

CABINET-18 January 2012

THE OVERVIEW AND SCRUTINY COMMITTEE – 23 JANUARY 2012

INTEGRATED MUSEUMS SERVICE: PREFERRED OPTION FOR APPROVAL

REPORT OF ASSISTANT DIRECTOR (ECONOMIC PROSPERITY)

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RECENT REFERENCES:

[CAB2129 - Winchester Museums: Opportunities for Partnership Working, 16 March 2011](#)

[CAB2147 – Winchester Museums Reserve Collections, 13 April 2011](#)

[CAB2248 – Winchester Museums: Improving the Long Term Sustainability of the Service, 9 November 2011](#)

EXECUTIVE SUMMARY:

In 2011, Cabinet considered three reports setting out measures being taken by officers to identify a more resilient future for the Council's Museums Service. These have included more immediate partnership arrangements, supported by external funding and already underway in 2011/12, as well as longer term plans. Critical to the longer term has been a detailed investigation of options for a merger of the three local authority museum services of Hampshire, Southampton and Winchester.

This paper sets out in more detail the journey in relation to a possible merger, including the rationale, and sets out the preferred option and future course of action to take this concept forward. At this stage, it does not commit Members to the merger but seeks permission to produce a detailed business case and to carry out preliminary staff and stakeholder consultation over the summer.

Members are asked to approve a number of recommendations to underpin this work in Summer 2012, with a view to receiving a further report - and to making a final decision on the proposed merger - in early Autumn 2012.

RECOMMENDATIONS:

To Cabinet:

- a) That the preferred option for any future merger be the establishment of a charitable company limited by guarantee to deliver Hampshire County Council Arts and Museums, Southampton City Council Arts and Heritage and Winchester City Council Museums services, with key elements as outlined in paragraph 4.5 of the report.
- b) That the development of a detailed business case and due diligence on the preferred option be undertaken during the period January to August 2012.
- c) That an update report be brought to Cabinet by May 2012 on the overview business case, seeking permission to enter into public and initial staff/union consultation regarding the preferred option in Summer 2012.
- d) That, subject to the necessary transition funding being secured from Arts Council England, South East as outlined in paragraphs 7.4 and 7.5 of this report, a decision report regarding whether to proceed with establishing the fully integrated merger (FIM) organisation and identifying any residual budget implications for Winchester City Council be brought to Cabinet in Autumn 2012 for implementation, if approved, in 2013/14.

To The Overview and Scrutiny Committee:

- e) That the Committee considers whether it wishes to raise any issues with the Portfolio Holder, or if of significance, with Cabinet.

CABINET18 January 2012THE OVERVIEW AND SCRUTINY COMMITTEE23 JANUARY 2012INTEGRATED MUSEUMS SERVICE: PREFERRED OPTION FOR APPROVALREPORT OF ASSISTANT DIRECTOR (ECONOMIC PROSPERITY)DETAIL:1 Introduction

- 1.1 One of the actions in the Economic Prosperity Change Plans for 2011/12 was *to assess the benefits of working in new ways with other Hampshire museum services*. Cabinet received three reports in 2011 setting out collaborative initiatives which have included:
- a) the formation of an Alliance of museum services, public and private, in Hampshire to deliver shared projects in 2011/12 drawing on existing 'Hub' funding through Hampshire County Council;
  - b) submission of a bid by the Alliance to Arts Council, South East (ACE,SE) to secure major grant funding for further joint working in the three years from 2012/13, to a value of up to £5.2 million;
  - c) investigation of the desirability and feasibility of a fully integrated merger between the museum services of Hampshire County Council, Southampton City Council and Winchester City Council.
- 1.2 The Alliance has already been delivering results, ranging from the creation of a brand new website featuring the best of local museum collections at [www3.hants.gov.uk/heritage100](http://www3.hants.gov.uk/heritage100) to a major study of joint storage options for Portsmouth, Hampshire, Southampton and Winchester. The latter is currently being considered by an officer steering group and may lead to a further report later in the year for Members to consider.
- 1.3 The funding bid to ACE,SE was submitted on time and the outcome is expected at the end of this month.
- 1.4 This paper focuses on the concept of a fully integrated merger (FIM), explaining the work that has been undertaken already and setting out a preferred option for a possible merger. It seeks Cabinet approval for the proposed next steps, which include development of a detailed business case and preliminary staff/union and public consultation work.

1.5 Consultation would include detailed discussions with key groups and individuals, including:

- representatives of local, regional and national culture and heritage organisations
- amenity groups such as the City of Winchester Trust
- local universities
- individuals with professional interests such as Professor Martin Biddle

In addition, there would be information made available to the general public through media releases and web pages.

1.6 A final decision on whether or not the Council will commit to a FIM would be taken in the Autumn of this year, once all this information is in place.

## 2 Context

2.1 The residents of greater Hampshire place great value on their cultural heritage, and visitors to the area are attracted because of it. The three local authorities working on the FIM project (Hampshire, Southampton and Winchester) currently invest a cumulative net total of circa £10 million per annum in arts, museums and heritage provision with gross cost totalling over £15 million (which includes nearly £800,000 for Winchester City Council including overheads). Each of the partner local authorities is required to realise significant budget reductions, and have adopted a number of strategies to achieve these savings. The decreased economic spending power of local and global audiences constrains people's ability to travel, pursue leisure activities, indulge in leisure shopping or even to visit their local museum. These factors challenge the resilience of the collective museum services, and require new approaches to delivery.

2.2 Addressing these financial pressures with the goal of long term resilience does not need to stifle aspiration in terms of public benefit, however. The cultural heritage of which each FIM partner has guardianship is of national importance, and the three Councils have a moral duty of stewardship to ensure that their collections are preserved to high standards and available for future as well as current generations to enjoy.

2.4 One strategy adopted by all three Councils in recent times has been to explore joint working opportunities. In the case of museums, this has the potential to raise the collective profile of the services, to increase audiences and external investment, and to minimise the impact of savings through strategic efficiencies.

## 3 The Path towards a FIM

- 3.1 As early as June 2010, senior officers from the three local authorities have worked with the strategic and financial support of the Museums, Libraries and Archives Council<sup>1</sup> to investigate options for closer strategic joint working and integration. An initial scoping exercise was undertaken by external experts from the cultural business sector, with Portsmouth City Council, to confirm the degree of integration that in principle would be of interest to the four local authorities. At this stage, Hampshire, Southampton and Winchester expressed an interest in pursuing further the option of a fully integrated merger (FIM). Portsmouth continue to be interested in joint working, particularly in relation to shared storage, but were not in a position to participate in further work on a FIM.
- 3.2 In 2011, a Steering Group was established with senior officer representation from Hampshire, Southampton and Winchester local authorities. An initial financial evaluation was undertaken by external consultants, again funded by the Museums, Libraries and Archives Council (at this stage, it included an option to incorporate Hampshire Record Office). The consultants worked with the Steering Group to review potential governance options available for a merged museums organisation.
- 3.3 Informed by this work, the law firm Eversheds were commissioned - again, paid for by external funding - to provide legal advice and compare two potential governance options which had previously been identified as the most beneficial for a merged organisation. These were:
- a) a charitable trust, and
  - b) a joint venture company (with or without a private partner).
- 3.4 These three stages of investigation have included a number of staff workshops as well as discussions with senior officers and leading Members. These have helped to inform a draft vision, mission and values for the proposed FIM, attached at Appendix 1.
- 3.5 Based on the discussions, analysis and internal consultation thus far, the Steering Group has formulated the following proposal for Member consideration:
- a) that the founding partnership of the proposed FIM will consist of the following services:
    - Hampshire County Council (Arts and Museums)
    - Southampton City Council (Arts and Heritage, excluding museum front-of-house which Southampton Members currently feel should be outsourced if possible to a commercial operator)

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<sup>1</sup> MLA handed over responsibility for national museums strategy to the Arts Council England (ACE) in October 2012, and we are also in conversation with ACE regarding the FIM project

- Winchester City Council (Museums)

b) that the FIM take the form of a charitable trust limited by guarantee

c) that a detailed business case and thorough stakeholder and staff consultation are now required to support a final decision by Members in the Autumn on whether or not the Councils can commit to the FIM.

#### 4 Rationale and Governance

4.1 The establishment of an integrated organisation to deliver a range of arts, museums and heritage provision currently provided by the Hampshire, Southampton and Winchester local authorities has the potential to fundamentally transform the individual resilience of these services in the future economic climate. The radical solution proposed will enable these services to flourish as a unified organisation rather than struggle individually because it will deliver the following business resilience benefits:

- **Raise the profile**, quality and standing of greater Hampshire's arts and heritage by promoting its collective national and international importance, and increased access to major regional, national and international exhibitions and installations;
- **Increase audiences and income** by improving the quality of public offer through an integrated approach to planning and delivery of exhibitions, learning and marketing (compared to post 2011/12 standalone outcomes);
- **Minimise the impact of savings** required from all partner local authorities and maintaining national standards of Accreditation by finding efficiencies through integrated strategic management and delivery of public programmes and collections stewardship;
- **Attract external investment** from public and private funding sources through its national profile, ambition and emphasis on collective transformation and innovation;
- **Enhance opportunities for business enterprise** through enabling flexibility and increasing confidence to seize new opportunities. The traditional and new areas of commercial activity, including product licensing, will benefit from economies of scale and enhanced negotiating power in areas of specialist procurement.

4.2 It is not proposed that ownership of property (including land/buildings) or collection assets would be transferred to the new FIM organisation. The exact details of leasing/ lending arrangements would be determined at the detailed business case stage. It is proposed that current staff would, under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE), be transferred to the new organisation.

- 4.3 A range of governance options has been considered and assessed against the above business benefits and also some key risks. These have been informed by the external consultancy work, as well as advice from colleagues and key contacts at the Museums, Libraries and Archives Council and ACE,SE. The results of this options analysis are summarised in Appendix 3.
- 4.4 Among these options, as Members will note, is the option to retain the status quo. The low scoring for this option (at Appendix 3) reflects concerns that it will be difficult to raise profile, increase audiences and income if the status quo is maintained and savings reduce the level of service provided, and the local authority context continues to constrain opportunities for enterprise and external investment.
- 4.5 The recommended governance option for this new organisation is a charitable company limited by guarantee, with local authority funding partner relationships being overseen by a joint administrative arrangement. The grounds on which this recommendation is made are set out in Appendix 2, but some of the most significant elements for Members to note would be:
- the company would be a registered charity, independent of the Councils. Consequently, a number of the trustees would come from outside the local authorities. It would be normal for a shadow or transition Board to be created to oversee the creation of the new organisation. Whilst the essential financial contribution (in the form of a grant) made by the Councils would be reflected through representation on the Board, the proportion of local authority to external trustees may change over time as local authority funding reduces.
  - Members would be involved in commissioning the provision of the joint museums service, either through a joint board or through direct reports to the respective Councils. It is likely that a joint board would be more efficient, in terms of the administrative obligations on the FIM, but these options will be explored further in the business case.
  - continued contributions of revenue and capital funding will be required of the three Councils, although it is anticipated that the revenue support (in the form of grant aid) will gradually diminish over a period of ten years.
  - no transfer of ownership of buildings or assets (eg the collections themselves) is proposed, and there will need to be appropriate agreements in place to protect these. As landlords, the Councils will continue to be liable for major repairs as it currently is in similar contractual arrangements – e.g. the leisure centres. This also means that any decisions about the future of key buildings such as the Bar End museums store or the City Museum will need to be taken before any service level agreement could be drawn up with the FIM.
  - in order to benefit in full from the potential for enterprise of the FIM, it is likely to create a separate trading company which covenants its profits to

the charitable company (this is standard practice, for example, in the National Trust where the enterprises arm runs its shops and events).

- 4.6 The next stage is to prepare a detailed business case and undertake due diligence for the preferred option.

## 5 Proposed Next Steps

- 5.1 Subject to Member approval, officers propose a timetable for the FIM project as set out below. Inevitably, this is a 'best estimate' subject to evolution as the detailed business case and due diligence stage progresses.

| <b>Date</b>             | <b>Action</b>   |
|-------------------------|---|
| Jan 2012                | Approval by Members to progress preferred option by undertaking detailed business case and due diligence.   |
| Jan-July 2012           | Procure and deliver detailed business case development and due diligence on preferred option.<br><br>Initial assessment of potential trustee interest and options for officer leadership of organisation.<br><br>Staff development. |
| April-May 2012          | Update report seeking approval to undertake public and initial staff and union consultation on an outline business case.  |
| May-July 2012           | Public and initial staff and union consultation regarding FIM proposal.   |
| Autumn 2012             | Decision by the 3 local authority partners on whether to proceed with establishing a FIM organisation / to proceed with implementing a charitable company limited by guarantee governance model.                                    |
| Winter 2012-Spring 2013 | Establish new FIM charitable company, appoint trustees and officer leadership and arrange transfer of staff.  |

- 5.2 During the course of this time, officers will also consider the scope and level of service which the Council might wish to see provided in the Winchester District through the new organisation. Whilst this would not seek to be prescriptive, in view of the need to recognise the strategic independence of the FIM, it would be helpful to consider the impact of any new arrangements on the full range of services currently offered by the Museums Team. These range from the most obvious ones, such as opening the museums to the public each day and co-ordinating events and exhibitions around the District, to other activities such as curating the Civic Silver collection and caring for the objects on display in Abbey House.



- 5.3 In order for officers to proceed with this timetable, Members are now asked to approve a number of recommendations:
- i) That the preferred option for any future merger be the establishment of a charitable company limited by guarantee to deliver Hampshire County Council Arts and Museums, Southampton City Council Arts and Heritage and Winchester City Council Museums services, with key elements as outlined in section 4.5 of this report.
  - ii) That the development of a detailed business case and due diligence on the preferred option be undertaken during the period January to August 2012.
  - iii) That an update report be brought to Cabinet by May 2012 on the overview business case, seeking permission to enter into public and initial staff/union consultation regarding the preferred option in Summer 2012.
  - iv) That, subject to the necessary transition funding being secured from Arts Council England, South East as outlined in paragraphs 7.4 and 7.5 of this report, a decision report regarding whether to proceed with establishing the fully integrated merger (FIM) organisation and identifying any residual budget implications for Winchester City Council be brought to Cabinet in Autumn 2012 for implementation, if approved, in 2013/14.

#### OTHER CONSIDERATIONS:

#### 6 COMMUNITY STRATEGY AND CHANGE PLANS RELEVANCE TO):

- 6.1 Paragraph 1.1 above states that one of the actions approved as part of the Economic Prosperity Change Plan for 2011/12 is *to assess the benefits of working in new ways with other Hampshire museum services*.
- 6.2 The potential impact of the FIM on public awareness as well as innovation and quality of service delivery would enhance Winchester's reputation as a cultural centre and visitor destination. This supports the first outcome of the Council's Economic Strategy for 2010 – 2020.
- 6.3 Joint working as a means to provide resilient services in the face of public spending constraints also supports the corporate outcome of being an 'Efficient and Effective' Council.

#### 7 RESOURCE IMPLICATIONS:

*Transition:*

- 7.1 It has been estimated that the total budget required to establish a charitable company limited by guarantee and transferring responsibilities to this new organisation would be in the region of £300,000 as set out below:

| <b>Activity</b>                           | <b>Cost in £000s</b> |
|---|----------------------|
| <b>DEVELOPMENT STAGE:</b>                 |                      |
| Detailed Business Case                    | 30                   |
| Legal work – due diligence , including HR | 15-20                |
| Staff development                         | 5                    |
| Public consultation                       | 5                    |
| Initial ICT analysis                      | 5                    |
| Contingency                               | 5                    |
|   | <b>70</b>            |
| <b>IMPLEMENTATION</b>                     |                      |
| Staff development                         | 5                    |
| Early appointment of Senior Executive     | 50                   |
| Legal work/company/charity status         | 30-40                |
| Legal advice to trust                     | 30                   |
| VAT & accountancy systems                 | 7                    |
| TUPE & HR                                 | 10                   |
| Recruitment                               | 5                    |
| Corporate identity                        | 10                   |
| Pre Marketing & Launch                    | 15                   |
| ICT & Website                             | 42                   |
| Board set up & training                   | 5                    |
| Logistics & removals                      | 8                    |
| Contingency                               | 7                    |
|   | <b>234,000</b>       |
| <b>TOTALS</b>                             | <b>£304,000</b>      |

- 7.2 As indicated above, a budget of £70,000 from this overall total would address the detailed business case, due diligence and public consultation work required during the period January-August 2012.
- 7.3 The remaining balance is associated with implementation costs involved in setting up the organisation if approval to proceed was given in Autumn 2012. (Appendix 1)
- 7.4 The Hampshire-Solent Alliance Major Grants application submitted to the Arts Council includes a request for £250,000 to provide for the transition costs involved in establishing the FIM organisation. The success of this funding bid will be known at the end of January, but conversations with ACE, SE staff over recent months have shown a high level of support in principle for the FIM proposition.
- 7.5 If this application is unsuccessful, Hampshire County Council, as an ex-Renaissance Hub service, should be eligible for Renaissance exit funding during 2012/13. It is proposed that the transition costs identified above would form part of this submission if required. Any residual budget implications for Winchester City Council arising from the set-up costs would be set out in the

decision report in Autumn 2012 prior to their commitment, and would be subject to budget availability.

- 7.6 Arts Council England, South East and its predecessor organisation the Museums, Libraries and Archives Council have already funded three consultancy studies to support the FIM project thus far. ACE,SE is committed to helping cultural organisations in their efforts to become more resilient and more innovative. Whilst, it is unlikely that it would seek to recoup any future grant (or part thereof) if it was decided in the Autumn that Members were not willing to proceed with the FIM, there is a possibility that a grant could come with some form of condition relating to the FIM project. Members would obviously be appraised of any such conditions before funding is accepted.
- 7.6 Over and above the direct financial costs, there would inevitably be a need for the three local authority partners to invest professional, legal, finance, HR and project management support in-kind in developing the detailed business case and carrying out a due diligence review of the preferred option. Hampshire County Council has already provided staff support for project management and business planning, but this function will only be effective if the work streams in this 'pre-transition' phase are supported by relevant officers from across the three Councils.

*Ongoing Liabilities:*

- 7.7 The FIM will continue to require significant investment by the three Councils, both in terms of revenue support (via a service level agreement or grant arrangement) and also in terms of capital liabilities as the landlord of the various museums premises. The business case will set out clearly what these ongoing requirements resources might be, allowing for the impact of apparent savings arising from the FIM on the Councils' wider budgets and establishments. For example, a saving on NNDR could potentially result in a cost to the Unitary/District Councils as the billing authority. Similarly, a change to the way support services are provided to the FIM could impact on the wider staff line-up.
- 7.8 The initial scoping study carried out concluded that the Councils could expect to see their revenue contributions diminish over a ten year period, but too early a reduction would simply disable the new FIM at the outset.
- 7.9 As Winchester City Council's current revenue budget for museums equates to just 7% of the total budget of the three Councils involved in the FIM discussions, the financial savings it can expect to make will not be the biggest consideration in the Autumn 2012 decision paper. Members should not view this project as a route to significant or quick savings, but as a vehicle to provide a service which is resilient, efficient and enterprising in the long term, with a clear focus on stewardship of the combined collections alongside customer service.

*Other Projects:*

7.10 Section 1 of this report refers to a joint storage project. Although officers do not yet have enough information to present to Members about the options identified by consultants, this would be an example of a project which would require further capital investment by the Councils involved. However, it would be capital designed to reduce ongoing revenue commitments. Such a project would need to be considered on its merits, whether the Council joined the FIM or remained independent of it, and any future reports will be clear about short and long term resources implications arising from such projects and subject to budget availability.

### *Property*

7.11 Before it can commit to participation in the creation of the FIM, the Council will need to be clear about its intentions in relation to property. Whilst one of the premises of the project is that neither buildings nor assets (e.g. collections) would be subject to a transfer of ownership, the Council would be subject to some restrictions around the future of any museums buildings once it had commissioned the independent FIM.

## 8 RISK MANAGEMENT ISSUES

8.1 A number of risk areas have been identified thus far. These will require careful consideration and mitigation from the outset if a FIM is to be given the greatest chance of success in delivery.

8.2 Some of the following will vary depending upon the governance model proposed:

- a) The distribution of costs and benefits across to the three partners must be based on a model that recognises both financial and non-financial equity in the FIM. For example, although Winchester City Council currently contributes only 7% of the total revenue turnover of the three Museum Services, it brings a high level of national and international prestige to the partnership because of Winchester's historic status, its archaeological track record and its strength as a visitor destination. This would be recognised in developing proposals for future funding and identifying potential savings for each Council.
- b) The governance of the FIM must allow for appropriate autonomy of the new organisation, in business planning terms, but also provide support for the delivery of agreed local outcomes in partnership with the three local authorities.
- c) The relationship between the three Councils and an independent FIM could potentially become strained, particularly around ongoing discussions about the strategic direction of the new organisation and the continued funding requirement from the Councils. Clear service

level agreements (or the equivalent) will help to manage expectations. A memorandum of understanding (or equivalent) may be considered between the three Councils to ensure there is commitment to the long term success of this relationship. Winchester can usefully draw on lessons learnt from the new waste contract, which has been let in partnership with East Hampshire, in this respect.

- d) There must be robust calculation and management of costs and resources associated in establishing the new organisation and transferring operations and staff, and appropriate consideration of procurement issues.
- e) It is desirable to retain flexibility to introduce the work of other cultural organisations and services into the FIM organisation at a later date.
- f) Potential and actual liabilities associated with any individual partner that may be transferred to the new organisation will need to be identified and addressed at due diligence stage with appropriate indemnities, if necessary.
- g) Appropriate levels of resourcing for central support service functions, particularly HR, IT, Property Services and Finance must be identified, given that these are currently provided by corporate services in each of the partner local authorities.
- h) The transfer of staff under TUPE arrangements from the three organisations with varying pay and conditions must be costed and planned for.

8.3 A full risk assessment will be included in the business case, but it is clear that the success of the project – whichever delivery model is chosen – is completely dependent on strong co-operation between the three Councils which will jointly be commissioning any integrated service. A meeting of Portfolio Holders from the three Councils is currently being planned, and regular discussions scheduled between the most senior lead officers to ensure close dialogue and understanding throughout.

## 9 EQUALITIES

9.1 An integrated impact assessment would form part of the business case proposed, and will be reported back to Members to inform future decision making.

### BACKGROUND DOCUMENTS:

Working papers, including copies of consultants' reports, available from the Assistant Director (Economic Prosperity).

APPENDICES:

Appendix 1: Draft Vision, Mission and Values for the FIM

Appendix 2: Benefits and Risks Analysis

Appendix 3: Grounds for Recommending a Charitable Trust Limited by Guarantee

## **Appendix 1: Draft Vision, Mission and Values for the FIM**

Workshops have been held with staff from across the three local authorities during 2010 and 2011 to draft a vision, mission and values for the proposed FIM:

### Vision

*Our vision is to inspire everyone to engage with the richness of Hampshire's arts, creativity and heritage.*

### Mission

*We are Hampshire's leading cultural organisation. Using our expertise and enterprise we provide outstanding arts and heritage experiences. We work closely with local communities and partner organisations. We work anywhere that's right for our audiences and our business – village halls, streets and parks, schools, online, community and flagship venues.*

### Values

*We value working together as one team to achieve our shared vision*

*We aspire to achieve the best experience for everyone who comes into contact with our work*

*We are led by the needs of our customers at all times*

*We are enterprising and innovative, constantly on the look out for new opportunities and ways of doing things*

*We are fleet of foot, always able to seize new opportunities and adapt to changing circumstances*

## **Appendix 2**

### **Grounds for Recommending a Charitable Trust Limited by Guarantee**

- i. This model best meets the shared aim that there should be a fully integrated management of the service across the facilities and resources of three authorities on the basis of a single operation with a unified management structure with one governing body.
- ii. It will produce economies of scale in service delivery and enable key strategies to be pursued in relation to the various elements of the current activities in a cohesive manner.
- iii. It will attract investors/ sponsors interested in putting money into some of the various services and facilities provided.
- iv. It will provide a measure of autonomy and independence to the newly formed organisation subject to conditions governing the core funding of the organisation.
- v. There will be no requirement for a EU compliant procurement exercise (provided the trust was sufficiently independent and the relationship between the councils and the trust was limited to complying with core funding conditions in a strategic core funding arrangement, with leases/licences of property – if a contract is required, a procurement exercise will need to be carried out).
- vi. It will secure a balance between retention of sufficient control to achieve its core strategies and legal obligations for the service whilst achieving flexibility to engage with the wider market, secure efficiencies and economies of scale and obtain the benefit of wider expertise and resources.
- vii. It will be possible to introduce other partners and parties to the arrangement, particularly those able to provide investment opportunities.
- viii. There will be reductions in expenditure through efficiency of shared operation and minimising taxation.
- ix. The interests of the employees will be protected by operation of TUPE provisions.
- x. The value of the assets, including property, will be preserved.
- xi. It will enable the commercial elements of the operation to be run on business lines either within or outside of the new organisation and potentially the location of these commercial elements to be changed going forward.



### Appendix 3: Summary Options Analysis of Governance Models

#### a) Assessment of Options Against Resilience Criteria (December 2011)

Scores: 1 poor; 2 limited; 3 moderate; 4 good; 5 excellent

|  | <b>Raise Profile and Quality</b>  | <b>Increase Audiences And Income</b>  | <b>Achieve Savings</b>   | <b>Enterprise Opportunities</b>   | <b>External Lottery and Charitable Investment</b>  |
|--|---|---|--|---|--|
| FIM Charitable Company limited by guarantee<br><br><b>Resilience Score: 23</b> | 5<br>Innovative approach and radically different offer will increase national and local profile for initial and long-term   | 5<br>Major national cultural player; integrated marketing strategies; better quality of product; access to marketing expertise via Board              | 4<br>Economies of scale will assist in reducing costs; potential for reduction in support service costs; recovery of corporation tax, some relief on VAT; NNDR relief<br><br>However, some VAT will be payable | 4<br>Establishment of trading subsidiary with income covenanted to charitable purpose                 | 5<br>Charitable trust with a Greater Hampshire offer likely to be attractive at both a local and strategic level |
| FIM Joint Venture Company<br><br><b>Resilience Score: 18</b>                   | 4<br>Innovative approach and radically different offer will increase national and local profile for initial and long-term. Association of private commercial investment in cultural service may impact on public reputation | 5<br>Major national cultural player; integrated marketing strategies; better quality of product; possible access to marketing expertise via investors | 3<br>Economies of scale will assist in reducing costs; potential for reduction in support service costs; no corporation tax or VAT recovery; no NNDR relief  | 5<br>Commercial company has greater potential to attract venture investment for commercial activities | 1<br>Commercial company ineligible   |

|   | <b>Raise Profile and Quality</b>  | <b>Increase Audiences And Income</b>   | <b>Achieve Savings</b>   | <b>Enterprise Opportunities</b>   | <b>External Lottery and Charitable Investment</b>  |
|---|---|--|--|---|--|
| Shared administrative service hosted by 1 local authority partner<br><br><b>Resilience Score: 16</b>  | 3<br>Initial interest and profile but will be harder to maintain in long-term | 4<br>Major national cultural player; integrated marketing strategies         | 3<br>Economies of scale will assist in reducing costs; VAT recovery and no corporation tax payable; no NNDR relief   | 3<br>Local authority constraints but some economies of scale in terms of commissioning expertise; procurement of stock etc.   | 3<br>Not eligible for range of trusts and foundations; private philanthropists less likely to give to local authority as no tax incentives   |
| Status Quo<br><br><b>Resilience Score: 11</b>   | 2   | 2  | 2<br>Significantly reduce level of service   | 2<br>Local authority constraints  | 3<br>Not eligible for range of trusts and foundations; private philanthropists less likely to give to local authority and no tax incentives  |
| No FIM organisation. Outsourcing of <u>individual services</u> separately to commercial organisations/ charitable trusts<br><br><b>Resilience Score: 13 for commercial company/ 15 for charitable trust</b> | 3<br>Process of change may increase profile for a limited period              | 3?<br>Some advantages of wider marketing if part of larger cultural business | 2<br>Depending upon outsource opportunity, may be some economies of scale and pay and benefits cost efficiencies; no VAT recovery and no NNDR relief if commercial company | 4<br>Commercial company has greater potential to attract venture investment for commercial activities; smaller operation however than FIM.<br><br>3<br>Charitable trust – establishment of trading subsidiary with income | 1<br>Commercial company not eligible<br>4<br>Charitable trust with a local offer; less attractive strategically than Greater Hampshire offer |

|  | Raise Profile and Quality | Increase Audiences And Income | Achieve Savings | Enterprise Opportunities   | External Lottery and Charitable Investment |
|--|---------------------------|-------------------------------|-----------------|--|--|
|  |                           |                               |                 | covenanted to the charitable purpose; smaller operation than FIM |  |

**b) Assessment of Options Against Key Risk Criteria (December 2011)**

Scores 1 unacceptably high; 2 high; 3 medium; 4 low

|  | Control   | Flexibility  | Procurement  | Equity  | Set-Up Cost   |
|--|---|--|--|---|---|
| FIM Charitable Company limited by guarantee<br><br><b>Score Risk: 17</b> | 3<br>Money is repayable if managed appropriately where not expended on agreed purposes; greater control with contract rather than grant and lease but see procurement | 4<br>If in initial documentation   | 4<br>No procurement involved if grant and lease;<br>2 if contract as procurement is required | 3<br>Not just financial which recognises importance of non-financial equity | 3<br>Mitigation is potentially Renaissance funding to support                 |
| FIM Joint Venture Company<br><br><b>Score Risk: 12</b>                   | 3<br>Money is repayable where not expended on agreed purposes   | 3<br>If in initial documents; more likely to be commercial in decision-making approach | 2<br>If involves private company   | 2<br>Just recognises financial equity                                       | 2<br>Mitigation is potentially Renaissance funding if prepared to support JVC |
| Shared administrative service hosted by 1                                | 3<br>Controlled by local authorities, although  | 4  | 4<br>No procurement involved   | 3<br>Not just financial which recognises                                    | 3<br>Less costly arrangement; would   |

|  | <b>Control</b>  | <b>Flexibility</b>  | <b>Procurement</b>   | <b>Equity</b>                      | <b>Set-Up Cost</b>  |
|--|---|---|--|------------------------------------|---|
| local authority partner<br><b>Score Risk: 17</b> | vulnerable to future political tension between local authority partners |   |  | importance of non-financial equity | Renaissance assist with funding?  |
| Status Quo<br><b>Score Risk: 16</b>              | 4   | 2   | 4  | 2                                  | 4   |
| Individual outsourcing<br><b>Score Risk: 15</b>  | 3   | 2<br>Decision made for key cultural organisations to work individually, therefore no appetite for collaboration | 4<br>If grant and lease (charitable company)<br><br>2<br>If involves private company | 4                                  | 2<br>Costs of setting up individual arrangements duplicated and unlikely to attract external investment support |

The approach and level of risk associated with liabilities transfer and back office support is similar regardless of integrated vehicle proposed and would be fully understood and addressed as part of the due diligence analysis of the preferred option. TUPE would apply for all but shared administrative service and *status quo*.

#### **Amalgamation of Scores: Resilience and Risk Criteria**

| <b>Charitable Company Limited by Guarantee</b> | <b>Joint Venture Company</b> | <b>Shared Administrative Service</b> | <b>Status Quo</b>      | <b>Individual Outsourcing</b> |
|--|------------------------------|--------------------------------------|------------------------|-------------------------------|
| Score Resilience: 23                           | Score Resilience: 18         | Score Resilience: 16                 | Score Resilience: 11   | Score Resilience: 13          |
| Score Risk: 17                                 | Score Risk: 12               | Score Risk: 17                       | Score Risk: 16         | Score Risk: 15                |
| <b>Total Score: 40</b>                         | <b>Total Score: 30</b>       | <b>Total Score: 33</b>               | <b>Total Score: 27</b> | <b>Total Score: 29</b>        |