

Report to the Cabinet

Report Reference: C-026-2022-23

Date of meeting: 7 November 2022



**Epping Forest
District Council**

Portfolio: Wellbeing & Community Partnerships – Cllr Aniket Patel

Subject: Epping Forest District Museum Operating Model

Responsible Officer: Jennifer Gould Interim Strategic Director (Tel: 07548145639)

Democratic Services: Adrian Hendry (01992 564246)

Recommendations/Decisions Required:

- (1) That Cabinet agrees, in principle, to adopt an alternative operating model for Epping Forest District Museum;**
- (2) That Cabinet agrees, in principle, to a charitable Trust being established to provide that alternative operating model and gives consent to work to progress toward that aim;**
- (3) That Cabinet acknowledges the process to achieve an alternative operating model will be subject to scrutiny at the relevant committee; and**
- (4) That any final decision on confirming an alternative operating model for the Epping Forest District Museum will return to Cabinet at the appropriate time.**

Executive Summary:

The Council is committed to future-proofing the delivery of the Museum service whilst also addressing the need to make efficiencies in the current fiscal climate. Following a meeting held at the Museum on 12th September, which was attended by a number of District Councillors, Officers, and an independent specialist consultant, it was proposed that Epping Forest District Museum should be moved into trust status. It was felt that the Museum's future would be best secured by outsourcing its management and operation as a 'community' museum.

The attached report (Appendix A) provides an assessment of possible options as to how this could be achieved, together with key issues that need to be considered in transferring from a directly provided local authority service into another entity. It also proposes a concept of what a 'community' museum might be and an indicative timetable and tasks for transitioning.

Reasons for Proposed Decision:

In order to secure the long-term future of the Epping Forest District Museum service it is necessary to review its current operating model. Increasingly, local authorities nationally are successfully outsourced their museums. Securing Cabinet agreement, in principle, to the establishment of a charitable Trust to provide an alternative operating model will enable work to progress towards this aim.

Other Options for Action:

- (i) Not to agree to progress exploration into an alternative operating model for the Epping Forest District Museum and to retain the delivery of the museum service in Epping Forest District Council
- (ii) To make alternative changes to the museum service (subject to further consultation/scrutiny where appropriate).

Report:

See **Appendix A** for full report.

Legal and Governance Implications:

Legal Services considered the report and confirmed that they had no further comment.

Safer, Cleaner and Greener Implications:

None

Consultation Undertaken:

Initial consultation meeting held with Cllr A Patel (Portfolio Holder), Cllr L Burrows (Reviews and Efficiencies Portfolio Holder), Cllr H Whitbread (Housing and Communities Portfolio Holder, on behalf of Leader) and Cllr H Kane (Waltham Abbey Town Councillor and Chair of the existing Epping Forest Community and Cultural Trust)

Various meetings with the Community, Culture & Wellbeing Service Manager and Heritage & Venues Team Manager.

Risk Management:

A number of significant risks are associated as detailed on Pages 5 and 6 of appended full report.

Background Papers:

None at this stage

APPENDIX A

EPPING FOREST DISTRICT MUSEUM

FUTURE OPTIONS

1. THIS REPORT

At a meeting held in the Museum on 12th September, attended by Epping Forest District Councillors and Officers it was proposed that Epping Forest District Museum should be moved into trust status. This discussion was driven by the Council's commitment to future proofing the delivery of the museum service and the need to make efficiencies across all Council services in the current fiscal climate. It was felt that the Museum's future would be best secured by outsourcing its management and operation as a 'community' museum.

This report provides an assessment of possible options as to how this could be achieved, together with key issues that need to be considered in transferring from a directly provided local authority service into another entity. It also proposes a concept of what a 'community' museum might be and an indicative timetable and tasks for transitioning.

2. BACKGROUND

Epping Forest District Museum tells the stories and history of the area. It holds important local collections, some of national importance. The Museum has developed a popular programme of events, exhibitions and a learning service for local schools. It is an Accredited Museum, operating to a high professional standard, supported by a core staff and a small team of volunteers. The Museum has a strong record in attracting inward investment from national and regional funding agencies. It has actively developed wider partnerships both within and outside the district, generating revenue, including touring exhibitions and provision of design services to other museums.

Together with Waltham Abbey and the Lea Valley Regional Park, the Museum plays a key role in attracting visitors to Waltham Abbey and the surrounding area. It provides a strong and stable focal point in the town centre, accessible and welcoming to everyone.

The Museum has since 2019 formed an integral part of the District Council's Community, Health and Wellbeing Service, delivering a diverse range of community services including schools and activities targeted at harder to reach and more isolated groups, including older people in sheltered housing and residential care. The Museum is managed by the Team Manager, Heritage and Venues who is responsible for other venues and arts provision within the Service.

3. OPTIONS

A growing number of local authorities have outsourced museums and cultural organisations. Changes in corporate structures and the need to achieve efficiencies have been key drivers. These range from large multi-site services such as Brighton and Hove Museums Service to smaller organisations such as the Lowewood Museum in Broxbourne. Transfers have mostly been into single purpose charitable trusts or larger cultural trusts such as Hampshire Cultural Trust and the Cheltenham Trust, though some local authorities have transferred museums into arms -length spin out companies such as Peterborough Limited that have wider functions. Less common is transfer to an existing organisation such as a friends organisation or a commercial operator. We outline here possible options for Epping Forest District Museum.

EFDC Directly Managed Service

This is the current arrangement for management of the Museum. Its service delivery is strongly embedded in the Community, Health and Wellbeing Service and its service objectives within the district. Outsourcing the Museum into a new entity carries a degree of risk in the current financial climate and the Council will need to be assured that the transition can be successfully achieved with a sustainable outcome. For the Council there are potential benefits of a reduction in its directly managed services and cost savings, though in the shorter term this must be balanced against the cost of transition and staff time in managing the process. For the Museum there are benefits in having operational freedom and flexibilities.

Epping Forest Community and Cultural Trust

The Epping Forest Community and Cultural Trust was registered as a charitable company with the Charity Commission in 2021. It has a wide remit from provision of training for unemployed people, crime prevention, provision of public health facilities and childcare to provision of recreational facilities. Its charitable purpose includes reference to advancing 'arts, culture and/or heritage' within the district and 'maintenance, improvement or provision of public amenities'. It is understood the Trust was set up primarily as a vehicle for fundraising. If it were to take on management of the Museum the Memorandum and Articles would need to be re-written to make a stronger reference to management of the Museum. Trustees would need to have the business skills and experience to manage an independent museum and commitment to ensure it succeeds.

Qualis Group Plc

The Qualis Group provides a property and facilities management service within the district. Its primary focus lies within commercial and residential development. While providing a possible management 'shell', the Museum would be a small component within a commercial operation with few, if any, synergies with its core business. Without charitable status the Museum would be ineligible for business rate relief or funding from most external organisations. Management overheads may be an issue.

Combined Entity

Combining with another museum or heritage operation, either formed as a trust or as directly managed local authority services is an option. This is currently the arrangement with Ipswich and Colchester museums and is understood to be working well with the advantages of shared services. However, this model is probably best suited to larger organisations where there is greater potential for shared overheads and areas for cooperation. Between local authorities it does carry a risk that the partnership may fracture for political reasons or changed funding priorities within one of the authorities. Combining with an existing trust in the locality may be worth further investigation where there were close synergies in the service offer. Competition for external funding and local priorities can be an issue.

Independent Trust

There are a number of governance options here, outlined in Appendix 1 on page 7 of this report. Of these a Charitable Incorporated Organisation (CIO) would be the easiest to set up, combining the benefits of incorporation and charitable status. This is now the preferred model for newly established trusts within the heritage and cultural sector.

The alternative would be a limited company with charitable status, but this carries an additional administrative burden with two accountabilities – Companies House and the Charity Commission. Creation of a charitable trust does not have the benefit of incorporation and is more suited to local

societies that operate in a low- risk environment. Many charitable trusts are now converting to CIOs where for example they manage properties or employ staff. A 'foundation' model is generally preferred where the trustees are the sole voting members. This does not preclude a CIO creating a non- voting membership.

Commercial Operator

There are few commercial operators that have the experience and a successful track record to take on an agency or similar arrangement to manage a museum. Kent Life, previously the Museum of Kent Life is managed by Planning Solutions Ltd on behalf of the local Council. Its mainline business is managing adventure centres and country park activity centres. As with other private operators, Heritage Projects and Continuum, would need to see potential for a commercial return and that in turn would depend on achieving a substantial visitor throughput and opportunities to develop new income streams.

Summary

If the Council decides to outsource the Museum, then a CIO as a single purpose trust provides a simpler and more straightforward solution without a voting membership (Foundation Model). Section 4 sets out some of the key issues that need to be considered, Section 5 proposes a concept for an independent museum and Section 6 key tasks to transition the Museum.

4. KEY ISSUES

While trust status has the benefit of charitable status alongside the freedom and flexibilities for trustees to devise their own policies, priorities and procedures, few independent museums are in a position to cover their operational costs and overheads through self-generated income, unless entirely voluntarily run or able to attract significant throughput of paying visitors with profitable retail and catering operations to cover core costs.

Financial sustainability, particularly in the current economic climate, is a major concern for most independent trusts. Newly formed trusts that have not had time to build up financial reserves to offset trading variations and unforeseen costs are at particular risk. There have been cases where independent trusts have had to wind up and the assets have reverted to the local authority or liquidated to meet creditors under Company Law if constituted as limited company with charitable status. It is advisable that the local authority retains ownership of the collections and building to protect them against disposal or dispersal if the trust were to fail.

A service level agreement (SLA) provides a mechanism for continued local authority support, linked to an annual financial grant and agreed outputs. Typically, this would be renewable with an annual review. Evidence of local authority support is important in making the case for financial sustainability to external funders.

Other key issues that need to be considered in transferring Epping Forest District Museum to trust status if that is the agreed option are:

- > It is important to recruit a strong trust board that can provide leadership commitment with the skills and experience to manage the Museum as a trust and provide strategic direction. A new board may take a year to settle in, also staff and volunteers who may be taking on wider roles and with new accountabilities.
- > A new trust is on its own. All too often speedy decisions are made to outsource a service when cuts are made with a risk of failure unless a considered and supported transitional process is in place. Setting up new systems, banking arrangements, legal agreements,

VAT status and resolving any property related issues can be time taking and need to be agreed prior to vesting.

- > TUPE transfer of staff often carries a heavy Local Government Pension Fund liability. Fund revaluations apply over which there is limited ability to negotiate, and these are now increasing. This can represent a substantial ongoing overhead for a small charity.
- > While transfer to a new legal entity may be relatively straightforward, moving organisational cultures may take time, particularly for transferred staff who need to adjust to new ways of working. New conditions of service and roles need to be negotiated and agreed within TUPE regulations. The Council has a duty of care for its employees.
- > Charity trustees need to be aware of their duties and responsibilities under Charity Law. Delegations and expectations clearly set out, particularly between the Chair and Director. This may be new territory for both.
- > Severance from local authority support services can be problematic – data transfer, IT and service contracts in particular. There may be penalties in terminating or re-assigning existing leases and service contracts.
- > A new trust needs to be clear on what property obligations it is taking on. A condition survey is recommended prior to transfer. There may be hidden defects arising from lack of investment in past years – outdated heating systems and need to meet building repairs can cripple a new trust unless property assets are transferred in good order. External funders may be unsympathetic to taking on local authority neglected maintenance.
- > And finally, a new trust needs to be legally independent; a controlling interest by a local authority is an area the Charity Commission is alert to. Trustees representing other organisations are bound under Charity Law to act in the best interests of the charity. Serving councillors can however bring important experience and wider contacts to an independent trust.

5. A COMMUNITY MUSEUM?

The proposal to outsource Epping Forest District Museum and the need within the Council to deliver transformative efficiencies to services and supported organisations brings both opportunities and challenges. It will, simply put, not be possible to do everything the Museum has done in recent years or to the same level. It is therefore all important that the Council has a clear concept of what it wants to achieve and the level of service it provides. This will to a large extent be decided by the level of funding support provided by the Council and service level agreement outputs.

It is recommended the social purpose would remain a key priority for the Museum alongside the need to maintain current high standards of collection care. Importantly, the Museum will need to develop a new business model and organisational structure that enables it to raise the level of self-generated income through trading activity and service provision.

Epping Forest District Museum has in recent years built strong external partnerships that have enabled it to extend its service offer and reputation with funding agencies. While recognising maintaining the current level of activity will be challenging in the current economic climate, it will remain outward looking in its approach, willing to explore new opportunities that add value to the core service offer. As a community museum the primary focus will be working with local communities within the Epping Forest District and the surrounding area.

As an independent charitable trust, the Museum will have the freedom and flexibilities to deliver its aspirations, supported by Epping Forest District Council, helping them to build stronger communities and the local economy. The active contribution of trustees, supported by a core staff and newly recruited volunteers drawn from the local community will form a new organisational model. Our ethos will be to strengthen community engagement and participation, embedding a sense of community ownership – our heritage, our museum.

Transitioning from local authority management will require a cultural shift both in expectations and acceptance of new ways of working from all parties. This will be achievable with goodwill on all sides and a shared desire to ensure a successful and sustainable museum service for the future that can change lives; strengthen community identity and wellbeing. Appendix 2 on page 8 of this report sets out a proposed vision statement, values and aims for Epping Forest District Museum.

6. TRANSITIONING

Set out here is a proposed key tasks to outsource the Museum into an independent trust, starting in January 2023.

STAGE 1: PRIOR TO VESTING

It is suggested this stage is led by a small working party that would include the first trustees who could formally sign off agreements and documents with the Council on behalf of the Trust when Charity Commission consent is obtained, the Trust then becoming a legal entity. Vesting over responsibility for the Museum can take place later, ideally at the end of the Council's financial year.

TASKS
Agree governance model and appoint first trustees
Agree constitution, objects, articles and supporting policies Submit to Charity Commission through portal
Undertake building condition survey
Agree lease for building
Agree SLA and business plan
Agree collection loan agreement
Agree TUPE and LGPF arrangements
Agree write offs and asset transfers
Agree transitional budgets and support: HR, accountancy, legal, IT etc.
Agree reserve fund/facility

STAGE 2 POST VESTING

The second stage would follow the vesting over of the Museum to the Trust. From this stage the Trustees would be responsible for the management of the Museum as an independent legal entity.

TASKS
Trustee and staff skills and experience audit undertaken
Prepare recruitment material: JDs, adverts, brochure etc
Place adverts and recruit remaining Board
Recruit/appoint Chair, Secretary and Treasurer
Set up bank account, insurances, payroll arrangements, IT systems etc.
Finalise staff roles within TUPE arrangements and make appointments
Staff and trustee induction and training agreed, possibly some mentoring support.
Key policies agreed including delegations, rules and regulations, code of conduct etc.
Arrange an away day to settle people in and commit
Community launch undertaken
Volunteer development programme started

7. NEXT STEPS

Epping Forest District Council needs to agree:

- 1. Whether to outsource Epping Forest District Museum to a new entity and if so, what governance model would apply.**
- 2. A timetable for transitioning and what support might be available to facilitate the process.**
- 3. A future concept for the Museum and an indicative level of financial support that might be available through a SLA.**

This report has been generated on the basis of information supplied by Epping Forest District Council and experience from other assignments. I am particularly grateful to Council staff for their timely contributions and assistance, given current work pressures.

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Appendix 1

LEGAL MODEL	STATUS	GOVERNANCE	REGULATOR	LIABILITY	MUSEUM SECTOR
Charitable Trust	Unincorporated charity	Trustees	Charity Commission	Trustees have individual liability	Some museums, mostly smaller ones, are constituted as charitable trusts but trend is to become incorporated to limit liability
Company Limited by Guarantee without share capital	Limited company with charitable status	Directors who are usually also the trustees, with or without voting members	Companies House and Charity Commission	Limited liability by guarantee	Commonly used within the museum sector but reporting lines to both Charity Commission and Companies House carries extra administrative burden.
Charitable Incorporated Organisation (CIO)	Incorporated charity	Trustees, with or without voting members	Charity Commission	Limited or no liability	Increasingly preferred model for newly established concerns and charitable trusts seeking to become incorporated to limit liability
Community Interest Company (CIC)	Incorporated company	As for limited companies	Companies House but with additional regulation to ensure community benefit	As for limited companies	Widely used by community organisations but not within museum sector as lack of charitable status restricts access to many sources of external funding
Community Benefit Society (CBS)	Mutual	Members		Limited to amount unpaid on shares	This model has been adopted by some arts and community organisations where funds have been raised through share issues. May meet charitable status. Unknown use within museum sector

Appendix 2

OUR PURPOSE

Epping Forest District Museum preserves, interprets and promotes the archaeology, natural and social history of the Epping Forest District and surrounding area for the benefit, enjoyment and education of the public.

OUR VISION

We aspire to provide inspirational experiences and opportunities for people to engage with their heritage and stories, past and present.

OUR VALUES

- ⇒ Providing a high quality engaging and inspirational visitor experience
- ⇒ Reaching out to the wider community in the area; recognising its diversity
- ⇒ Promoting wellbeing by developing a sense of place and belonging
- ⇒ Achieving high standards of service in everything we do
- ⇒ Being creative and innovative; exploring new ways of doing things
- ⇒ Ensuring our collections are professionally interpreted and cared for
- ⇒ Creating a safe and inclusive environment within the Museum
- ⇒ Developing partnerships that enable us to become more effective
- ⇒ Aspiring to become a carbon neutral organisation

OUR AIMS AND OBJECTIVES

Key aims for Epping Forest District Museum are:

AIM 1 : COLLECTIONS

Safeguard and develop the museum collections, making them accessible and relevant for present and future generations

AIM 2 : AUDIENCES

Increase and widen our audience, strengthening engagement and participation in the Museum's work

AIM 3 : LEARNING

Explore ways to develop our learning offer, working in partnership with learning and social providers

AIM 4 : RESILIENCE

Develop our financial resilience by maximising income earning opportunities, ensuring our long- term sustainability