving from the Renaissance in the Region programme.

The Committee has sought to address these concerns through a series of recommendations that complement the aims and objectives of the Bristol Museums, Galleries and Archives Service (BMGAS) Review which was already at an advanced stage. These recommendations are the outcome of a process that has included:

- gaining a detailed knowledge of the current service and its vision for the future;
- understanding the regional and national context which the service operates within;
- comparing ourselves with other museum services and learning from them;
- analysing evidence from witnesses acknowledged as experts in the field
- listening to stakeholders
- challenging accepted ways of thinking;
- considering alternative ways of providing the service

The recommendations are listed in full below. They are grouped to reflect the main themes of the Committee's investigations but other than that, are not ranked in order of importance or prioritised. The action plan which will be produced by the directorate in response to this report will prioritise them, particularly in terms of responsibility, detailed costing, achievability, and contribution to the service priorities. It will also assess the equalities impact and any environmental impact of implementing the individual recommendations.

## RECOMMENDATIONS

### A. Strategic Direction

1. Bristol deserves a world class museum, galleries and archive service. It should be resourced to meet the challenges of the 21st century, and in order not to be over reliant on any one funding source, Bristol must ensure a timely response to the inevitable further changes in national museums policy and funding, especially the likely outcomes after 2011 of the Renaissance in the Regions review.

*Bids will need to be made to a greater variety of sources and the resources needed to do this should be available if the staffing review is completed this year, so appropriate bids can be made in early 2010.*

2. Consideration should also be given to the museums estate as a whole, to consider how appropriate this is for the future, and clear long term plans are needed for each of the services buildings.

3. World class collections require high levels of expertise and skill to manage, care for, research and interpret them for diverse and enduring public benefit. Balancing these requirements with limited resources is now increasingly challenging, but no less important. The Service must therefore ensure that it is adequately resourced to fulfil its dual mandate, both to care for and enable access to the collections.

*In addition to increasing overall income, the Service must ensure its ability to flex and change. It also needs to reduce fixed costs in a planned and rational way to around 70% of the annual expenditure following the opening of the Museum of Bristol in 2011.*

4. This more strategic management culture should also include much smarter commercial delivery, such as increased hire of premises, web development, licensing of images and improved retail and catering turnover.

*A more radical approach to franchising, for example, could transform the retail and catering offer across several sites,*

*including a commercial bookshop at the City Museum and Art Gallery (CMAG) and restaurant contract for multiple sites.*

5. A dedicated senior post is needed (funded from income) to introduce a more strategic approach to fundraising from trusts, charities and corporate and individual givers, as in Glasgow.

## **B. Collections Management**

6. Bristol must capitalise on the opportunities provided by the new Museum of Bristol with its high profile, new policy direction, digital innovation, new partnerships and new resources, to inspire similar change across the service.

*A priority is to identify more appropriate, economic and accessible storage space that can enable a significant amount of valuable space at CMAG, L Shed, Blaise and Georgian House to be made available for public use.*

7. The most important collections need much better storage conditions and more space than at present. Room must be found for new collections, and for the natural expansion of the Archive, Modern Records and to enable future collecting of community history. Any new storage facility needs to be open to the public and easily accessible by public transport.

*Staff responsible for collections management could also relocate to provide better access to the collections and also in many cases to a better working environment. This would in turn release even more space in key city centre locations for public benefit and use.*

8. Other potential partners should be encouraged to plan shared storage which can provide significant benefits and income. These could include other Bristol museums, neighbouring authorities, surrounding counties, and national institutions such as the Science Museum at Wroughton and the National Museum of Wales in Cardiff.

9. The obvious potential of A and B Bond in Bristol should be investigated. No decision about their future use or disposal should be made until these possible storage options have been explored.

### **C. City Museum and Art Gallery (CMAG)**

**10.** A long term development plan for CMAG should be agreed in partnership with stakeholders and volunteers.

**11.** Currently around only 60% of the space in CMAG is fully accessible to the public. The development plan should explore how this can be increased (for example Glasgow have achieved around 90% at Kelvingrove) by introducing new ideas for the basement, storage and office areas. Additional public facilities might include better exhibition and display spaces, education area, a lecture theatre, a quality restaurant and more retail outlets.

**12.** An immediate priority is to transform the top floor art galleries by the time the lift project is complete. This will give an opportunity to explore with key partners (for example, the Arnolfini, Tate, Royal West of England Academy) a rehang by 2011.

**13.** One-off investment from Bristol City Council is needed to prepare the development plan for CMAG (as well as other buildings and facilities) and also potential funding applications to external bodies. Appropriate professional support from architects and others is likely to cost around £100k.

### **D. Museum of Bristol**

**14.** When the Museum of Bristol opens in 2011 every effort should be made to build on the existing good work by the MoB team in opening up fresh dialogues with communities across the City.

*This should include better promotion of local history in areas such as South Bristol via displays in libraries, other neighbourhood locations and more support for local history groups. We should also proactively encourage institutions such as Bristol City Football Club to establish local museums so that there is less reliance on travel to the city centre for access to local history and culture.*

### **E. L Shed**

**15.** L Shed has been the only central, flexible space in the city available for hire and use by a wide range of organisations. Currently it houses the collections from the closed Industrial

Museum, many of which should be rehoused as part of the storage strategy above.

*L Shed could then be developed in phases, with priority given to enabling a creative facility on the ground floor, more in line with its previous role. This would attract new audiences to the MoB site and could be run independently of the Museums Service.*

#### **F. Blaise Castle Museum Estate**

**16.** There is clearly potential for Blaise to offer much more than at present, both as a cultural centre for North Bristol and through greater commercial use. If the collections currently stored in the building were relocated it would open the way for activities such as art exhibitions, community learning classes, outdoor performances and wedding receptions.

*Reinvigorating Blaise to enable better catering and therefore wider commercial use would require only a relatively modest investment while a long term plan is prepared in conjunction with Parks and local communities. A detailed business case should be prepared for investment in the Orangery and other facilities.*

#### **G. B Bond**

**17.** In addition to the potential for a resources centre and store identified in previous recommendations, B Bond should be developed as a single cultural offer with space to expand the Archives activities. This will enable us to build on the opportunities for stronger linkages with the current Create Centre or other appropriate cultural uses.

#### **H. Red Lodge and Georgian House**

**18.** These important buildings present a number of challenges that could be addressed through a review of our historic house museum management along with Blaise.

*Because of the limited scope for commercial development, alternative partnerships with other historic houses or other local organisations should be considered, and English Heritage should be consulted.*

## I. Audience profile and marketing

19. Museums run by Bristol Museums Galleries and Archives should be free to Bristol residents. Consideration should be given to charging for special events and exhibitions, to enable a more ambitious programme, and from 2011, when the Museum of Bristol opens, to visitors from outside the city.

20. More must be done to attract people from the younger (under 30) and older (over 50) age ranges. The value of the Service's engagement with the increasingly diverse communities of the city is recognised, with the example of the Archive's participatory approach to the development of the Bristol Black Archives Partnership a good example. The current success of the Banksy exhibition demonstrates the potential for growth in target audiences.

21. These audience development priorities should help determine which external partnerships nationally and internationally are chosen. Internally, more should be done to develop effective partnerships with the Children Young People & Skills Directorate.

22. Bristol should encourage other major regional museums to develop a stronger national network that promotes appropriate partnerships nationally and internationally so that the UK's museums both support and complement each other and provide welcome specialisms and diversity.

*Better quality exhibitions are needed nationally and regionally and can best be achieved by collaboration on programming and marketing.*

23. As shown recently by the highly successful Banksy exhibition, Museums can drive regional and city marketing to a global audience. Other museums nationally and internationally have developed exceptional websites to support this, and Bristol urgently needs to match these. Evidence from elsewhere confirms that the City's Museums need dedicated marketing staff to achieve this.

24. Immediate priorities include better signage on all Museums, development and promotion of a dedicated website, increased participation in the City's destination marketing, cross-marketing

between cultural venues and developing volunteer support. The increased use of volunteers would allow progress on projects such as developing the gardens at Red Lodge and Georgian House and supporting documentation of collections.

## **J. Resources**

25. In order to deliver these recommendations successfully, the service should complete a finance review that takes account of future resourcing needs (human, physical and financial) and to be more efficient by 2011 given the strong probability of changes then in national funding arrangements.

26. A more innovative, pro-active and flexible approach to securing multiple sources of income is needed to supplement the support of the City Council.

## **K. Governance**

27. Serious consideration should be given to alternative governance options.

*The Select Committee heard strong evidence of the advantages of Trust status, including the leverage of alternative funding sources. The experience of York Museums suggests this can improve service quality for the public without increasing costs. Glasgow's new Culture & Sport Trust offers a bigger and more flexible vision but has not been running long enough to give detailed evidence of the effectiveness of a single trust for Culture on this scale. Another option is the effective and long lasting partnership between five authorities in Tyne and Wear Museums.*

*Research should be carried out to investigate these options.*

*Stakeholders that need to be consulted include:*

- *the Department of Culture, Media and Sport*
- *the Museums, Libraries and Archives Council*
- *neighbouring authorities*
- *other Bristol museums*
- *local cultural organisations*
- *local visitor attractions.*



Appendix 3

**Bristol Museums, Galleries  
and Archives Service:  
Options Appraisal Phase 1**

**Final Report**

*24<sup>th</sup> July 2012*

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## **1 Introduction**

Black Radley Culture (BRC) has worked with Bristol City Council (BCC) to explore the governance options for its museums, art galleries and wider cultural/heritage services. This document sets out the final report from BRC, summarising our findings and recommending a way forward.

## **2 The Requirement: Governance Options**

Bristol Museums, Galleries and Archives service (BMGA) is developing a Transition Plan to respond to the changing funding environment and to underpin its increasingly enterprising culture. The right BMGA governance model is required to support the Transition Plan. This project's aim is to determine the best governance model, taking into account:

- The national and local context;
- Enterprising business and service development;
- Bristol's vibrant and ambitious cultural offer;
- Stakeholder perspectives;
- A well-defined, economic, effective and efficient financial model;
- Learning points from other local initiatives;
- Learning points and comparators from elsewhere;
- The recent acquisition of the British Empire and Commonwealth Museum's (BECM) collections
- Variations in the potential scope of the organisation (potentially to include Arts and Festivals, Libraries, other historic and heritage assets of BCC, Place Making or other models that incorporate existing trusts in the city);
- The longer term business potential.

### **3 Executive Summary**

This report examines whether a change in the governance of Bristol City Council's museums, galleries and archives service would add value.

Typically, a change in governance means moving the function into a newly created organisation (completely or partially independent), or into an existing third party provider. The strongest arguments for such a move rest on an increase in enterprise: that is, greater flexibility and responsiveness to customers, philanthropists and funders, resulting in increased financial health. The evidence from elsewhere shows that this "enterprise dividend" is real, though by no means certain, and is strongly influenced by the local context. Achieving it depends upon local circumstances, particularly the support of key stakeholders. Done well, it is a fundamental change in the culture of the organisation: a focus on meeting the needs of the customer, on innovation, and on greater financial sustainability; it releases the best staff and trustees from those public sector overheads which are unhelpful to the culture and heritage mission.

The view expressed by key Bristol stakeholders was broadly consistent. People were supportive of the idea of BMGA having greater independence, particularly from a supplier perspective, while still being within the Council's sphere of influence. They were keen on its maintaining the focused and dynamic direction of travel that MShed's success has illustrated, while looking for continued improvements in its value for money.

An independent trust is the most appropriate form of organisation to make this real. The major assets (premises and collections) would remain in City Council ownership.

This option meets the expectations and demands of the majority of stakeholders. It envisages the majority of the BMGA service becoming a single independent organisation.

Financial modelling demonstrates that such an approach gives the potential for a significant improvement in financial performance compared to the existing approach. There is, of course, no guarantee about how much enterprise income can be earned. *It should be noted that, under any circumstance, there will continue to be a requirement for City Council subsidy.*

#### **Recommendation**

We therefore recommend that BCC deliver BMGA activities through a company limited by guarantee with charitable status.

We recommend that close relations between the City Council and the new organisations should be maintained through carefully defined interfaces (contractual and service level), board composition, and a rolling business plan.

We recommend a phased implementation; allowing for tight financial and interface specification and control.

#### **4 The Context for Museums and Culture in Bristol**

The recession, the change of government, and tough public sector settlements have all speeded up a process of change which was already taking hold in the cultural sector. A market driven by greater user expectation, more choice, and greater demand for accessibility was driving a focus on improvement and customer engagement. However Local authorities are in the process making cuts of around 30% or more; many are looking at redefining the way that local government services are delivered. Universal services such as museums, and the broader cultural sector, are experiencing disproportionately high cuts.

The traditional methods of delivering cultural organisations, and museums in particular, are being challenged. Governing bodies, especially Local Authorities, now need to explore new or alternative models of delivery. The challenging context makes this by no means straightforward, representing significant change for service, authority, and user.

Ideally, changes in governance are not purely driven by the need to make savings. A focus on long term sustainability is particularly important and, for this to be possible in a challenging and competitive market, museums need to be flexible and responsive to their audiences.

Fundamental changes have taken place in society. People have become more discerning. The population is getting more diverse and older. The increasing use and sophistication of technology has altered the attitude and approach of the majority of the population. Not only are public services expected to use IT as part of their provision, they are also expected to be more accessible and democratic, they need to be personalised, and to be in a position to respond immediately to changes in their particular environment.

This is particularly true for those who serve the communities of Bristol and the West of England, where historically high levels of engagement in the cultural and creative industries mean that local people may be more demanding of their cultural organisations.

The museums that will thrive in this environment are those that are able to re-vision and re-think their service delivery models, traditional working structures and partnerships. They will need to do this in response, and preferably in anticipation, of the on-going changes in society. There is significant evidence that devolution from local government of the direct delivery of museums, libraries and arts organisations can accelerate organisational innovation and growth, increasing user benefit and financial sustainability. There are also a number of examples where such outsourcing has come up against serious problems, and in some cases failed.

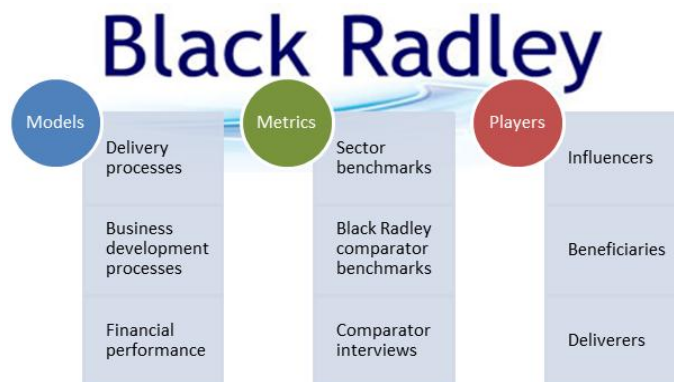
## 5 **Methodology: Balanced Enterprise Planning**

### 5.1 **Explanation**

The methodology for this project looked to:

- Review and summarise the current state of play;
- Robustly assess and investigate financial statements and projections;
- Test the viability of service aspirations (against stakeholder, partnership and wider contexts), capital and asset possibilities;
- Using the above, help Bristol City Council agree criteria by which possible governance options should be judged;
- Model possible options;
- Assist key players to judge each option using the criteria agreed.

We have used an approach based on our ***Balanced Enterprise Planning*** methodology. The approach pursues the following expert lines of enquiry:



*Figure 1: Expert Lines of Enquiry*

- Modelling** - Tools for modelling key aspects of the business.
- Metrics** - Competitor/comparator positioning
- Players** - The development of a political and stakeholder analysis: asking just what is possible, given the competing pressures at play.

The methodology recognises the unique nature of public service organisations, where a narrow focus on profits and shareholder value is not possible. BMGA's function has to be seen from three different perspectives or vitality dimensions.

#### **Do things well**

This is an **operational** perspective. BMGA must have strong processes, great customer service, innovative developments, and motivated staff.

#### **Stay viable**

This is the **financial** perspective. BMGA must be viable in the short and long term. It must continually seek out new revenue streams, keep costs under control, and maintain its capital base.

#### **Maintain support**

This is the **political** perspective. BMGA operates in a (large P) Political context, where it is subject to wider political trade-offs. It also operates in a (small p) political environment, where stakeholder perspectives must be understood and balanced.



*Figure 2: Vitality Dimensions*

To decide between governance options, the key is to recognise that “**form follows function**”. The right structural answer is dictated by the nature of what the structure is there to achieve. Organisational vitality requires an alignment between the way we are and what we do.

BMGA's **form** (its governance) must support the **right balance of operational, financial, and political functioning**.

## **5.2 The Methodology Applied**

Basic financial and comparator modelling quickly demonstrates that:

- There is a real **financial (tax) benefit** to moving to an independent trust status;
- Independence gives the potential for significant increases in net income, principally through more **enterprising activities** being undertaken;
- Both of these financial benefits can **easily be negated** (by high costs of change or a failure to realise commercial aspirations) if there is poor management of the transition, a lack of stakeholder support, or a reduction in the local authority's on-going commitment to the new organisation.
- The **local context** has a huge influence on the success of newly independent cultural organisations.

A key portion of the project was therefore devoted to understanding a wide stakeholder perspective. This analysis was then translated into a set of success criteria by which the various governance options could be assessed for their suitability to the Bristol environment. They also helped scope a more detailed financial modelling of the leading options.

## 6 Choice Dimensions and Options

This section looks at how Bristol should make its governance decision, and what governance options it must decide between.

### 6.1 Possible Models

Based on the research BRC has undertaken, and on the evidence gathered as part of the stakeholder/comparator assessments, the possible models available to the City Council for the delivery of BMGA are:

- Continue as is;
- Independent organisation, closely tied;
- Independent organisation, arm's length;
- Strategic marketplace;
- Radical outsourcing;
- Broad scope cultural organisation.

### 6.2 The Right Balance

A public service organisation can be seen as an essentially **political** entity (compromising between competing agendas and interests); or from an **operational** viewpoint (it is there to get the job done); or from a **financial** perspective (managing budgets, achieving a socio-economic return on investment). There are tensions between these three priorities.

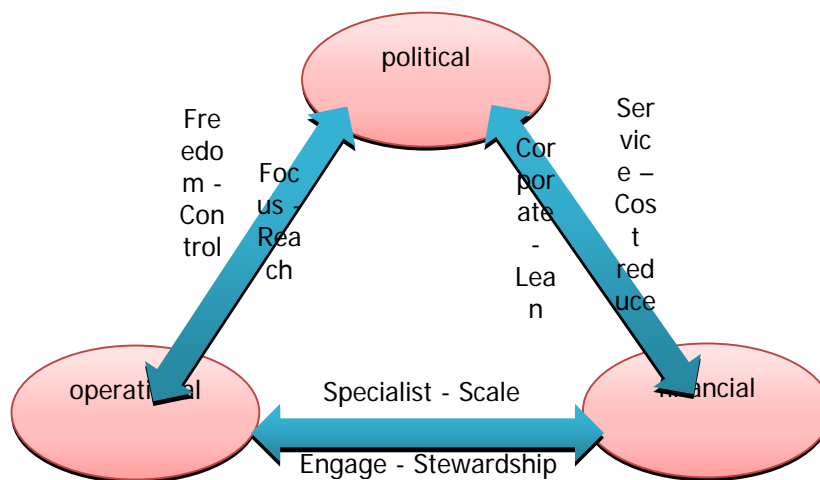


Figure 3: Choice Dimensions

For BMGA's governance project, these tensions translate into six choices as shown above. These are:

#### **Freedom v Control:**

are we more concerned to set the service free, or to keep it under political ownership?

#### **Focus v Reach:**

do we want something tightly focused and customer prioritised (e.g. focusing on specific parts of the community, such as socially deprived groups



	and/or BME communities), or a service which impacts on all citizens?
<b>Service v Cost-reduction:</b>	are we looking for visible service excellence, or are we driven by the need for austerity?
<b>Corporate v Lean:</b>	do we need to keep the service in the corporate support family (i.e. using BCC's financial, HR, marketing, property functions) or are we happy for it to find lean alternatives?
<b>Specialist v Scale:</b>	is the quality of our service more important than the cost advantages of economies of scale?
<b>Engage v Stewardship:</b>	are we in the business of dynamic and far reaching customer experiences, or are we principally about the stewardship of valuable public assets?

For each choice, there is a spectrum of possible answers between the two extremes.

## 7 **Success Criteria**

This section takes the six choice dimensions and sets out an assessment of what the right balance would be for BMGA on each. This assessment is based mainly on the evidence gathered by BRC during the project, supported by existing knowledge of the City and the cultural sector, and wider governance experience.

The summary assessment below gives us the BMGA-specific success criteria, which can then be used to review the various governance options. The full assessment report is included in Appendix 3.

### 7.1 **Freedom v Control**

*How close or distant should BMGA be from BCC?*

#### **Summary success criteria: *Semi-detached***

The general desire is for BMGA to be semi-detached from BCC; still within the Council family and shaped by Council strategic priorities, but with almost complete operational decision-making independence. The Council's general affection for, and interest in, the museums function needs to be maintained. Functions such as Records Management and the Environmental Records Centre, which provide services on behalf of the whole Council, may suffer if positioned at too great a distance. It is also thought important that BMGA retains access to the broader capacities offered by the Council.

### 7.2 **Focus v Reach**

*To what extent should BMGA be focused on a small set of customer of activities?*

#### **Summary success criteria: *Three Points of Focus***

Ideally, BMGA would not attempt to be all things to all people but settles on a small number of key points of focus that have powerful appeal. For instance, it (1) continues to extend and develop its radical MShed model, bringing a dynamic, "without walls" experience to a broad set of Bristol citizens; (2) revitalises and strengthens the high end Queens Road museum and art gallery proposition, optimising the commercial returns possible; and (3) cooperates with third parties (e.g. Bath Museums, RWA) to maximise the opportunities provided by the two major sites and exploit other assets, such as the archival collections, Red Lodge and Georgian House, to best effect. Underpinning these focal points may be an intention to concentrate on reaching and providing services across the City of Bristol, particularly those who feel excluded or distanced from other public and cultural service providers.

As part of this process it is crucial that both BMGA and the City Council are clear what any support and/or subsidy from the City Council is buying from any independent organisation running the service in the future.

### 7.3 Service v Cost-reduction

*Should this phase of BMGA's evolution be primarily about further enhancing the service, or about eliminating unnecessary costs?*

#### **Summary success criteria: *More Bangs per Buck***

BMGA cut costs severely in the run up to MShed's opening, and at a broader level the City Council is facing up to a very challenging financial future. As part of the ACE bid, BCC committed to maintaining its financial support to BMGA. In the short-medium term, therefore, BMGA would be unlikely to come under further cost pressures. But, as a non-statutory service, BMGA's levels of funding are likely to come under severe pressure in the longer term if the Service remains within direct City control. There is anyway pressure to achieve more for the same price. This would probably mean: (1) faster paced, more dynamic programming; (2) better exploitation of collections (and a willingness to recommend a more robust collection recycling approach); (3) a clear capital fund raising push to make the best of Queens Road; and (4) a strong focus on priority activities/assets.

### 7.4 Corporate v Lean

*How important, operationally and financially, is it for BCC to provide support services to BMGA?*

#### **Summary success criteria: *Tightly controlled support services***

There is a need for BMGA to have closer control over a more responsive set of support services, built around its operational imperatives. There is also a strong perception amongst stakeholders and staff that the service needs to be given more flexibility to allow it to flourish effectively. This is not necessarily about changing suppliers. BMGA could, for instance, move immediately to a more robust SLA arrangement with the central BCC HR, IT, Finance, Payroll, Marketing, Property services. This can be used to help determine priorities, demonstrate shortcomings, and in the final analysis, to prepare BMGA staff for the implications of managing third party suppliers.

### 7.5 Specialist v Scale

*Should BMGA be developing a specialist focus which would give it, and Bristol, national and international profile and leverage? Should its functions be split up into a number of specialist entities, with the City Council acting as funder/market maker? Or should BMGA have a more generalist competence, maintaining a wide range of competences and functions?*

#### **Summary success criteria: *Economies of scale***

There is little appetite for a market making model. There are a number of raw realities associated with making the trust model work – not least the fact that there are only a limited number of good trustees available. Economies of scale and reach are the strongest argument, with a small

number of agreed areas of specialist competence being developed in parallel within one entity, supporting the organisation's key points of strategic focus. Amongst some stakeholders there was support for the creation of a broad cultural arms-length body. However the majority of stakeholders and staff felt that a museum-focused model would provide sufficient critical mass in Bristol, whilst enabling integrity to be maintained and a clear focus to be developed.

## 7.6 Engage v Stewardship

*Is BMGA in the business of dynamic customer experiences, or is it principally about the stewardship of valuable public assets?*

### **Summary success criteria: *Dynamic museum model***

There is a strong desire amongst the majority of staff and stakeholders to continue the direction of travel that MShed represents. The exceptions are some staff and some stakeholders associated with the 3 smaller properties and art gallery. BMGA could ensure the balance is achieved, firstly by developing a better understanding of all aspects of the service and committing to maximise the use of the assets it retains. It could work with third parties such as RWA and English Heritage to utilise the smaller sites more effectively, whilst concentrating on MShed's continued journey and the revitalising of the Queen's Road infrastructure and museum.

## **8 Options Analysis - Legal Forms**

This section sets out the key legal and implementation considerations around the possible governance models.

Three of the possible governance options outlined in Section 6.2 involve the museum service being delivered by a new, independent organisation. Two of the other options; strategic marketplace and radical outsourcing, also involve BMGA being delivered by an independent organisation(s) but in a different configuration. In the strategic marketplace option this might comprise a number of new or existing organisations. In the radical outsourcing option the independent organisation might be an existing body or a new organisation set up by an existing body for the specific purpose of running the service.

### **8.1 Incorporation**

One of the decisions in determining the optimum governance option is whether any new organisation should be incorporated.

The most important benefit of incorporation is that it is possible to limit the liability of those involved in the running of the organisation whether as individuals or trustees. The possibility of unlimited liability would make the “not incorporated” options a potential blocker for some trustees.

The other benefit for incorporated organisations is the ability, as a separate legal personality, to contract in its own right.

In light of the above it is clear that, under any of the independent organisation options, incorporation is a requirement for any new delivery body.

The most common form of incorporation is as a company registered with Companies House.

### **8.2 Membership**

Incorporation introduces the concept of an organisation owned by its members. Membership can take a number of different forms.

The most common membership structure in the cultural sector is a Company Limited by Guarantee (CLG). In this case the members, known as guarantors, undertake to contribute an amount to the company in the event of its winding up. The amount to be contributed is usually only a small nominal amount and in the event of any actual winding up would not provide meaningful resources for the settlement of company liabilities or costs of winding up.

Under certain circumstances the guarantors of a CLG may share in the profits of the business although this is generally not the case. Consequently CLGs are frequently known as Non Profit Distributing Organisations (NPDO).

The most common membership structure in the private sector is a Company Limited by Shares (CLS). The members own shares in the company, the shares

make up the company share capital. Members will share in the profits of the business.

There are three other incorporated structures which would be available to a new delivery organisation: Community Interest Company (CIC), Industrial and Provident Society (IPS) and a Charitable Incorporated Organisation (CIO).

CICs are limited companies, with special additional features, created for the use of people who want to conduct a business or other activity for community benefit, and not purely for private advantage. This is achieved by a "community interest test" and "asset lock", which ensures that the CIC is established for community purposes and the assets and profits are dedicated to these purposes. Registration of a company as a CIC has to be approved by the Regulator who also has a continuing monitoring and enforcement role.

An IPS is an organisation conducting an industry, business or trade, either as a co-operative or for the benefit of the community, and is registered under the Industrial and Provident Societies Act 1965. The Financial Services Authority is the registering authority for societies which register under the Act. Co-operative societies are run for the mutual benefit of their members, with any surplus usually being ploughed back into the organisation to provide better services and facilities. Societies run for the benefit of the community provide services for people other than their members. There need to be special reasons why the society should not be registered as a company.

A CIO is a relatively new structure with the aim of reducing the regulatory burden of being both a charity and company. In England it still a relatively untested form and was really designed for organisations much smaller than the BMGA, although if the Strategic Marketplace option was adopted it may be worth considering. There is a view that the CIO may lack public awareness and credibility, and may actually result in an organisation looking very much like a charitable company limited by guarantee.

The most appropriate membership form would seem to be a Company Limited by Guarantee or Community Interest Company. The first is more established in practice, particularly within the museums sector; with CIC compliance being a relatively untested activity.

The composition of the membership and associated voting rights will need to ensure that there is the right balance between the organisation being truly independent and BCC retaining an appropriate level of influence.

### **8.3 Management**

As with most companies the day to day affairs are managed by a specific group of individuals acting as agents of the company. The name given to this group varies. In the private sector they are known as the board of directors.

Directors can either be executive or non-executive. A non-executive director (NED) does not form part of the executive management team involved in the day-to-day running of business. NEDs challenge and monitor the executive, contribute to the development of strategy and scrutinise performance.

NEDs are also responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing, and where necessary removing, senior management and in succession planning.

In some organisations the executive and non-executive roles are spilt in two but there is a move towards unitary boards where the two types of director meet together and reach all decisions by consensus.

In determining the composition of the board of directors or trustees there will be the need to balance influence, control and commercial expertise. The comparator analysis we undertook illustrated that the majority of cultural organisations who had moved to an independent situation in recent years, have two local authority representatives sitting on their boards.

#### **8.4 Charitable Status**

Another key decision is whether the delivery organisation registers as a charity. Registration with the Charities Commission requires an organisation to have purposes that are charitable for the public benefit.

The Charities Act 2011 quotes “the advancement of the arts, culture, heritage or science” as a description of charitable purposes.

There are two key principles of public benefit.

Principle 1 - There must be an identifiable benefit or benefits:

- 1a It must be clear what the benefits are;
- 1b The benefits must be related to the aims;
- 1c Benefits must be balanced against any detriment or harm.

Principle 2 – Benefit must be to the public, or section of the public:

- 2a The beneficiaries must be appropriate to the aims;
- 2b Where the benefit is to a section of the public the opportunity to benefit must not be unreasonably restricted by geographical or other restrictions;
- 2c People in poverty must not be excluded from the opportunity to benefit;
- 2d Any private benefits must be incidental.

It seems clear that any independent delivery organisation could serve a purpose that is for the public benefit.

One of the benefits of charitable status is the ability to take advantage of tax exemptions. The costs of charitable status are restrictions on certain trading activities and compliance costs. Compliance costs are not onerous requiring annual submissions to the Charity Commission.

#### **8.5 Assets**

The key assets of the museum service (e.g. premises and collections) may be owned by one organisation and the service delivered by another. BCC may wish to retain ownership of these assets to protect them for community benefit. Almost all

other local authorities who have devolved parts or all of their cultural services in the last few years have kept responsibility for such assets as collections and buildings.

Any such arrangement would require a binding agreement specifying the rights and responsibilities of both BCC, as legal owner, and the independent organisation.

This arrangement removes the (emotive) charge that, in establishing an independent trust, the Council is “selling the family silver”. Should the relationship break down, BCC would be in a position to find an alternative means of providing stewardship for its assets.

### **8.6 Service Level Agreements**

If the service was transferred to an independent organisation there would be a number of key interfaces with BCC. The most important of these would be the agreement determining the levels and standards of service which the delivery organisation would be required to meet. BCC would need to have levers to hold the delivery organisation to account and ensure that these service outcomes were being met whilst enabling the delivery organisation to be innovative and commercial.

In addition to the core service agreement BCC could potentially provide services such as finance, HR and IT to the delivery organisation. In all cases it will be important that the interface is tightly defined and achieves the right balance of control for BCC and freedom for the delivery organisation.

### **8.7 Staff**

The staff currently working in the service are employees of BCC. It is likely that any transfer of business and services to a new organisation will represent a TUPE transfer. TUPE is the acronym for the Transfer of Undertakings Protection of Employment Act.

In a TUPE transfer all the staff relating to the business are transferred to the new or acquiring organisation on their existing terms and conditions. The independent organisation will be able to restructure its workforce, make redundancies and change terms & conditions, post transfer but only if there are 'economic, technical or organisational' reasons for doing so (for further details see <http://www.acas.org.uk/index.aspx?articleid=1655> ).

If the staff do transfer to a new organisation there would be significant liabilities transferring with them. These would include certain liabilities such as pensions and contingent liabilities such as redundancy payments. The delivery organisation would require cover for these liabilities. In such recent devolution processes as the creation of the Heritage and Arts Trust in Coventry, and in the recent Colston Hall transfer, the need to quantify, manage and underwrite such liabilities has been an important learning point.

Another option would be for the staff to remain employees of BCC and be seconded to the delivery organisation. This avoids the issues with liabilities outlined above but may not achieve the right independent culture.



## **9 Options Analysis - Financial Drivers**

This section sets out the main financial drivers associated with assessing any change to BMGA's governance.

### **9.1 Context**

In all but one of the six governance options, outlined in Section 6.2, the museum service is being outsourced to an independent organisation or organisations. As part of this arrangement BCC will make a significant financial contribution to the organisation(s) for the delivery of the service. The level of influence that BCC will be able to exert varies between the different governance options. In the radical outsourcing model this influence will be through a contractual interface. In the independent organisation, whether closely tied or arm's-length, this influence will also be by way of membership of the delivery organisation and participation in the Board.

In the radical outsourcing option the BCC strategic influence will be limited. If the delivery organisation is able to make savings or generate additional income within the terms of the contract then it will gain the financial benefit. The agreement defining the financial relationship between the outsourcing organisation and BCC could make provision for sharing any financial upside. It is likely under these circumstances that the delivery organisation would also seek to share any downside risk as part of the agreement.

Given that in five of the options the delivery organisation will be independent, the process for determining the level of the BCC contribution will be determined by negotiation, informed by historical information and modelling.

### **9.2 Differential Financial Options**

Most of the finances of the service are not dependent upon the governance structure. In order to model the financial effect of different governance structures the following headings have been identified as being variable under different governance options:

- Enterprise Dividend;
- Taxes;
- Philanthropic income;
- Central costs.

These four headings enable the differential impact of each the governance options to be modelled. The financial modelling is not intended to be predictive but to allow a comparison of the financial implications of the different governance options.

Each of the four headings and the relevant captions are explained further below. Three of the headings have an investment dimension in the model, recognising that generating new income may require up-front investment.

### ***Enterprise Dividend***

Under the independent delivery organisation model the service should be able to be more enterprising and innovative. This will entail exploiting existing sources income, such as retail and catering, more effectively and accessing new sources of income.

The enterprise dividend will only be realised by staff within the organisation changing their behaviour and taking advantage of the freedoms which will come with independence. This will require changes in both the way in which the service is directed by the Board and management and by the way front line staff deliver the service. These changes in behaviours are not easily realised and not all staff will be comfortable with the new ways of working. Evidence from Comparator organisations indicates that such a cultural shift can take some years to embed itself.

Captions for modelling this heading:

- Investment;
- Staff costs;
- New activity income;
- Retail margin – net increase;
- Catering margin – net increase;
- Events margin – net increase.

### ***Taxes***

If the delivery organisation is a registered charity there are certain tax benefits that can be realised. The reduction in the NNDR represents a reduction the rate charge to the museum service. The organisation would be able to claim an 80% reduction in its non-domestic rates and certain VAT exemptions. The VAT exemptions include paying a lower rate of VAT on fuel and the ability to not charge VAT on some sources of income. Only the reduction in VAT costs on fuel has been modelled.

Captions for modelling this heading:

- NNDR – cost reduction;
- VAT – cost reduction.

### ***Philanthropic Income***

Evidence suggests that there is often a reluctance to donate money to a service that is part of a local authority so an independent organisation should be a more acceptable vehicle for philanthropic income both corporate and personal. Fundraising requires a specific skillset and is a long term activity, the feedback from comparator organisations indicate that it also involves a change in culture in newly independent organisations; this change can take some time to occur. BMGA already has a fundraising strategy. It will need to be refreshed under these governance options.

Independent organisations might be able to access funding from trusts and foundations that were not open to the service as part of the local authority. Being a registered charity may assist in accessing new sources of income. Conversely there is also the risk that an independent organisation might not be able to access some sources of funding which were available to the council.

Captions for modelling this heading:

- Investment;
- Fundraising staff costs;
- Private donations/legacies increase;
- Corporate donations increase;
- Trust & Foundations income increase.

### ***Central Costs***

The service is currently charged significant amounts internally within BCC for the provision of both goods and services. These goods include gas & electricity and services the provision of finance, HR and IT support.

An independent delivery organisation might still choose to have these goods and services provided by BCC but would also have the option of accessing the market for cheaper and or effective services.

Part of the recharge from BCC is for directorate overheads. It is not clear what value the service gets from these overhead costs as they are likely to comprise costs not dedicated to delivering the service.

Under all the options being considered there will be additional governance costs, such as Companies House and Charity Commission compliance and the costs of running the board.

Captions for modelling this heading:

- Investment;
- Directorate overheads – net cost reduction
- Electricity – net cost reduction;
- Gas – net cost reduction;
- HR – net cost reduction;
- IT – net cost reduction;
- Comms & marketing – net cost reduction;
- Finance- net cost reduction;
- Governance staff costs;
- Governance costs.

## **10 Options Analysis – Success Criteria Assessment**

This section uses the success criteria to assess the range of possible governance options.

### **10.1 Reminder: Success Criteria and Options**

Section 7 set out a range of choices, the answers to which are the success or design criteria for the optimum governance model.

These criteria are:

- Semi-detached;
- Three points of focus;
- More bangs per buck;
- Tightly controlled support services;
- Economies of scale;
- Dynamic museums model.

Taken together, these criteria set out a broad stakeholder consensus on what an ideal BMGA future is for Bristol.

The possible governance options available to the City Council for the delivery of BMGA are:

- Continue as is;
- Independent organisation, closely tied;
- Independent organisation, arm's length;
- Strategic marketplace;
- Radical outsourcing;
- Broad scope cultural organisation.

These options are outlined in more detail below, along with an evaluation of each of the options against the Success Criteria.

### **10.2 Continue As Is**

In this scenario, BMGA would be maintained as a directly run Council Service, buying in services from other Council departments.

#### **Evaluation against Success Criteria**

- Semi-detached – The service would not be semi-detached.
- Three points of focus – In a public sector context, the service will always be subject to a wider range of competing political, operational and financial priorities. This makes focusing difficult.
- More bangs per buck – If the service continued to be directly run by the City Council the pressure to achieve more for the same price would certainly increase. The flexibility and freedoms required to meet such demands are likely to be significantly limited.

- Tightly controlled support services – The on-going patchy relationship with support services would continue, as would the level of internal charges for such services.
- Economies of scale – BMGA may find it difficult to develop a specialist focus within the City Council: the expectation might be that it should continue to try and utilise all the assets it has available to it. It would also struggle to create a greater critical mass within the Council considering the dispersed nature of cultural delivery across departments, and the red tape it would have to cut through to broaden its portfolio.
- Dynamic museums model – The recent opening of MShed and the Banksy Exhibition demonstrate that the service can deliver dynamic customer experiences within the confines of the City Council. However the service may not be utilising all of its assets effectively, and continued pressure on the public purse in the medium and longer term will limit the opportunities available in the future.

### **10.3 Independent Organisation - Closely Tied**

In this scenario, all or the vast majority of the BMGA service would become a single independent organisation. It would maintain a close relationship with key senior officers and members. The financial/legal interface would be determined by a rolling (5 year?) business plan, developed and agreed together.

A longer term concordat would cover on-going relationship management, dispute resolution, and planning cycles. There would be good member representation on the board of trustees, with governing party dominance.

There would be specified interfaces with Council corporate services and a timeframe over which they can be exited. A service agreement would be in place describing planning, budget and meeting schedules.

### **Evaluation against Success Criteria**

- Semi-detached – The independent organisation, closely tied option has a strong fit with the semi-detached criteria. It will allow the service flexibility and some independence, yet discussions with comparator organisations indicate that this approach would keep BMGA close enough to the Council through the business plan and stronger member involved on the Board. With regard to the Archives and Modern Records Service, this option should enable the City Council to continue to meet with its responsibilities under the Data Protection and Freedom of Information Acts.
- Three points of focus – This distance from the Council created by this option would allow BMGA to focus on a smaller number of customer activities, as long as they meet the needs of the Council agreed business plan, and its Board. It allows the service to deliver programmes for hard to reach audiences in the city on one hand, whilst also concentrating on more lucrative products for other audience groups. BMGA would need to consider carefully which of the smaller sites and related services are brought within the independent organisation and which remain with the City Council.

- More bangs per buck – The evidence from comparator organisations, and the perception of stakeholders, suggests that a closely tied independent organisation is much better placed to secure increased value from the resources available to it. The wider distractions posed by being directly run by the Council are removed, as are some of the red tape and bureaucracy apparent within BCC. This enables the service to respond more quickly to change, to have greater freedom in the use of budgets, and not be tied to the Council's financial timetable.
- Tightly controlled support services – The semi-detached approach which this option reflects gives the service greater control over its support services. It can maintain relationships with City Council departments such as HR, IT, Payroll and Marketing, but manage them through a more robust SLA which may provide better value for money. The service can also explore the opportunity provided by third party suppliers.
- Economies of scale – The critical mass provided by the majority, if not all, of the current BMGA service moving to an independent situation would be sufficient to allow it to prosper within the mixed cultural economy of Bristol and the West of England sub region. If given suitable support and flexibility it also enables the service to continue to compete effectively within the museums sector at a national and international level.

The independent organisation can be created in such a way as to allow growth and/or expansion in the future. So, for instance, the new organisation can take on further museum services if appropriate, or perhaps further cultural services and organisations from within the city. However taking on a broader range of cultural functions at an initial stage is likely to be too complex a change process. This option also allows the service to develop a more focused approach, in negotiation with the City Council, building on specific areas of specialist competence, aided by Council representation on the organisation's board.

- Dynamic museums model – The closely tied independent model allows the service to have reasonable flexibility to focus on developing a dynamic museums model, although this needs to be included in any planning process with the City Council. The approach described also provides the service with the opportunity to thoroughly review the assets it has available, consider ways of maximising them more effectively and, if necessary discuss with the Council ways of potentially disposing of those which are not adding value.

#### **10.4 Independent Organisation - Arm's Length**

In this scenario, BMGA would become an independent organisation which has a grant maker/grantee relationship with Council. The financial/legal interface is determined by a contract, which has a 3 to 5 year rolling budget figure. Contractual terms are in place to cover dispute resolution.

There would be no/low member representation on board of trustees. A managed exit from Council corporate services support would take place.

#### **Evaluation against Success Criteria**

- Semi-detached – The service detaches from the Council, working at some distance with complete operational decision making independence. This option provides the service with complete flexibility and the freedom to make key decisions.

It requires an effective strategic commissioning approach from the City Council. It might mean that the relationship with BCC (and the subsidy) declines over time. It may also prove challenging, over time, for the Council to ensure all of its legal and statutory responsibilities (e.g. Data Protection and Freedom of Information) are met by an increasingly detached independent organisation. Stakeholder discussions, particularly those with City Council politicians and senior officers, demonstrated a desire to keep the service closer to hand.

- Three points of focus – The freedom provided by this model enables the service to focus on a smaller range of priorities. However an independent board is likely to focus on areas which might generate more revenue and profile for the service, rather than, for instance, those that meet the Council's deprivation agenda.
- More bangs per buck – This method would drive the service towards analysing costs and demanding better value for money, particularly if the challenging financial situation continues. There will be a clear focus on maximising the priority assets, and faster paced and dynamic programming. The freedom provided by the option will also allow the service to fund raise proactively around a Queens Road redevelopment. However certain stakeholders, such as HLF, will be concerned that the distance from the Council may limit the service's access to certain key capacities such as project management and finance. The National Archives is also likely to be concerned about the City Council meeting its obligations as a Place of Deposit.
- Tightly controlled support services – This option allows BMGA to have complete freedom in choosing suppliers for such services as Payroll and IT. The competitive market in many of these areas is likely to mean that BMGA will find significant savings. Nevertheless setting up completely new relationships with new suppliers can be resource intensive and difficult, and if BMGA was minded to maintain the current internal relationships, some Council departments may not want to engage with a completely independent organisation.
- Economies of scale – As in the evaluation of the closely tied option, this method should create a service of suitable scale and profile. A truly separate organisation may also have greater interest in growing the asset base by taking on more museum services, or expanding the cultural portfolio. The increased independence provided by this option will undoubtedly allow a clear focus on a smaller number of key competencies, particularly those that will allow the organisation to flourish in what is likely to be a competitive market.
- Dynamic museums model – This option is able to support an organisation which is very focused on developing a range of exciting and attractive

customer experiences. Whilst this will not be at the expense of stewardship, this may drop down the priority list as the organisation comes to terms with its position in the market. Such an independent organisation is also likely to review its assets and may want to pass back to the Council those which are not of potential worth.

### **10.5 Independent - Broad Scope Cultural Organisation**

In this scenario, an independent organisation is created which has responsibility for the core BMGA functions, plus some or all of the following options:

- spending the Council's strategic arts budget;
- delivering other aspects of the Council's cultural portfolio e.g. the library service;
- convening/coordinating the cultural/heritage players;
- enunciating the cultural proposition for Bristol.

In BRC's opinion it is unlikely that this option could be delivered in an arm's length manner – hence the evaluation findings summarised under “closely tied” above would apply here.

#### **Evaluation against Success Criteria**

- Semi-detached – As Section 10.3, the majority of stakeholders preferred a museum's focused organisation rather than one with a broader set of responsibilities, although an independent organisation would be strengthened by including the majority of associated services, such as Archives and BARAS, which BMGA is already responsible for.
- Three points of focus – As Section 10.3, however creating an organisation with a broader portfolio and set of responsibilities will make it more challenging for the service to focus on a coherent set of fewer priorities.
- More bangs per buck – As Section 10.3. The broader nature of a cultural organisation may provide further opportunities for back office savings and shared services.
- Tightly controlled support services – As Section 10.3.
- Economies of scale – As Section 10.3. The greater critical mass which a broader cultural organisation brings may provide the new service with increased impetus, and more buying power.

The organisation is also likely to want to consider growing in the future, in a similar way to the Wigan Leisure and Culture Trust. Any move to creating a broader organisation straight away would result in a highly complex and resource intensive (transition + merger) process.

- Dynamic museums model – As Section 10.3, although a broader approach will need to be adopted, focusing on creating dynamic and exciting links across the range of cultural services included in the organisation.



## 10.6 Strategic Marketplace

This option breaks the museums function into a number of separate components (e.g. MShed, BMAG, Archives and Modern Records, Red Lodge, Archaeology) and positions them as separate trusts. Each would therefore compete with the others (and with other independent players locally such as SS Great Britain, the Old Vic etc.) for Council budgets and other sources of funding.

Such an option potentially adds vibrancy, innovation and the incentive to cooperate and it has some similarities to the Independent Organisation, Arm's-Length option. The method also reflects the rich and mixed economy of cultural and creative organisations already in existence in the city.

### Evaluation against Success Criteria

- Semi-detached – The separate components will be detached from the Council, working at some distance with complete operational decision making independence. It will require an effective and robust strategic commissioning approach from the City Council. However the fragmented approach, and the distance from the Council is likely to severely limit the political support for this option.
- Three points of focus – The freedom provided by this model will enable the individual services to focus on a smaller range of priorities. Nevertheless the competition generated by adding several more independent organisations to what is already a rich and mixed economy in Bristol may act as an unhelpful distraction from core tasks.
- More bangs per buck – The independent organisations created will have no choice but to analyse costs and demand better value for money. There will be a clear focus on maximising the priority assets, and faster paced and dynamic programming. This option will also allow the relevant organisation to fund raise proactively around a Queen's Road redevelopment, but the concerns around the HLF view referred to in Section 10.4 will be even more relevant in this option. The competition created will also place further, significant demand on the limited public, philanthropic and trust funds available.
- Tightly controlled support services – This option will allow the separate components to have complete freedom in choosing suppliers for such services as Payroll and IT. The competitive market in many of these areas is likely to mean that the components will find significant savings. Nevertheless setting up completely new relationships with new suppliers can be challenging, and the reduced critical mass of some of the new organisations may also be a problem.
- Economies of scale – This option will create a series of independent organisations. Some of them may be very small. Such an option would skew the cultural marketplace in Bristol, and several of the components may fail in the first three years. Discussions with The National Archives and comparator organisations for instance, indicate that very few Archives-only trusts have prospered in the UK. At a practical level a number of stakeholders commented on the already short supply of suitable, high

quality trustees. This way forward will only make that situation more challenging.

- Dynamic museums model – This option is likely to create a series of organisations which are focused on developing a range of exciting and attractive customer experiences. However the evidence gathering process indicated that some staff and stakeholders associated with the smaller sites are wedded to a more traditional approach to public engagement. This may result in a less dynamic approach, and will certainly necessitate a cultural shift in their approach in the medium term.

### **10.7 Radical Outsourcing**

The final option involves passing the whole function across to another business or existing independent. Such a move would need to be managed under contract – therefore there would similar specific points to the arm's length option above.

Potential recipients for the museums function could include:

- Organisations such as Capita who have a track record in delivering public sector services;
- Organisations such as Madame Tussauds who have a track record in delivering visitor attractions;
- An independent museum or cultural organisation of suitable scale, such as the SS Great Britain;
- Another Local Authority, likely to be nearby, such as Bath and North East Somerset.

### **Evaluation against Success Criteria**

- Semi-detached – The service will be completely detached from the Council, working at a considerable distance with complete operational decision making independence. It is likely that this model will generate a strong market focused and profit-orientated approach. However, City Council politicians and senior officers demonstrated a desire to keep the service closer to hand, with Council representation on the organisation's board for instance, and a strong input into planning. As in Section 10.4 there are likely to be concerns about whether the City Council can continue to meet its related legal and statutory responsibilities.
- Three points of focus – This model will enable the new organisation to focus on a smaller range of priorities. However a radical outsourcing approach will generate an approach which will focus on generating more revenue and profile for the service, rather than meet the Council's agendas.
- More bangs per buck – As in the arm's-length option, the radical outsourcing approach will drive the service towards analysing costs and demanding better value for money. There will be a clear focus on maximising the priority assets, and faster paced and dynamic programming. This option will certainly generate a more market orientated approach, and it may also provide greater opportunity to fundraise. However certain public funders may not want to fund such an outsourced organisation. HLF's funding guidelines, for instance, may

preclude this sort of organisation from bidding and HLF will be very concerned that the distance from the Council will prevent the service accessing certain key capacities such as project management and finance.

- Tightly controlled support services – Council departments will not want to engage with an outsourced organisation, and third party suppliers will need to be identified.
- Economies of scale – As in the evaluation of the closely tied option, putting all, or the vast majority, of BMGA into an independent organisation should create a service of suitable scale and profile. A radically outsourced organisation will also have greater interest in growing the asset base by taking on more museum services, or expanding the cultural portfolio. The complete independence provided by this option will allow a clear focus on a smaller number of key competencies, particularly those that will allow the organisation to flourish in what is likely to be a competitive market.
- Dynamic museums model – This option may result in a set of dynamic customer experiences focused on the more lucrative end of the market, overseas visitors for instance, to ensure a profit is generated.

#### **10.8 Success Criteria Analysis Summary**

The analysis above suggests that the strongest of the possible models is a single independent organisation, closely tied to the Council. The independent organisation at arm's length also has strengths; however the distance from the Council would be a significant concern to a range of stakeholders, both internal and external.

These models, and the options within them, can now be examined and tested in more detail from a financial perspective.

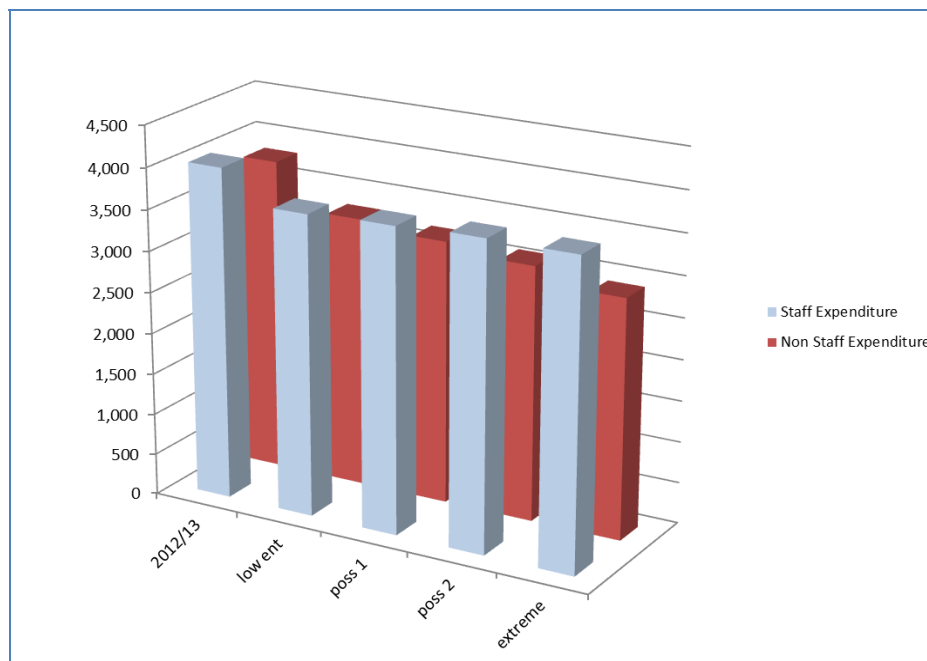
## 11 Independent Trust - Financial Scenarios

BRC has modelled the financial position for the 5 years from 2013-14 to 2017-18. Four independent trust scenarios have been modelled:

- **Low enterprise** (with little commercial change to current activities);
- **Possible enterprise 1** (conservative estimate for improved commercial performance);
- **Possible enterprise 2** (ambitious estimate for improved commercial performance);
- **Extreme enterprise** (a ruthless commercial focus, in the context of advantageous trading conditions).

The models demonstrate that the more enterprising the organisation is able (or empowered) to be, the more resilient it can be in the face of potential funding cuts. By the time the organisation has settled into its new approach, assuming no change to the public sector funding levels (Council and ACE), it should be capable of retaining and investing reserves of between £0.5m and £1m per annum.

Figure 4 sets out key cost variables for the four scenarios at a point 3 years hence, in financial year 2015-16 (compared to current year figures on the left).



*Figure 4: Cost scenarios in year 3 compared to current year*

The reduction in staff costs from 2012/13 to 2013/14 is per BMGA three year budget.

Figure 4 sets out key income and available reserves variables for the four scenarios at a point 3 years hence, in financial year 2015-16 (compared to current year figures on the left).

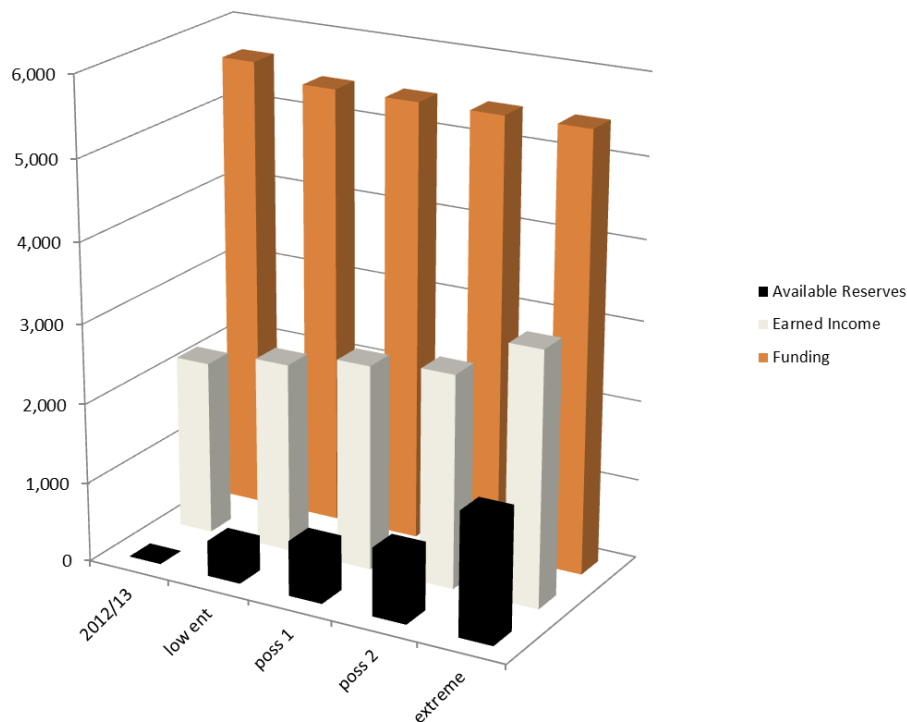


Figure 5: Income scenarios in year 3 compared to current year

The detail behind these models is shown in Appendix 6. The options assume that the financial impact of the changes takes place in financial year 2013-14 and that there is only a half full year affect in that year and a full year affect in subsequent years. The assumptions do not show the financial benefit such as higher retail margin increasing year on year. This is a more prudent basis for modelling and takes account of the fact that there will be cost pressures in the system over this period. This assumption of a stable position after year 2014-15 may be amended if a more sensitive analysis is required. It assumes, for instance, that funding from Arts Council England and from BCC continues at existing levels, as do the associated staff costs.

*Note: Both the strategic marketplace model and the radical outsourcing model would have comparable financial models to those explored here with the following differences.*

- *The strategic marketplace option would have higher governance costs as there would be a number of separate organisations.*
- *The radical outsourcing options would not be able to take advantage of the tax advantages if it was not a charity. Subject to the outsourcing host organisation the opportunities for increasing philanthropic income might be reduced too.*

## 12 Recommendations

### 12.1 Governance and Form

Following the above options analysis our recommended governance model for BMGA is:

**A single independent museums trust, closely bound into the BCC family through specified interfaces and trustee composition.**

The organisation would be a Company Limited by Guarantee, which would seek charitable status. Staff would become employees of the new organisation. The major assets would remain the property of the Council.

### 12.2 Functional Scope

The financial case for a change to independent status relies on increased commercial income; the “enterprise dividend”. This is not easily achieved and requires management focus and time to implement. The broader the intended scope of the new organisation, the harder it will be to achieve this focus.

We therefore recommend that the new organisation

**Does not take on a broader cultural scope.**

We note that the strategic fit between following seven functions (see Appendices 3 and 4 for detail) and the rest of BMGA is not clear in some instances:

Properties:

- Red Lodge;
- Georgian House;
- Blaise Castle;
- Kings Weston Roman Villa.

Business units:

- Archives and Modern Records
- Bristol and Region Archaeological Services (BARAS);
- Bristol and Region Environmental Record Service (BRERC).

Each one could be seen as an unhelpful management distraction, or as a potentially underexploited enterprise asset. This document addresses governance options and cannot make recommendations concerning more general strategic direction. We cannot therefore make a hard recommendation on the extent to which these functions should be included in the newly independent organisation.

Our initial assessment is that:

- **The properties should stay within the portfolio of assets managed by the new organisation (for economies of scale and enterprise exploitation reasons);**
- **Archives and Modern Records should remain closely tied to the broader Museums and Galleries Service. The Services have**

**worked well together in recent years, and this is particularly well evidenced by the content and direction of MShed. There will also be economies of scale and enterprise exploitation opportunities. However the Council will need to carefully consider its legal and statutory responsibilities as a Place of Deposit and with regard to the Freedom of Information and Data Protection Acts.**

- **BARAS should also stay within the group. The service plays a crucial role in growing and developing BMGA's archaeological collections and therefore should remain closely tied, as well as providing significant income generating opportunities;**
- **BRERC may sit more comfortably elsewhere in the Council. Any move to independence may also be complicated by the service's close links to South Gloucestershire and BANES Councils.**

### **12.3 Management of Change**

The financial models show the steady state costs of the options assuming this is in place from the middle of 2013/14.

Costs of transition to the new structure are not included in the financial models. The costs of transition will include the following:

- Project management cost;
- Legal costs of establishing new organisation;
- Legal costs of agreeing the relationship between the trust and BCC;
- Marketing, branding and PR for the new organisation;
- Recruitment costs for trustees and senior officers.

Though the project does not compare in complexity to the MShed implementation, **we recommend that a clear budget and project management responsibility is defined at an early stage.**

## 13 Implementation

This section outlines how the transition to a new governance arrangement should be managed. A detailed financial plan should be developed from our model, taking into account likely changes to staff terms and conditions, new income sources, and new trading approaches.

### 13.1 Implementation - Checklist

A detailed project plan should be developed based on the following components.

Category	Item
Board	<ul style="list-style-type: none"> <li>• Governance parameters</li> <li>• Recruitment</li> <li>• Strategic planning</li> <li>• Performance measurement/management</li> </ul>
Team	<ul style="list-style-type: none"> <li>• Restructure</li> <li>• Leadership</li> <li>• Communications</li> <li>• Morale</li> <li>• Cultural change</li> <li>• TUPE</li> <li>• Pensions</li> </ul>
Enterprise	<ul style="list-style-type: none"> <li>• Focus</li> <li>• Investment</li> <li>• Implementation</li> </ul>
Delivery	<ul style="list-style-type: none"> <li>• Form</li> <li>• Geography</li> <li>• Process</li> </ul>
Marketing	<ul style="list-style-type: none"> <li>• Positioning</li> <li>• Implementation</li> </ul>
Finance	<ul style="list-style-type: none"> <li>• Asset ownership</li> <li>• Asset maintenance</li> <li>• Internal Audit</li> <li>• External Audit</li> <li>• Budget</li> <li>• Capital budget</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>• Transition risks</li> <li>• New organisations risks</li> <li>• Risk register</li> <li>• Risk management</li> </ul>
Interface Management	<ul style="list-style-type: none"> <li>• Council strategic relations</li> <li>• HR</li> <li>• Finance</li> <li>• IT</li> <li>• Property</li> <li>• Marketing</li> <li>• External partners and suppliers</li> </ul>
Change process	<ul style="list-style-type: none"> <li>• Transition project management</li> <li>• Transition budget</li> </ul>
Legals	<ul style="list-style-type: none"> <li>• Activities</li> <li>• Assets</li> <li>• Liabilities</li> <li>• Contracts</li> <li>• Intellectual property rights</li> <li>• Employees</li> <li>• Equipment</li> <li>• Furniture and fittings</li> <li>• Lease/property</li> <li>• Transfer date</li> <li>• Tax</li> </ul>



	<ul style="list-style-type: none"> <li>• Compliance</li> <li>• Charitable status</li> </ul>
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### 13.2 Schedule

If the recommendations are accepted, a managed transition over several stages would be the lowest risk and lowest cost way to make the transition. A shadow approach to independence could be adopted, allowing internal interfaces to be agreed and practised (e.g. with property and HR support) before legal independence. The plan could be widely refined and agreed before a new Mayor takes post, allowing the new incumbent to be associated with a smoothly executed project. A possible schedule is set out in Appendix 6.

### 13.3 Key Transition Issues

#### Assets

The ownership of the main assets of the service, the premises and collections and the roles and responsibilities of all parties in using them will need to be covered by the service agreement.

#### Support timescale

In order to commit to delivering the service any independent delivery organisation will need to know the period of time for which BCC is willing to provide funding and also the level of that support.

Ideally, this commitment would be associated with an agreed, rolling business plan of pre-determined length (e.g. 5 years), refreshed annually.

#### Liabilities

When the independent delivery organisation is established it is unlikely to have significant levels of reserves. Therefore it will not be able to take on significant liabilities, real or contingent. The main liabilities that would definitely crystallise in some form are pensions for staff.

The more contingent liabilities relate to redundancy costs if there was the need to reduce staff and premises costs relating to maintenance and/or refurbishment. There are known premises liabilities in relation to the Queen's Street premises which are in need of refurbishment. Any new governance configuration needs to allow for these costs.

#### Staffing

Staffing comprises over 50% of the total cost of the service.

Any acquiring organisation will need assurance that the workforce transferred will not hinder the delivery of an effective service within the agreed financial parameters. BCC may need to carry out staff restructuring pre transfer to ensure that this is the case.

#### Termination

The transfer agreement needs to cover the eventuality of the either party wishing to terminate the arrangement.

### 13.4 Interface Management

Any new governance arrangement results in internal or external interfaces that have to be managed effectively. The organisation will need to manage its interfaces with people, functions and organisations which are outside of the organisation. These interfaces will be specified before the organisation moves to any new governance arrangement.

From a governance point of view, the key interfaces are:

- With the citizen (levels of service);
- With BCC contract management;
- With other public services;
- With any culture/heritage policy function;
- With support functions;
- With BCC political structures;
- With BCC strategic planning/budgeting;
- With partners/competitors.

For each interface, the **ask**, **offer** and **quality assurance** (including penalty) processes need to be understood by the parties involved.

The process of defining these interfaces will be a major aspect of the transition process. Some elements of the interface will necessarily be included in a legal contract (e.g. for the management of assets). Others should be encapsulated in a Service Level Agreement or other less binding concordat, which helps set parameters around how the parties should work together and what they can expect of each other.

### 13.5 Organisational Ownership and Control

BCC will not want to comprise more than 20% of the membership of the Company as that may indicate control and expose BCC to future liabilities. Ideally the membership should comprise a wide cross section of the local community. The majority of comparator organisations (e.g. the Birmingham Museums Trust and the Luton Culture Trust) had two local authority nominated board members. BCC will be able to influence the Company by way of the service agreement.

The day to day management of the Company will be exercised by the senior management team under the direction of the board of directors. The Chief Executive of the Company should be an executive member of the Board of directors. Other members of the senior management team may be directors if required. Ideally the non-executive directors should outnumber the executive directors.

The Company should have a minimum and maximum number of directors. Directors may be appointed by the members or by the board. BCC would expect to have a set of number of directors which they can nominate to be filled by members or officers of BCC. Members and officers of BCC would be ineligible for other director posts. The minimum number of directors and number of BCC nominated directors should be set to ensure that the BCC nominated directors cannot form the majority of the board.

### 13.6 Trustee Skills and Appointment

The Charity Commission document CC3 'The Essential Trustee' contains the following guidance:

Charity trustees are the people who serve on the governing body of a charity. They may be known as trustees, directors, board members, governors or committee members. The principles and main duties are the same in all cases.

- Trustees have and must accept ultimate responsibility for directing the affairs of a charity, and ensuring that it is solvent, well-run, and delivering the charitable outcomes for the benefit of the public for which it has been set up.

Compliance - Trustees must:

- Ensure that the charity complies with charity law, and with the requirements of the Charity Commission as regulator; in particular ensure that the charity prepares reports on what it has achieved and Annual Returns and accounts as required by law.
- Ensure that the charity does not breach any of the requirements or rules set out in its governing document and that it remains true to the charitable purpose and objects set out there.
- Comply with the requirements of other legislation and other regulators (if any) which govern the activities of the charity.
- Act with integrity, and avoid any personal conflicts of interest or misuse of charity funds or assets.

**Duty of prudence - Trustees must:**

- Ensure that the charity is and will remain solvent.
- Use charitable funds and assets reasonably, and only in furtherance of the charity's objects.
- Avoid undertaking activities that might place the charity's endowment, funds, assets or reputation at undue risk.
- Take special care when investing the funds of the charity, or borrowing funds for the charity to use.

**Duty of care - Trustees must:**

- Use reasonable care and skill in their work as trustees, using their personal skills and experience as needed to ensure that the charity is well-run and efficient.
- Consider getting external professional advice on all matters where there may be material risk to the charity, or where the trustees may be in breach of their duties.

The first and possibly most important stage of the trustee recruitment process is to agree skills and experience that are required by the trustees. The board of trustees needs the right balance of skills and experience and appointments should be made explicitly to ensure this. Those comparator Museum and Culture Trusts who have recently secured independence have focused on bringing in such skills and experience as:

- Financial Management;

- Legal experience;
- Experience of working in and running commercial organisations;
- Understanding of local businesses;
- Background in, and understanding of, the wider cultural and creative sector;
- Links to Academia;
- Enterprise and Fundraising;
- Working with, or in, the media;
- The broader public sector;
- Health sector.

Some, or all, of these may have relevance to any process in Bristol. However the local context, and the likely priorities and direction of any new organisation will dictate the skills mix required.

It may be wise to recruit a small core of trustees at an early stage in the transition process, who can then help define and establish the new entity. A second tranche of trustees can be recruited once the organisation is ready to start.

## **Appendix 1 – Project Process**

The evidence gathering aspect of the project involved work in four areas:

- Contextual Analysis;
- Stakeholder Engagement;
- Comparator Analysis;
- Financial Baselineing.

A brief summary of the scope and scale of the first three aspects of the evidence gathering work is included below.

### **Contextual Analysis**

The following documentation was considered:

- The Bristol 20:20 Plan – Bristol's Sustainable City Strategy (2010)
- Bristol City Council – Museums and Archives select committee report, 27/7/2009
- Team Plan – BMGA 2012/2013
- Forecast budget 11/12 – 14/15
- BCC Staff Structure
- Decision Making at Bristol City Council
- Bristol City Council – Constitution
- Income Generation Strategy, BMGA (2010-2015)
- Fundraising Strategy, BMGA V5 – 10/2011
- West of England Local Enterprise Partnership 2011-2013
- BCC Local Scope of Corporate Governance 4/2011
- M Shed Business Plan 11/2010
- ACE major grants application 10/2011
- ACE proposal supplementary notes
- West of England Key Statistics
- Bristol State of the City Report 5/2010
- Alternative Governance Regimes for Archives (draft)

### **Stakeholder Engagement**

Discussions took place with a wide variety of stakeholders from within the Council, Bristol, across the South West, and some National figures, the full list is as follows:

- Helen Legg - Director, Spike Island
- Kevin Duffy - Senior Manager, Cabot Circus
- Professor Ron Ritchie - Pro Vice Chancellor, Partnerships and Civic Engagement
- Dr John Savage – Chair of Destination Bristol, Chair of Bristol Cultural Development Company, wide ranging business links.
- John Hallett - CEO, Destination Bristol
- Dick Penney - CEO, Watershed
- Sue Thurlow – Chair, Friends of the Museum and Art Gallery
- John Orna Ornstein - Head of National Programmes, British Museum
- John Williams - Deputy Head of Archives and Modern Records
- Richard Burley - Archives Manager
- David Alder - Director of Communications and Marketing, University of Bristol
- Matthew Tanner - CEO, SS GB

- Stephen Hilton - Director of City Development, BCC
- Sandy Nairne - Director, National Portrait Gallery
- Trystan Hawkins - Director, Royal West of England Academy
- Isobel Siddons - Head of Engagement, The National Archives
- Richard Bellamy - Acting Regional Director, HLF
- Phil Gibby - Regional Director, ACE
- Joanna Brown, Friends of Bristol Art Gallery
- BMGA Management team (Martin Kelly, Ray Burnett, Val Harland, Stella Yates, Richard Burney, Reetha Desai, Simon Kelly)
- Carole Holt - BCC
- Val Harland, BCC
- Julie Finch - BCC
- Trevor Gough, BCC
- Tim Corum, BCC
- Mike Harding, BCC
- Alun Owen, BCC
- Graham Sims, BCC
- Councillor Simon Cook
- Councillor Colin Smith
- Stephen Williams - MP
- Peter Holt, BCC
- Louise Mitchell – CEO, Colston Hall
- Councillor Richard Eddy
- Dave Richmond, Sue Thurlow, Jim Broughton (Paul Hamlyn Foundation)
- Di Robinson, BCC
- Emma Stenning – Bristol Old Vic
- Jon Davidson – Director of Operations, Compass Group
- Adrian Tinniswood - Chair Bristol Museums Development Trust
- Terence Mordaunt – Merchant Venturer/Trustee
- Anna Southall – Trustee, Bristol Museums Development Trust
- Julian Bracey – Creative Director, Cirque Bijou (Different Directions)
- Steve Hunt – General Manager, St Paul's Carnival (Different Directions)
- Andrew Nisbet, High Sheriff of Bristol

### **Comparator Analysis**

BRC talked to a number of services and organisations directly as part of the process, these were:

- Birmingham Museum Trust
- Heritage and Arts Trust, Coventry
- Norfolk Museums Service
- Wigan Leisure and Culture Trust
- 

Desk Research was undertaken on:

- Leeds City Museums
- Luton Culture
- Glasgow – Culture and Sport
- Museums Sheffield
- York Museums Trust
- Tyne and Wear Museums
- Bath and North East Somerset Museums
- Coventry Transport Museum
- Manchester City Galleries

- National Museums Liverpool
- Nottingham Museums and Galleries

## **Appendix 2 - Success Criteria**

This section takes the six choice dimensions and sets out an early assessment of what the right balance might be for BMGA on each. This positioning essentially gives us the BMGA-specific success criteria, which can then be used to assess the various governance options.

Given the specific nature of this project, an emphasis was placed on the following lines of enquiry:

- **Operational/players**  
What are the issues and opportunities associated with the key personnel who make the service succeed?
- **Operational/metrics**  
What do comparable organisations tell us about governance and performance?
- **Political/players**  
What are the opportunities and constraints imposed on our governance options by politicians and other stakeholders?
- **Political/models**  
What governance models achieve the right balance (e.g. between control, ownership and freedom) to satisfy stakeholders?
- **Financial/models/metrics**  
What is the current financial reality and what are possible future financial scenarios?

## **Freedom v Control**

How close or distant should BMGA be from BCC?

- **Operational/players**
  - Senior management are attracted by the opportunity for more responsiveness in support functions, the potential for new funds sources, and more dynamism in staff practices. They also recognise dangers (funding reduction) of too distant a relationship with BCC.
  - Staff have mixed feelings: nervousness about any threat to BMGA's status as a public service, combined with an enthusiasm for the flexibility and lack of bureaucracy potentially offered by arm's length delivery.
  - Whilst staff from the Archives and Record Management team recognise the benefits that could be offered by moving to a different form of governance and are keen to explore them further, they were at pains to emphasise the potential implications on the Records Management function for the City Council.
- **Operational/metrics**
  - In other localities purely financial drivers have encouraged politicians and senior officers to focus a Charitable Trust option, often without fully exploring other options, or without taking into



account the change, operational and political costs of this approach.

- The Charitable Trust option is recognised to be a way forward which allows local authorities (and politicians in particular) to retain a significant level of control and influence over the strategic direction of travel and assets of a service.
- A key driver for consideration of, and move towards, independence in localities such as Birmingham and Norfolk has been to provide greater freedom in securing such services as Payroll, HR, IT, marketing.
- The move towards greater independence does give a greater freedom and opportunity to become more enterprising. However this does not necessarily result in immediate, large scale increases in income generation, for instance. The necessary change in culture and approach can take some years to take effect. The move to independence needs to be considered in the broader context of the reductions in public sector finance and the much greater competition for funding both grant based and commercial.
- We are continuing to look for hard data on possible new funds sources, any “enterprise lift” or enterprise failure comparators. From the evidence gathered so far it is clear that some independent organisations have used their arm’s length status to seize the opportunity to deliver services in other localities (Wigan Leisure and Culture Trust), whilst others have used to create successful trading arms (Tyne and Wear Museums).

- **Political/players**

- There is apparent cross-party enthusiasm for trust status, but one in which the trust is kept close and supported.
- There is little enthusiasm for assets (including property) to be transferred to such a trust.
- There is some limited political interest in a more radical independence, with BCC playing strategic commissioner role and BMGA becoming a number of different independent trading entities, competing and cooperating in a “managed marketplace”, although several external stakeholders were concerned about the large number of independent cultural organisations already in existence in the city.
- There is a strong message from external stakeholders that the museum service needs to be given greater freedom and flexibility in the future. Related to this was a concern that non statutory services remaining within the council will be vulnerable to significant budget reductions in the future.
- Some external stakeholders were concerned about the museum services’ fleetness of foot. They would like to see the service be able to respond more quickly to the changing environment, developing a broader network of relationships and partnerships.

- **Political/models**

- There is a range of options – from a development trust charged with raising cash (as now) to complete outsourcing of assets and activities to a third party (managed by a contractual interface).

- There is greatest stakeholder consensus around a model based on a trust covering BMGA activities, not assets, with strong Councillor influence on the trust board, with a clear commitment from the city Council to maintain suitable levels of investment into the service for the medium to long term.
- Any move to an independent model would need to be handled very sensitively with politicians across the Board in the City. Officers need to be mindful of the situation in Norfolk where members voted against the recommendations of consultants and officers after a governance review process.
- **Financial/models/metrics**
  - Opportunities: tax, rates, sickness absence, “enterprise lift”, greater flexibility, no longer tied to City Council services e.g. Marketing, HR, IT, new income sources (foundations)
  - Risks: loss of political support (and funds), access limited to wider LA infrastructure (this was a particular concern for HLF, especially if significant funding was required for a major redevelopment of the City Museum and Art Gallery), cost of change, unforeseen costs arising from support service outsourcing (i.e. BMGA not appreciating the value associated with BCC support services).

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### **Focus v Reach**

To what extent should BMGA be focused on a small set of customer of activities?

- **Operational/players**
  - Senior managers recognise that a better job needs to be done concerning minority and disadvantaged groups within the Bristol population – and see MShed’s success as pointing towards how this may be achieved.
  - Staff generally have a strong commitment to a public service ethos, though for some that may also be an excuse for a lack of customer focus.
  - The recent acquisition of BECM’s collection is a significant development for the Museum Service. It widens the scope of the collections and could provide a broader offer to audiences.
- **Operational/metrics**
  - The comparator analysis gave a strong message that a move to some sort of independent governance allows organisations to develop a clearer focus with regard to audiences and priorities. It also allows those organisations to react quicker to changes in the environment/demography.
  - Some Charitable Trusts which have only recently left their original Local Authority home have felt obliged (or been required) to maintain a broad audience and community focus.
- **Political/players**

- There are a number of external stakeholders, such as from the academic sector, elsewhere in the council, and from other cultural organisations who felt that the museum service had made significant progress in the area of engaging with minority and disadvantaged groups, and that this should continue to be a focus for the service in the future.
- Some stakeholders felt such a focus on disadvantaged communities should be undertaken in conjunction with a broader focus on all communities and visitors. Several, from a city centre or commercial background, felt that the success of M Shed should be built on with the museum service becoming a sizeable part of the visitor offer.
- External stakeholders also expressed a more general concern about the focus of the cultural and creative city across the sector. The overwhelming view was that Bristol is blessed with a high quality and diverse cultural sector.
- Nevertheless the view of the majority that the cultural sector in the city faces challenges, there were comments about undue competition, a lack of join up, no clear coordination/strategy/proposition, and a missed opportunity to be a sum greater than all the parts. There was a feeling that it would be a challenge for BMGA to develop a coherent set of more focused customer activities in such an environment.
- However there was an opposing view that also recognised the scale and diversity of the City's cultural offer and welcomed the competition and diverging priorities that were apparent, emphasising the exciting marketplace and creativity such an environment encouraged.
- **Political/models**
  - The service is not utilising a number of its assets to maximum advantage. The smaller sites, such as Red Lodge and Georgian House appear to have been de-prioritised, and the reduction in opening hours of two years ago has reduced visitor attendance by up to 50%. A decision needs to be reached about these assets; do they remain as part of the service? If so they need to be resourced to deliver effectively. If not what is their future?
  - A number of partners and organisations within the City and the sub region are keen to work more closely with the service. The academic sector and the Watershed were particularly interested in broadening the relationship with the Service, as was the RWA, who also mentioned the possibility of shared governance.
  - The acquisition of the BECM collections is a politically sensitive issue, and the service needs to be seen to be utilising the new collections effectively.
- **Financial/models/metrics**
  - Focus can lead to elitism (a commercial drive to attract only the wealthiest), an undermining of commercial focus (if there is a push to focus on the most disadvantaged), or an undermining of the overarching narrative (e.g. the shared heritage of Bristol).
  - The majority of the Comparator organisations we spoke to and researched had continued to maintain a relatively broad reach,

with a stronger focus on generating income. The Wigan Leisure and Culture Trust commented that, as they have extended their service delivery into other localities (e.g. Selby and Cannock Chase), concerns have been expressed at a political level in Wigan that this has diluted the quality of service within the Borough itself.

- Lack of focus can lead to an unclear proposition, a “flatness” of the customer experience, and a municipal feel to the activity.

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### **Service v Cost-reduction**

Should this phase of BMGA’s evolution be primarily about further enhancing the service, or about eliminating unnecessary costs?

- **Operational/players**
  - Some BCC senior players feel that BMGA could play a bigger part, given the high levels of local footfall achieved, in promoting and supporting wider public service activity.
  - A few BMGA staff felt that the Service Review undertaken three years ago could be revisited with a focus on removing the remaining silos from the Service.
  - Staff were keen to move onto the redevelopment of the City Museum and Art Gallery to maintain the impetus generated by the opening of M Shed.
- **Operational/metrics**
  - Several organisations involved in the comparator analysis reported that a move to an arm’s length governance situation provides further protection of the subsidy from respective local authorities in the medium term.
  - It has also opened up wider opportunities to secure external funding both from enterprise and from trusts and foundations etc. However several comparators also acknowledged that these opportunities had not yet been fully utilised.
  - Independence has also allowed Comparator organisations greater flexibility and freedom to reorganise staff structures, bringing in new skills where appropriate.
- **Political/players**
  - There was an often repeated view amongst stakeholders from beyond the local authority that, despite assurances to maintain levels of investment, the service would ultimately come under severe budgetary pressures in the future, and that this would compromise quality and breadth of product.
  - There was a strong feeling amongst stakeholders that the quality of programming and product had visibly improved in the last three years (MShed was regularly referred to as an example of excellence) and that this direction of travel should be maintained.
  - In contrast to the almost universal praise for MShed, some concerns were expressed about other aspects of the service. Several external stakeholders felt that the City Museum and Art Gallery needed significant development and modernising if the

service, and the city were to compete at a national and international level. Concerns were also expressed about the under-utilisation and invisibility of some of the small sites in the service.

- There appears to be considerable consensus amongst senior Council figures that the museums function is important to the city, and that its continued development is also important. The imperative is to innovate within the financial constraints that exist, and which are not likely to ease.
- **Political/models**
  - The management of some non-focus aspects of BMGA's work, such as the smaller sites, or parts of the collection, could be shared with other players, outsourced, or mothballed.
- **Financial/models/metrics**
  - It was clear from Comparator discussions and research that a number of authorities had focused primarily on financial challenges and driving out efficiencies when considering future service delivery. This had led to problems within transfer processes and raised doubts about the long term financial sustainability of some Museum Trusts (e.g. Museums Sheffield)
  - Following the receipt of BMGA views on possibilities as raised above, this section needs to be translated into financial models exploring the options.

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### **Corporate v Lean**

How important, operationally and financially, is it for BCC to provide support services to BMGA?

- **Operational/players**
  - There is a strong desire from staff that BMGA should be afforded more flexibility with regard to the procurement of such services as Payroll, Marketing, property, IT and HR.
  - Some staff pointed out that BMGA carried out certain services on behalf of the Council e.g. Records Management, Environmental Records Service
- **Operational/metrics**
  - Several organisations involved in the comparator analysis specifically commented on the benefits accrued by having greater flexibility and choice in the procurement of support services. Birmingham for instance made it clear that this had been an important reason for moving to a Trust.
  - At a practical level though, comparator organisations also warned that any change in procurement needed to be carefully considered as sometimes it is "better the devil you know" rather than moving to apparently cheaper, but less knowledgeable suppliers.
  - Organisations also pointed out the challenges which can emerge when attempting to withdraw from Local Authority support

services. In Birmingham, the new Museums Trust has had to give three years notice to Service Birmingham concerning the provision of IT services.

- **Political/players**
  - A majority of external stakeholders commented that service would benefit from greater freedom around procurement and other areas. Council politicians appear sympathetic to the desire to be free from bureaucracy. Some senior managers question whether BMGA is equipped to get the best from the management of new supplier interfaces.
- **Political/models**
  - The transition to a Colston Music Trust is widely considered to be a relevant learning experience; though the lessons offered differ widely and are in some cases contradictory. There does appear to be consensus concerning the need for: (1) financial clarity concerning the existing and probable future business model; (2) realism concerning projected new income sources; and (3) a staged and careful transition process.
- **Financial/models/metrics**
  - The outsourcing of suppliers results in: cost of change, costs of new supplier management, risk of supplier underperformance – as well as potential savings and the opportunity for greater flexibility.
  - These factors are being built into the financial model.

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### **Specialist v Scale**

Should BMGA be developing a specialist focus which would give it, and Bristol, national and international profile and leverage? Or should BMGA have a more generalist competence, maintaining a wide range of competences and functions?

- **Operational/players**
  - There is an interest in developing a model for staff innovation/enterprise which learns from successful academic models – where a researcher can financially benefit the organisation and him/herself by exploiting their intellectual property. Such a model depends on the deepening of focused areas of expertise in the organisation.
  - There was concern expressed by some staff that a move to an independent operation may result in some collections or curatorial areas of expertise being side-lined because of a perceived lack of commercial opportunities.
  - The recent acquisition of the BECM collections was referred to as a significant opportunity.
- **Operational/metrics**
  - Cost reductions in the long term could have significant implications on aspects of the service. A condition of ACE major grant funding is the maintenance of public subsidy until 2015. As a National Archives Place of Deposit any perceived threat to the archival

collections could result in The National Archives demanding the removal of the collections, and any reduction in care of the Service's Designated Collection could result in ACE removing that accolade. A local authority cannot transfer its obligations, and the City Council would retain responsibility for ensuring the public records are looked after properly.

- The soon to be released National Archives guidance concerning alternative governance for archives states "Any new arrangements must ensure that the local authority can still comply with its responsibilities under the Data Protection, Freedom of Information Acts and Environmental Information Regulations and its responsibilities to manage specific classes of records appropriately. These responsibilities remain with the local authority, even if day-to-day management is transferred or contracted to another body
- There is a difference of opinion amongst comparator organisations with regard to the issue of economies of scale. Wigan Leisure and Culture Trust were keen to point out the benefits of the greater critical mass afforded by the delivery of a range of cultural services. The same opinion was also expressed by the Heritage and Arts Trust in Coventry, who are now investigating a merger with the Coventry Transport Museum and the Theatre Trust in the City.
- However other services feel that a sector specific organisation created greater focus and clarity of purpose and avoided dilution of the offer. For a service the size of BMGA, and a city the size of Bristol, a stand-alone museum service should have sufficient scale to succeed, though a broader cultural trust would create an organisation with a substantial critical mass.

- **Political/players**

- Stakeholders commented on the progress made by BMGA in recent years, commenting on such high points as the Banksy exhibition and the opening of M Shed. They referred to the perceived improvement in quality over the museums service of a number of years, and the benefits that had brought to the service, the City and the profile of the City externally. They wanted this improvement maintained.
- There were mixed opinions concerning focus and specialisms, the majority of stakeholders thought that the service should continue the broad focus it currently maintained, whilst building on the success of M shed. Some wanted a strong focus on supporting the disadvantaged and diverse communities of Bristol; others saw M shed and the potential redevelopment of the City Museum as crucial to the success of the city on a national and international stage.
- Several stakeholders pointed out the large number of independent cultural organisations already operating in the city, and the implications of this mixed economy, such as the demand on potential trustees, and the lack of a coherent cultural ask.

- **Political/models**

- BMGA could be disaggregated into a number of components (for instance, based on the various sites and functions), all or some of



which could be turned into independent entities. Some (for instance, the Archaeology Unit) might be outsourced or retained within BCC. BCC could position itself as the strategic commissioner of a culture/heritage marketplace.

- The City Council will need to be clear about what its investment in any independent service is buying. Is its support in its broader agenda to improve the lives of the most needy in the City or is it to enable the service to compete on an international cultural stage
- The City Council could also consider developing a broader, cultural arm's length body, perhaps combining with Colston Hall and/or the Royal West of England Academy. This organisation could also act as a vehicle to take on other services within the city such as libraries in the future, or deliver museum services elsewhere in the West of England Sub region and beyond (e.g. Cheltenham).

- **Financial/models/metrics**

- The wide range of options under this heading makes financial modelling difficult until a narrower focus of possibilities is agreed.

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### **Engage v Stewardship**

Is BMGA in the business of dynamic customer experiences, or is it principally about the stewardship of valuable public assets?

- **Operational/players**

- Concern was expressed about the profile and role of the Archives and Modern Records service within BMGA.
- An issue about inadequate storage space was raised.
- Some staff are concerned that opportunities to work with existing collections are being lost through a lack of investment.
- The acquisition of the BECM Collections was raised, the acquisition provides a range of opportunities, but also provides stewarding challenges for the service.

- **Operational/metrics**

- For the Queen's Road site to develop a more dynamic offer, significant investment is needed in the infrastructure of the building.
- HLF made it clear that any project previously supported by them, or hoping for future support, needed to maintain a strong focus on learning and education.

- **Political/players**

- The vast majority of external stakeholders welcomed BMGA's move towards a more dynamic, customer focused programming approach, they particularly referenced the proactive leadership of the service in recent years.
- Council politicians appeared to have a good sense of what a modern museum could be based on the MShed experience.
- There was a universal perspective that a high quality and targeted customer product had to be at the core of BMGA in the future, where this was directed at local communities or visitors.



- However concern was expressed about a lack of proactivity elsewhere in the Museums service. A lack of willingness to work in partnership was mentioned several times, as was the existence of a traditional, collection orientated perspective.
- **Political/models**
  - In the majority of Local Authorities who have recently put out their museums services into a charitable trust or similar independent organisation there was a concern that politicians may be perceived as handing over “the family’s crown jewels”. Therefore a strong and continuing political involvement has resulted, alongside robust guidelines for the continued care of the relevant collections, and continued Council ownership of assets.
  - The vast majority of comparator organisation we talked to or researched who had moved to an independent form of delivery indicated an increasingly stronger focus on dynamic customer experiences.
  - Greater income generating opportunities for independent organisations had also allowed a broader range of funds to be drawn into support collections management in some comparator organisations.
- **Financial/models**
  - A maintaining assets model costs less than a dynamic asset exploitation model. But the dynamic model has the potential to generate significantly more income, and should contribute to the Council’s wider socio-economic aspirations.

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### **Appendix 3 – BMGA Smaller Sites**

BMGA has three major, flagship venues, M Shed, the City Museum and the Archives. The service also runs the Red Lodge, Georgian House, Roman Villa and Blaise Castle Museum venues. The Service delivers Bristol and Region Archaeological Service, plus Bristol and Region Environmental Record Service as well.

#### **Red Lodge**

Red Lodge was built in 15th Century, and contains some wonderful Tudor features; it was extended during 17th and 18th Centuries. Visitor figures reached a high of c.25,000, however opening hours were almost halved 2 years ago, and figures are now around 13/14,000. High numbers of school parties visit and the location is regularly used for filming. Red Lodge has strong links with the City artistic network, the Bristol Savages, which used to own the building. The Savages built an extension to the Lodge which they use regularly, and have an agreement with the city for free access and staffing. The building has received some repair work in recent years, but is clearly in need of more. Location is off the beaten track within the City, it is not well advertised, and is not well promoted in the City Museum and Art Gallery some 200 yards away.

As an asset the Lodge looks to be underutilised, and is hampered by the links to the Bristol Savages. However it will need significant capital investment, and would struggle to operate independently.

##### **Visitor Figures:**

2008/2009 – 15,072  
2009/2010 – 25,798  
2010/2011 – 10,463  
2011/2012 – 10,969

#### **Georgian House**

The House looks to be a very good example of well to do Georgian property, the original owners had strong links with slave trade, though this is not currently articulated in the displays. Visitor figures reached a high of 31,000 two years ago, but the subsequent reduction in opening hours has impacted and it is down to around 16,000. It acts as a store for some parts of the Service's collections. The House is popular with foreign visitors in particular, a regular location for filming and is well situated next to St Georges. However the site is not well advertised. The Georgian House also looks to be underutilised, considering its background and location it could be delivering higher visitor figures and income levels.

However it is a relatively small building and may struggle if it was asked to operate independently.

##### **Visitor Figures:**

2008/2009 – 28,100  
2009/2010 – 30,607  
2010/2011 – 16,137

2011/2012 – 14,567

### **Associated Trusts**

Both Red Lodge and Georgian House have Trusts linked to the buildings. Staff from BMGA summarised these Trusts as follows: "The Red Lodge Trust and The Georgian House Trust. In each case, Bristol CC is the sole Corporate Trustee. In reality, Karin Walton, the Curator of both, uses them to process Donations and Filming income and that's about it. They appear to me to have potential for Gift Aid at least. Other options include their use as vehicles (with extended scope and content in the Mem and Arts) for future Trust and Fund Applications and/or future Governance vehicles. Alternately, they could be discontinued and their functions rolled into a new vehicle."

### **Blaise Castle House Museum**

Blaise Castle House Museum is situated in the beautiful parkland of the Blaise Estate at Henbury. The museum is housed in a late 18th century mansion, and contains most of the services social history collections. The substantial grounds are some four miles to the West of Bristol. The running of the estate is split between the museum service and the parks service, the museum runs the main building, some of the outbuildings, and a small amount of land adjacent to the house. The grounds are well used as parkland, a playground etc., and staff estimated the grounds receive 600,000 visits, mostly from C2DE members of the local community. The building itself houses a small museum, with some rather outdated social history displays. The building also acts as a store to much of the service's social history collection, and also has offices and a caretaker's flat. Staff estimated the museum received visitor figures of 50,000 to 60,000 last year (about 10% of visits to the estate).

The building also hosts other income generating services such as weddings and talks, as well as regular educational visits, although staff acknowledged these were probably undersold and their quality and range could be extended. The house is well situated and has some impressive features internally, the range of services it offers could be extended to make maximum use of the space, the house and the grounds, and there is clearly untapped potential in attracting more of those who visit the estate to engage with the house and museum.

#### **Visitor Figures:**

2008/2009 – 52,995

2009/2010 – 51,128

2010/2011 – 44,800

2011/2012 – 47,461

### **Kings Weston Roman Villa**

Kings Weston Villa was discovered during the construction of Lawrence Weston housing estate and named after the house on whose land it was sited. It is fairly inaccessible, being described on the website as "Kings Weston Roman Villa opens with a key from Blaise Castle House Museum (during opening hours) and Bristol Museum and Art Gallery. A £5 refundable deposit is required for the key."

Visitor Figures: No recent visitor figures are available for the Villa.

## **Appendix 4 – Archives and Modern Records, BARAS and BRERC**

### **Archives and Modern Records**

The Archives and Modern Records Service is based at Bristol Record Office, which was established in 1924. 'B' Bond, the home of Bristol Record Office, is one of three former bonded warehouses standing in Cumberland Basin at the entrance to Bristol's Floating Harbour. It was built in 1908 during the tobacco import boom of the early 20th century. The Record Office occupies five floors of 'B' Bond's nine storeys on the western side of the building.

The Collection contains official city records, diocesan records, parish registers and records, public records, as well as various gifts and deposits. The service also cares for a wide range of material deposited by businesses, families and individuals who are associated with Bristol and its history. Due to previous local government boundary changes the collection also contains some records relating to the South Gloucestershire area.

The service is well respected and has regularly scored highly in The National Archives Self-Assessment Survey, and the City Council is an Archival "Place of Deposit." The City Council cannot transfer its obligations as a Place of Deposit, neither can it transfer ownership of certain types of records such as tithe documents.

### **Bristol and Region Archaeological Services (BARAS)**

BARAS was formed in 1992, having developed out of the original field archaeology team attached to Bristol Museum and Art Gallery. It comprises of nine staff and describes itself as "The Region's most experienced archaeological practice". The services offered by BARAS are described as "Desk-based assessments, evaluations and excavations, BARAS has staff able to carry out building surveys and artefact assessments and reports. In-house expertise in surveying, illustration, and report design & production all contribute to the provision of a well-rounded professional service to developers." Much of the archaeology BARAS works with eventually becomes integrated into BMGA's wider archaeological collections.

### **Bristol and Region Environmental Record Service (BRERC)**

Bristol Regional Environmental Records Centre is the central repository for biodiversity and geodiversity data for the 'West of England' area: the same area as the former county of Avon. BRERC's database has over 1.5 million species records and extensive data on wildlife habitats, designated sites and geological sites. BRERC is a not for profit organisation administered through Bristol City Council on behalf of five partners:

- Bath and North East Somerset Council
- Bristol City Council
- South Gloucestershire Council
- Natural England and

- Avon Wildlife Trust

BRERC has 2.5 members of staff, and up to 25 office volunteers. It provides a wide range of services to the environmental sector including data searches and GIS surveys.

## Appendix 5 - Financial Modelling

This appendix explains the basis of our financial scenario modelling.

### Assumptions and Scenarios

The assumptions behind these models are shown in Table 1. The assumptions are that the financial impact of the changes takes place in financial year 2013-14 and that there is only a half full year affect in that year and a full year affect in subsequent years. The assumptions do not show the financial benefit such as higher retail margin increasing year on year. This is a more prudent basis for modelling and takes account of the fact that there will be cost pressures in the system over this period. This assumption of a stable position after year 2014-15 may be amended if a more sensitive analysis is required

Account	Low Enterprise	Possible Enterprise 1	Possible Enterprise 2	Extreme Enterprise
<b>Enterprise Dividend</b>				
Investment	Nil	£30k	£40k	£75k
Staff Costs	Nil	Nil	£40k pa	£80k pa
New activity income	No increase	£100k pa	£150k pa	£300k pa
Retail margin - net increase	5% increase	10% increase	20% increase	50% increase
Catering margin - net increase	5% increase	10% increase	20% increase	50% increase
<b>Taxes</b>				
NNDR - cost reduction	80% reduction	80% reduction	80% reduction	80% reduction
VAT - cost reduction	£40k pa	£40k pa	£40k pa	£40k pa
<b>Philanthropic Income</b>				
Investment	Nil	Nil	£10k	£20k
Fundraising staff costs	Nil	£40k pa	£40k pa	£80k pa
Private donations increase	10% increase	20% increase	20% increase	150% increase
Corporate donations increase	10% increase	20% increase	20% increase	150% increase
New Trust & Foundations	10% increase	75% increase	100% increase	150% increase
<b>Central Costs</b>				
Directorate overheads - net cost reduction	Nil	Nil	50% reduction	75% reduction
Electricity - net cost reduction	10% reduction	20% reduction	20% reduction	20% reduction
Gas - net cost reduction	10% reduction	20% reduction	20% reduction	20% reduction
HR - net cost reduction	10% reduction	20% reduction	20% reduction	20% reduction
IT - net cost reduction	10% reduction	20% reduction	20% reduction	20% reduction
Comms & marketing - net cost reduction	10% reduction	20% reduction	20% reduction	20% reduction
Finance - net cost reduction	10% reduction	20% reduction	20% reduction	20% reduction
Governance staff costs increase	£40k pa	£40k pa	£40k pa	£40k pa
Governance costs increase	£10k pa	£10k pa	£10k pa	£10k pa

Table 1

### Baseline and Changes

Table 2 sets out the impact of these assumptions on the existing income and expenditure projections.

The current financial model is shown in blue. The changes resulting from the four scenarios are set out in the four pink blocks below.

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Current Income &amp; Expenditure</b>						
Staff Expenditure	4,027	3,613	3,613	3,613	3,613	3,613
Non Staff Expenditure	3,808	3,733	3,733	3,733	3,733	3,733
Prudential Borrowing	0	354	354	354	354	354
<b>GROSS ANNUAL EXPENDITURE</b>	<b>7,835</b>	<b>7,700</b>	<b>7,700</b>	<b>7,700</b>	<b>7,700</b>	<b>7,700</b>
Partners Funding	(1,855)	(1,670)	(1,670)	(1,670)	(1,670)	(1,670)
Earned Income	(2,182)	(2,332)	(2,332)	(2,332)	(2,332)	(2,332)
BCC Funding	(3,798)	(3,698)	(3,698)	(3,698)	(3,698)	(3,698)
<b>Net Budget</b>	<b>(7,835)</b>	<b>(7,700)</b>	<b>(7,700)</b>	<b>(7,700)</b>	<b>(7,700)</b>	<b>(7,700)</b>
<b>Low Enterprise - changes</b>						
Investment	0	0	0	0	0	0
Staff Expenditure	0	40	40	40	40	40
Non Staff Expenditure	0	(402)	(447)	(447)	(447)	(447)
Earned Income	0	(18)	(36)	(36)	(36)	(36)
<b>Possible Enterprise 1 - changes</b>						
Investment	30	0	0	0	0	0
Staff Expenditure	0	60	80	80	80	80
Non Staff Expenditure	0	(447)	(535)	(535)	(535)	(535)
Earned Income	0	(113)	(227)	(227)	(227)	(227)
<b>Possible Enterprise 2 - changes</b>						
Investment	50	0	0	0	0	0
Staff Expenditure	0	80	120	120	120	120
Non Staff Expenditure	0	(542)	(727)	(727)	(727)	(727)
Earned Income	0	(160)	(319)	(319)	(319)	(319)
<b>Extreme Enterprise - changes</b>						
Investment	95	0	0	0	0	0
Staff Expenditure	0	120	200	200	200	200
Non Staff Expenditure	0	(590)	(822)	(822)	(822)	(822)
Earned Income	0	(397)	(794)	(794)	(794)	(794)

Table 2

### 13.7 Scenario Projections

Tables 3 to 6 set out the net effect of the pink blocks on the blue.

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Projected Income &amp; Expenditure - Low Enterprise</b>						
Staff Expenditure	4,027	3,653	3,653	3,653	3,653	3,653
Non Staff Expenditure	3,808	3,331	3,287	3,287	3,287	3,287
Prudential Borrowing	0	354	354	354	354	354
<b>GROSS ANNUAL EXPENDITURE</b>	<b>7,835</b>	<b>7,338</b>	<b>7,294</b>	<b>7,294</b>	<b>7,294</b>	<b>7,294</b>
Partners Funding	(1,855)	(1,670)	(1,670)	(1,670)	(1,670)	(1,670)
Earned Income	(2,182)	(2,353)	(2,374)	(2,374)	(2,374)	(2,374)
BCC Funding	(3,798)	(3,698)	(3,698)	(3,698)	(3,698)	(3,698)
<b>Net Income</b>	<b>(7,835)</b>	<b>(7,721)</b>	<b>(7,742)</b>	<b>(7,742)</b>	<b>(7,742)</b>	<b>(7,742)</b>
Available Reserves (e.g. capital invest)	0	383	449	449	449	449

Table 3

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Projected Income &amp; Expenditure - Possible Enterprise 1</b>						
Staff Expenditure	4,027	3,673	3,693	3,693	3,693	3,693
Non Staff Expenditure	3,838	3,287	3,198	3,198	3,198	3,198
Prudential Borrowing	0	354	354	354	354	354
<b>GROSS ANNUAL EXPENDITURE</b>	<b>7,865</b>	<b>7,314</b>	<b>7,245</b>	<b>7,245</b>	<b>7,245</b>	<b>7,245</b>
Partners Funding	(1,855)	(1,670)	(1,670)	(1,670)	(1,670)	(1,670)
Earned Income	(2,182)	(2,452)	(2,572)	(2,572)	(2,572)	(2,572)
BCC Funding	(3,798)	(3,698)	(3,698)	(3,698)	(3,698)	(3,698)
<b>Net Income</b>	<b>(7,835)</b>	<b>(7,820)</b>	<b>(7,940)</b>	<b>(7,940)</b>	<b>(7,940)</b>	<b>(7,940)</b>
Available Reserves (e.g. capital invest)	(30)	506	695	695	695	695

Table 4

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Projected Income &amp; Expenditure - Possible Enterprise 2</b>						
Staff Expenditure	4,027	3,693	3,733	3,733	3,733	3,733
Non Staff Expenditure	3,858	3,235	3,095	3,095	3,095	3,095
Prudential Borrowing	0	354	354	354	354	354
<b>GROSS ANNUAL EXPENDITURE</b>	<b>7,885</b>	<b>7,282</b>	<b>7,182</b>	<b>7,182</b>	<b>7,182</b>	<b>7,182</b>
Partners Funding	(1,855)	(1,670)	(1,670)	(1,670)	(1,670)	(1,670)
Earned Income	(2,182)	(2,505)	(2,677)	(2,677)	(2,677)	(2,677)
BCC Funding	(3,798)	(3,698)	(3,698)	(3,698)	(3,698)	(3,698)
<b>Net Income</b>	<b>(7,835)</b>	<b>(7,873)</b>	<b>(8,045)</b>	<b>(8,045)</b>	<b>(8,045)</b>	<b>(8,045)</b>
Available Reserves (e.g. capital invest)	(50)	591	863	863	863	863

Table 5

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Projected Income &amp; Expenditure - Extreme Enterprise</b>						
Staff Expenditure	4,027	3,693	3,733	3,733	3,733	3,733
Non Staff Expenditure	3,903	3,143	2,911	2,911	2,911	2,911
Prudential Borrowing	0	354	354	354	354	354
<b>GROSS ANNUAL EXPENDITURE</b>	<b>7,930</b>	<b>7,190</b>	<b>6,998</b>	<b>6,998</b>	<b>6,998</b>	<b>6,998</b>
Partners Funding	(1,855)	(1,670)	(1,670)	(1,670)	(1,670)	(1,670)
Earned Income	(2,182)	(2,762)	(3,191)	(3,191)	(3,191)	(3,191)
BCC Funding	(3,798)	(3,698)	(3,698)	(3,698)	(3,698)	(3,698)
<b>Net Income</b>	<b>(7,835)</b>	<b>(8,130)</b>	<b>(8,559)</b>	<b>(8,559)</b>	<b>(8,559)</b>	<b>(8,559)</b>
Available Reserves (e.g. capital invest)	(95)	940	1,561	1,561	1,561	1,561

Table 6

### 13.8 Financial Advantages

The analysis shows that the financial advantages arising simply from complete or partial independence are real. The sensitivities are sufficiently high, however that do not, on their own, present a complete argument for moving to an outsourced or trust status.

Our comparator analysis shows that independence can lead to greater enterprise advantages, but the link is not automatic nor risk free, and is often determined by local circumstances and context. Increased enterprise and specifically income generating opportunities can also be effectively delivered within the confines of a directly delivered Local Authority Service. Comparator analysis essentially provides a qualified support for a move towards independence: the evidence is that new revenue streams and a sharper business focus are possible, but other conditions have to be right, and right for the particular geography concerned.



## Appendix 4

### Eco Impact Checklist

<b>Title of report: Governance Options Appraisal - BMGA</b>				
<b>Report author: Julie Finch</b>				
<b>Anticipated date of key decision: 4.10.12</b>				
<b>Summary of proposals: The report outlines the governance options for the BMGA following recommendations of the Select Committee in July 2009. The report highlights the preferred model of governance for BMGA to optimise improvements and enterprise activity creating a more sustainable future for the service.</b>				
<b>Will the proposal impact on...</b>	<b>Yes/No</b>	<b>+ive or -ive</b>	<b>If yes...</b>	
			<b>Briefly describe impact</b>	<b>Briefly describe Mitigation measures</b>
Emission of Climate Changing Gases?	No			
Bristol's vulnerability to the effects of climate change?	No			
Consumption of non-renewable resources?	No			
Production, recycling or disposal of waste	No			
The appearance of the city?	No			
Pollution to land, water, or air?	No			
Wildlife and habitats?	No			
<b>Consulted with: See extensive list in report</b>				
<b>Summary of impacts and Mitigation - <u>to go into the main Cabinet/ Council Report</u></b>				
<p>The significant impacts of this proposal are new form of governance arrangements for BMGA service delivery</p> <p>The proposals include the following measures to mitigate the impacts - careful construction of the Service Level Agreement</p> <p>The net effects of the proposals are: Improvement strategy for BMGA and enterprise optimisation</p>				
<b>Checklist completed by:</b>				
Name:			Julie Finch	
Dept.:			Museums Galleries and Archives	
Extension:			22804	

Date:	
Verified by Sustainable City Group	