

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Executive Member for Culture, Recreation and Countryside
<b>Date:</b>	25 September 2013
<b>Title:</b>	Hampshire Arts and Museums Service – Towards a Fully Integrated Merger with Winchester City Council (museums), establishing a Hampshire Solent Cultural Trust
<b>Reference:</b>	3637
<b>Report From:</b>	Director of Culture, Communities and Business Services

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#### 1. Executive Summary

- 1.1. The purpose of this paper is to recommend proceeding with the development of a charitable company limited by guarantee (working title Hampshire Solent Cultural Trust) to run the arts and museums services currently delivered by Hampshire County Council. It builds on Executive Member Culture and Recreation agreement in principle (secured January 2012) that identified this as the preferred option and is informed by the findings of the business case prepared with financial support from Arts Council England.
- 1.2. This action is recommended as it represents the best opportunity to sustain public access to arts and museums services and inwards investment at a time of major financial challenge. It builds upon a legacy of achievement and partnership that will enable the new Trust to pursue a strong collaborative and innovative approach in securing a national profile for the Hampshire Solent 'brand'. It reduces dependency upon local authority funding while maximising opportunities to secure external funding and support from a wider variety of sources. It is not without challenge or risk but this should be set within the context of a sound business plan and strong track record and endorsement to date by key national funding organisations.
- 1.3. This recommendation, which is strongly supported by officers, represents a careful balance of judgement as to the best way forward. Over many years Hampshire County Council Members have demonstrated their care, commitment and value for these services on behalf of the public. The County Council has deservedly achieved a good reputation for so doing and this proposal has rightfully been subjected to considerable scrutiny and

discussion. It is on this basis, including consideration of the medium term financial position faced by local authorities, that the proposal is recommended. While the County Council will hand over direct control of service delivery its ongoing long term commitment and influence will remain and indeed will be critical to the success of the new organisation. It will also retain freehold responsibility for key assets including properties and collections.

1.4 It seeks Executive Member approval to:

- Establish the Hampshire Solent Cultural Trust in partnership with Winchester City Council as per the governance framework summarised in this report and detailed in the Business Case (appendix 1), and enter into a partnership agreement with Winchester City Council attached as a final draft (Appendix 2).
- Agree in principle to transfer the services and funding for the Hampshire County Council Arts and Museums Service to the new Trust, according to arrangements as outlined in a partnership agreement
- Agree in principle to loan Hampshire County Council's museum collections to the new Trust, and for the ownership of new Hampshire-focused acquisitions to be held in trust by the new Trust on behalf of Hampshire County Council
- Create an 18-month interim Trust Executive Officer post (initially a secondment from Hampshire County Council/ Winchester City Council) to commence from 1 January 2014 in order to manage establishment of the Trust. An open recruitment competition to secure a long-term Chief Executive is proposed to succeed this interim role.
- Formally consult with affected staff and unions regarding the details of the proposed transfer to the Trust.
- Formally consult with district and borough funding partners regarding the details of the proposed transfer to the Trust, including funding arrangements.
- Consider a final decision report regarding transfer of services to the Trust in March 2014, informed by progress during the implementation phase regarding governance, finance and staff/ union consultation.
- Authorise any other steps be taken that are reasonably necessary in order to implement the above objectives/ recommendations.

1.5. To seek Executive Member endorsement to recommend the following for approval in principle by the Executive Member for Policy and Resources:

- Hampshire County Council corporately provides central support services to the Trust as part of a grant agreement to the value of up to £578,000 (current cost of services provided is £583,000). As the County Council continues to improve the efficiency of delivering these services, generally and in liaison with the Trust, the cost corporately to Hampshire

County Council of this grant provision will decrease over time. This arrangement is 'cost neutral' to the Trust.

- Individual properties would be leased/ sub-leased/ licensed, as appropriate, under long-term arrangements where feasible, with the minimum unexpired term at any time being 25 years so as to support external grant applications by both the Trust and Hampshire County Council.
- Property repair and maintenance would be managed by Hampshire County Council in consultation with the Trust. The County Council would continue to bear insurance risk for the properties and collections where this falls under the corporate self-insurance regime

## **2. Contextual information**

- 2.1. Hampshire County Council has an impeccable record of cultural investment over many years, working in partnership with generous funding supporters. Since 2010, the County Council Arts and Museums Service has successfully responded to significant reductions in national and local government funding (equivalent to a 38% reduction in funding for core museum activity). By delivering a strategic plan (*Connecting Communities to Excellence*) that places emphasis on quality, vision, innovation and collaboration, the County Council has continued to champion a bold ambition for arts and museums. During the next 5 years further significant local government reductions are anticipated across all services, and Hampshire County Council is keen to enhance its partnership working with organisations in the wider Hampshire Solent arts and museums sector to maximise collective resilience in this particular area.
- 2.2. The Hampshire Solent cultural cluster is one of the richest in the UK, and it plays a key role in driving the visitor economy and strengthening the sense of place that encourages business investment. Hampshire County Council and its Arts and Museums Service provide active support for this area of economic activity across greater Hampshire (Business Case, section 2).
- 2.3. Given the significant reductions already experienced by Hampshire County Council Arts and Museums, the service is vulnerable to future budget savings. As an in-house service there are few options available to realise the anticipated level of reductions. Leadership capacity and skills required for strategic partnership working would be likely to reduce significantly. A decision would need to be made regarding whether to prioritise community arts and museums venues or flagship programmes, and the degree to which collections stewardship becomes a passive activity. From 2015/16, reductions in programme budgets would affect the quality of programmes and ability to match fund grant applications. Likely closure of venues, mothballing of services and staff reductions would roll out as savings targets are confirmed. The ability to secure National Accreditation standards and grant funding would be fundamentally impacted.

- 2.4. In order to retain a strong Arts and Museums Service that can deliver services and champion the wider Hampshire Solent cultural visitor economy, this proposal looks to a long term solution with two primary business drivers:
- a) Retaining a strong ambition for cultural heritage into the future and building on the legacy of previous investment
  - b) Delivering an appropriate level of savings to partner authorities within a 5-10 year timescale

The approach is not risk free and nor is there guaranteed success, but it is the strong officer view that it represents the best opportunity to sustain services for the public in the long term.

- 2.5. In January 2011, Hampshire County Council, Southampton City Council and Winchester City Council agreed to investigate an integrated solution to addressing these business drivers in comparison with individual service options. An initial review of governance options identified the charitable company limited by guarantee as the preferred model, and in January 2012, the Hampshire County Council Executive Member Culture and Recreation approved preparation of a detailed business case to test this preferred option.

- 2.6. Business case work concludes that the development of a Hampshire Solent Cultural Trust (options A, B and C – Business Case, section 4) achieves the best performance against the business drivers identified in 2.4. It delivers a dynamic brand with national profile that achieves long-term savings for Hampshire County Council. Options involving the integration of Southampton City Council services would create the most resilient outcome, but are not achievable for Southampton in the current economic climate. While Southampton will not now join the Trust there is continued appetite for strategic partnership working from Southampton and other cultural partners, including Portsmouth City Council, for targeted projects. Indeed there are currently 4 major projects in play to the value of £1.5m, that demonstrate the value of success of the collaborative approach underpinning this model.

- 2.7 The business case exemplifies the potential of the Trust model based upon a set of assumptions drawn up in response to a thorough assessment of the sector, examples elsewhere, current performance and external advice. The business case in itself is not a guarantee of success which is dependent upon 3 significant factors:

- The national economic situation and the choices and preferences of people to stay connected to and interested in our regional cultural offering
- The behaviour, actions and financial decision making of other partners; and
- The support and focus of national arts and museums policy and funding organisations
- Excellent and inspiring leadership

On all these fronts it is the strong view of officers that within the current financial context, this proposal offers the best opportunity to achieve the overall ambition.

- 2.8. It is therefore proposed that Hampshire County Council and Winchester City Council come together to create a Hampshire Solent Cultural Trust (option C).

### **3. Strategic Opportunities and Financial Benefits**

- 3.1. The Hampshire Solent Cultural Trust will create a brand that raises the profile of greater Hampshire's cultural heritage. It will champion a vision to

***Position the Hampshire Solent cultural offer  
In the UK Top Ten by 2020***

This vision is of significant economic value to the ambitions of Hampshire and its partners. The Trust will retain the capacity necessary to facilitate partnership working and joint fundraising required to make it happen. The Trust will also be able to support wider skills for employment and wellbeing agendas. The Trust will need to further develop the strong relationships across the cultural sector to maximise the value of joint collections in innovative ways that tell Hampshire's story. A good example of this is the Big Theme and digital marketing initiative around World War I.

- 3.2. The strength of the Hampshire Solent cultural brand has the potential to attract new opportunities for external investment and strategic partnership working on a national, and potentially international, stage. The brand has already secured £2 million of external revenue investment for the period 2011/12-14/15. It also outlines the potential to lever in a further investment over the next 5 years. (Business Case, section 8). This strength is recognised in the letter of support received from Arts Council England and attached in Appendix 3.
- 3.3. The Trust provides an exciting opportunity to create a diverse funding model for the Arts and Museums Service that gives it the best chance of continuing to deliver quality services for Hampshire residents and visitors (Appendix 4 DFU spreadsheet and Business Case, section 5).

### **4. Governance**

- 4.1. The Trustee Board governance framework for the Hampshire Solent Cultural Trust will bring together the unique strengths of the County Council, its district and borough council partners and Winchester City Council with the dynamic abilities of influential and high quality individuals from the wider business, cultural, public and educational community. Strong leadership will be critical to the success of the venture and an appropriate level of ambition will be vital to secure an outstanding Chair, Board and Executive team who

can deliver the vision and build an acclaimed cultural business within 5 years (Business Case, section 10).

## **5. Finance and Resources**

- 5.1. The proposed Trust is a long-term partnership initiative that retains service excellence (ambition) and delivers savings. Hampshire County Council, in proceeding with the transfer of arts and museums services, would be committing to a long-term arrangement in terms of operations and assets, with a rolling funding agreement as outlined below. It is in the best interests of Hampshire County Council to nurture the Trust in its early years of business whilst securing necessary efficiency, given the strategic benefits outlined in section 3 above and that the Trust will be looking after County Council owned assets. It is therefore proposed that:
- Savings requirements for Hampshire County Council Arts and Museums are back-loaded over a 5 -10 year period as outlined in the Business Case, section 5.4. It is proposed that this adjustment will be met from within Culture, Communities and Business Services Department targets and budgets. By Year 5, the saving will equate to an 18% (£460,000) reduction per annum from 2013/14 budgets.
  - Hampshire County Council enter into a minimum 25 year management agreement with Hampshire Solent Cultural Trust, with specific funding arrangements confirmed for years 1 - 5, and arrangements for years 6 - 10 confirmed by year 4. Renewal of funding and associated review of management agreements for years 11 - 25 would be agreed during a review in year 7 (as outlined in the Business Case, section 5).
  - 36 months notice by Hampshire County Council (and Winchester City Council) of significant change/ termination of funding/ exit from agreement, with all reasonable costs incurred by exiting party.
  - Hampshire County Council provides £261,000 towards the exceptional one-off set up costs associated with establishing the Trust and transferring services (as outlined in the Business Case, section 7).
- 5.2. Appendix 4 summarises the financial model proposed for Hampshire County Council. Further details regarding year's 1 - 5 cash grant, central support provision, one-off set up costs, operating budgets and reserves are provided in the Business Case, sections 5 - 7.
- 5.3. Assets – the Business Case, section 9 identifies proposed arrangements regarding lease/ sub-lease/ license of property and collections to the Trust, which will include the protection of Hampshire County Council and third party rights to property and collections in the event of failure of the Trust as an ongoing financial concern. Specialist legal advice has been secured in support of this process and will be built in to the formal agreements. This section also outlines proposed arrangements for property repairs and maintenance. A key element lies around the production of individual leases for each property which will both enable the Trust to operate effectively and

protect the County Council's long term interest in these properties, e.g. Chilcomb and Milestones.

## **6. Staff Implications**

- 6.1 Staff from Hampshire, Winchester and Southampton have been involved in the development of the Trust model for about two years, initially helping to shape the vision, mission and values. From the beginning of 2012 they have been involved in the development of a 5-year business plan.
- 6.2 Overall staff feedback suggests a good understanding of the benefits and risks of the Trust proposal in general terms, with specific questions raised regarding personal circumstances and employment implications.
- 6.3 Business Case, section 11 outlines the proposed implications for staff and detailed proposals will be shared with staff and unions, including formal consultation on TUPE arrangements, during the implementation stage.

## **7. Risks**

- 7.1. A decision to proceed with the Trust is recommended on the grounds it creates the only realistic opportunity to continue a strong vision for arts and museums in Hampshire. This direction of travel is not without risk, and business Case Section 12 outlines key risks and mitigating strategies in further detail.
- 7.2 A primary risk is that the Trust fails to deliver on predicted financial performance and becomes at risk of insolvency. Potential risk areas that may impact on financial performance include ability for funding partners (including districts and boroughs) to continue investment and underachievement of visitor/ income targets. The proposed governance model is a charitable company limited by guarantee and the Trust will be a separate entity from the founding local authorities. Hampshire County Council will not inherit any debts attributable to the Trust should it fail with monies outstanding. It is not anticipated that the County Council will be in a position to provide additional funding should the Trust fall into difficulty, although it will work proactively with the Trust in such circumstances to implement mitigating strategies. It should be noted that grant monies paid in advance by the County Council could be at risk in the event of insolvency.
- 7.3 As a core element of ordinary budgeting procedures, the Trust will be able to anticipate cash flow issues or budget pressures and put mitigation strategies in place to ensure a balanced budget, in discussion with the Board and funding partners.

## **8. Public and Stakeholder Consultation and Dialogue**

- 8.1. Surveys, focus groups and in-depth interviews were conducted with audiences and stakeholders throughout June to August 2012 seeking to

discover the level of support for the new organisation, with follow up stakeholders' focus group sessions in October, and a communication inviting any further comment issued in Spring 2013. Satisfaction rating with the current service was good, with 72% of the Audience and 75% of Stakeholders expressing satisfaction. The consultation has shown that, in general, both Audiences and Stakeholders are prepared to support the Trust and will value further detail during the implementation phase. The Business Case, section 3 provides a further summary.

## 9. Next Steps and Timetable

Sept-Nov 2013:	Decision by Hampshire County Council and Winchester City Council to proceed in principle, establish charitable company and consult with staff and unions
	Enter into partnership agreement that includes sharing set up costs with Winchester City Council and penalties for withdrawal
Nov 13 – Feb 14:	Register charitable company
	Recruit interim chair, executive officer and board
	Consult with staff, unions and funding partners
	Detailed Finance, IT, Communications, Programme Planning
March 14:	Decision to transfer staff, services and resources (lease for property and collections) to Trust
Summer 14:	Transfer to Trust
Up to Summer 2015:	Transition
	Recruit Full-term Chair and Board
	Recruit Chief Executive
December 15:	Handover between interim and full-term Board and Executive completed

## 10. Conclusion

10.1 This report offers a balance of judgement concerning the best way forward to secure the long term future of Arts and Museums across Hampshire. It proposes an approach that builds upon the strong legacy of investment made over many years and as such represents a major shift away from direct delivery. The contents of this paper demonstrate the potential, outline business case and wider impacts of this proposal to inform that decision. It also fully highlights the risks and mitigation approach to minimising the risk of failure which, if it occurred, would be subject to a clear exit strategy built into the Partnership Agreement. There are understandable questions and

misgivings over the move away from direct delivery and control. However, the proposal will see longer term influence and support from the County Council, along with its partners, in doing the very best to sustain long term heritage and cultural provision across Hampshire.

## **11. Recommendation(s)**

11.1 That the Executive Member for Culture and Recreation approves the following recommendations:

- To establish the Hampshire Solent Cultural Trust in partnership with Winchester City Council as per the governance framework summarised in this report and detailed in the Business Case (appendix 1), and enter into a partnership agreement with Winchester City Council
- Agree in principle to transfer the services and funding for the Hampshire County Council Arts and Museums Service to the new Trust, according to arrangements as outlined in a partnership agreement (appendix 2)
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- To create an 18 month interim Trust Executive Officer post (initially a secondment from Hampshire County Council/ Winchester City Council) to commence from 1 January 2014 in order to manage establishment of the Trust. An open recruitment competition to secure a long-term Chief Executive is proposed to succeed this interim role.
- To formally consult with affected staff and unions regarding the details of the proposed transfer to the Trust.
- To formally consult with district and borough funding partners regarding the details of the proposed transfer to the Trust, including funding arrangements.
- To consider a final decision report regarding transfer of services to the Trust in March 2014, informed by progress during the implementation phase regarding governance, finance and staff/ union consultation.
- Authorise any other steps be taken that are reasonably necessary in order to implement the above objectives/ recommendations.

11.2. That the Executive Member recommends the following for approval in principle by the Policy and Resources Executive Member:

- Hampshire County Council corporately provides central support services to the Trust as part of a grant agreement to the value of up to £578,000 (current cost of services provided is £583,000). As the County Council continues to improve the efficiency of delivering these services, generally and in liaison with the Trust, the cost corporately to Hampshire

County Council of this grant provision will decrease over time. This arrangement is 'cost neutral' to the Trust.

- Property would be leased/ sub-leased/ licensed, as appropriate, under long-term arrangements where feasible, with the minimum unexpired term at any time being 25 years so as to support external grant applications by both the Trust and Hampshire County Council.
- Hampshire County Council would manage property repair and maintenance in consultation with the Trust. The County Council would continue to bear insurance risk for the properties and collections where this falls under the corporate self-insurance regime

**CORPORATE OR LEGAL INFORMATION:****Links to the Corporate Strategy**

<b>Hampshire safer and more secure for all:</b>	yes
Corporate Improvement plan link number (if appropriate):	
<b>Maximising well-being:</b>	yes
Corporate Improvement plan link number (if appropriate):	
<b>Enhancing our quality of place:</b>	yes
Corporate Improvement plan link number (if appropriate):	

**Other Significant Links**

<b>Links to previous Member decisions:</b>		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Renaissance SE Hub		17/07/2008
Renaissance SE	920	10/09/2009
Hampshire Arts and Museums Service – Planning for the Future	1637	08/07/2010
Hampshire Arts and Museums Service – Planning for the Future	2154	17/11/2010
Hampshire Arts and Museums Service – Planning for the Future		28/01/2011
Hampshire Arts and Museums Service – Planning for the Future		08/03/2011
Hampshire Arts and Museums Service – Planning for the Future	2994	08/07/2011
Hampshire Arts and Museums Service – Planning for the Future	3374	04/11/2011
Hampshire Arts and Museums Service – Planning for the Future	3374	20/01/2012
Hampshire Arts and Museums Service – Update on the Fully Integrated Merger (FIM) Project (Towards a Hampshire Solent Cultural Trust)	4414	21/01/2013
<b>Direct links to specific legislation or Government Directives</b>		
<u>Title</u>	<u>Date</u>	

**Section 100 D - Local Government Act 1972 - background documents**

**The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)**

Document

Location

None

## **IMPACT ASSESSMENTS:**

### **1. Equalities Impact Assessment:**

In conclusion, the establishment of a charitable trust is preferred as it secures the greatest opportunity for resilience of Hampshire Solent arts and heritage services for the long term. Initial set up costs are high because there is a need to bring together the two organizations including staff, collections and buildings and develop new infrastructure. (It is not proposed that the ownership of property or collections would transfer to the new Trust.) However these initial set up costs are offset by the greatest opportunities for removing duplication, attracting external investment and expertise created by the establishment of an independent trust organization with a strong regional and national profile. It is hoped that the Trust will raise the profile of the Hampshire Solent arts and heritage services, increase audiences through improved quality of public programmes, marketing and the digital offer. Any surplus revenue funding will be reinvested into front line delivery of services. In the long term the Trust will deliver savings to the founding local authorities.

Any Trust established will be required to adopt an appropriate Equalities Policy in order to satisfy the requirements of any funding agreement with the founding partners. It will also be subject to the requirements of grant giving organizations in relation to Equalities.

<http://www3.hants.gov.uk/hampshire-solent-cultural-trust.html>

### **2. Impact on Crime and Disorder:**

The County Council has a legal obligation under Section 17 of the Crime & Disorder Act 1998 to consider the impact of all the decisions it makes on the prevention of crime. The proposals in this report have no impact on crime and disorder.

### **3. Climate Change:**

- i. How does what is being proposed impact on our carbon footprint / energy consumption? Not applicable
- ii. How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts? Not applicable