

Subject:	Royal Pavilion & Museums		
Date of Meeting:	19 January 2017		
Report of:	Executive Director Economy, Environment & Culture		
Contact Officer: Name:	Janita Bagshawe, Head of Royal Pavilion & Museums	Tel: 29-2840	
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 The purpose of this report is to update members on work to establish a new governance model for the Royal Pavilion & Museums (RPM) and seek approval to begin the process to move the Royal Pavilion & Museums into a newly established charitable trust for culture in Brighton and Hove.

2. RECOMMENDATIONS

That the Policy, Resources & Growth Committee:

- 2.1 Approve the establishment of a charitable trust for arts and culture in Brighton & Hove into which the Royal Pavilion & Museums will move in April 2018.
- 2.2 Agree that a shadow/interim board of Trustees is established from April 2017, which will include Member appointments to be agreed by the Council.
- 2.3 Grant delegated authority to the Executive Director of Economy, Environment & Culture, Executive Lead Officer Strategy, Governance & Law, and Executive Director Finance & Resources to work with the shadow board to prepare all documents required in order to:
- Establish the new charitable trust for arts and culture in Brighton & Hove;
 - Agree a 25 year funding agreement with the trust, reviewable every 5 years;
 - Agree for the Royal Pavilion & Museums portfolio buildings to be leased to the trust for a period of 25 years, with the City Council retaining the freehold ownership of all buildings;
 - Transfer the operational management services into the new trust;

- Loan the Royal Pavilion & Museums' collections to the trust and for any new acquisitions to be held by the trust.
- 2.4 To note that a further report will be brought to Policy, Resources & Growth Committee, expected early 2018, which will outline the final heads of terms of the legal and commercial agreements and to seek final approval to establish the new charitable trust.
- 2.5 To note that formal consultation will be undertaken with affected staff and unions regarding the details of the proposed transfer to the trust, and with funding partners including Arts Council England.
- 2.6 To note that a roadmap will be prepared with Brighton Dome and Festival Ltd to consider the merger of the two trusts to establish a single 'cultural trust' for the city within 4 years of the charitable trust being established.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 Modernisation programme 2014-2016

- 3.1.1 This project is part of the council's Modernisation programme, which, following a review, identified the inclusion of culture into phase 4 of the programme as agreed by Policy & Resources Committee in June 2014. This strand has examined how to safeguard the future of the Royal Pavilion & Museums' sites, collections and services provided for the city in the context of a changing operational and challenging financial environment of reduced council budgets. The work has looked at alternatives to managing the Royal Pavilion & Museums by the City Council in order to achieve a sustainable future and to enable all the sites and the services within the Royal Pavilion & Museums to continue to deliver on the priorities for the city and maintain and build on the success of the Royal Pavilion & Museums as a nationally significant museum service.
- 3.1.2 The Royal Pavilion & Museums comprises five museums, including nationally and internationally significant collections. It is an Arts Council Major Partner Museum and also leads museum development services for south east England. Details of sites and collections are in Appendix 1.
- 3.1.3 Work undertaken through the modernisation programme on the Royal Pavilion & Museums reached the conclusion that the best future for the Royal Pavilion & Museums was to move its direct management out of the council and into a new governance model. This led to a report being taken to the Policy & Resources Committee on 28 April 2016.
- 3.1.4 At the Policy & Resources Committee on 28 April 2016, Members agreed the following recommendations:
- a) To proceed with the procurement for a 25 year term contract in accordance with the requirements of the Public Contracts Regulation 2015 to secure a third party organisation to manage and operate the Royal Pavilion & Museums independently of the City Council.

- b) Authorise the Chief Executive to award a contract externalising the future management of the Royal Pavilion & Museums on completion of the procurement process.
 - c) Agree that consideration may need to be given to maintaining the council's funding level for up to three years to support viable bids for operating the service. This would result in changes to the current level of savings assumed in the 4-year Service & Financial Plans for the period 2017/18 to 2019/20.
- 3.1.5 As outlined in the April 2016 report, legal advice confirmed that if the new operating model were to involve a third party managing and operating the Royal Pavilion & Museums, a fair, open and transparent procedure should be followed in terms of offering this to the market. In accordance with the legislation, a Prior Information Notice (PIN) was to be published in the Official Journal of the European Union, alerting the market to the council's intentions to involve a third party.
- 3.1.6 In preparing for the issuing of the PIN, it became apparent that a further external assessment of the different options, business model, and financial implications was necessary. A piece of work was commissioned to prepare a business case for the new governance model. This was to ensure that in assessing expressions of interest for the Royal Pavilion & Museums, Brighton & Hove City Council had accurate and robust financial modelling on which to base a decision in awarding the contract. It would also ensure that any final recommended model gave the best opportunity for a sustainable future for the Royal Pavilion & Museums.
- 3.1.7 The focus of this work was to appraise the financial performance for the following three scenarios:
- a) The Royal Pavilion & Museums being retained by the council with modernisation of the service under Brighton & Hove City Council direct management.
 - b) Moving the Royal Pavilion & Museums into a new trust by April 2018.
 - c) A management contract with a third party.
- 3.1.8 The financial modelling concluded that of the three governance models, the trust model was projected to provide the most financially sustainable long term future for the Royal Pavilion & Museums. Further, as funding would be provided to the trust by way of a grant, a procurement process was not required. The remainder of this report therefore focuses on proposing a financial model and governance arrangement for a new charitable trust.
- 3.2 Benefits to the City of a new charitable trust
- 3.2.1 The proposed charitable trust for Brighton and Hove will be committed to enriching and changing lives of residents and visitors through arts, heritage and culture. It will have a vital role in creating Brighton and Hove's sense of place, building on its radical past to create an innovative future, and support the city's vision: *'Brighton & Hove – the connected city. Creative, dynamic, inclusive and caring; a fantastic place to live, work and visit'*. The trust will focus on ensuring that its services maximise the collective potential of its cultural portfolio and through its partnerships it will support the delivery of the city's priorities: a Strong

Sustainable Economy, Children and Young People, Health & Well Being, Community Safety & Resilience and Environmental sustainability’.

3.2.2 As well as overseeing the operation and management of the whole of the city’s museum portfolio, the new trust will facilitate the aims of the Royal Pavilion Estate Reunification which sets out to:

- Conserve the Royal Pavilion Estate’s Grade I and II listed buildings for the future; reconnecting the historic buildings and landscape to create a coherent Royal Pavilion Estate;
- Develop and greatly enhance people’s understanding and appreciation of the Royal Pavilion Estate and its historic significance; enable more people to learn about and enjoy the historic royal estate through new approaches to creative and artistic programming;
- Ensure the future sustainability and resilience of both the Royal Pavilion & Museums and Brighton Dome & Festival Limited. The first phase of this work at the Corn Exchange commences on site in February 2017.

A charitable trust for Brighton and Hove will be established in such a way to allow a future merger with Brighton Dome and Brighton Festival Trust into it so that there is a single ‘cultural trust’ for the city managing the Royal Pavilion & Museums and Brighton Dome and Brighton Festival.

A key aim of moving the Royal Pavilion & Museums to trust status is to develop a sustainable funding model for the museum portfolio at a time when local government funding is reducing.

3.2.3 The benefits of establishing a charitable trust are:

- Tighter focus of the organisation on its core purpose and customers;
- An independent entity having greater ability to respond more quickly to market trends;
- Public recognition and confidence which can assist with fundraising;
- Business benefits including gift aid on admissions; business rate relief and cultural exemption on business income;
- Ability to operate on longer term financial and planning time frames which, for example, allows surpluses to be retained and reinvested and fits with the core nature of museums;
- Clearer brand profiling helping with marketing and fundraising;
- Greater freedom to be enterprising and generate new income streams;
- Systems and processes aligned to the key purpose of museums and their ability to build up a surplus to maintain the buildings to a standard befitting a nationally recognised museum service (which is not supportable within current council budgetary controls);
- Being able to market test support service contracts to get the best deal for this type of business;
- Having the freedom to be more innovative, particularly around digital development and ICT systems which are more aligned with museums rather than having to meet multiple council requirements and constraints.

3.3 The proposed charitable trust model

- 3.3.1 The proposal is for a non-profit distributing organisation (NPDO) and in this model the trust becomes responsible for the management of the museums and the delivery of the services. The Local Authority retains the freehold title of the buildings and the collections. In the unlikely event that the trust fails financially, the direct management of the assets could return to the council.
- 3.3.2 The trust would be a registered charity regulated by the Charity Commission. The council will be represented on the new entity's Board of Trustees, along with strategic stakeholders and core partners. A table illustrating the proposed governance arrangements of the trust is detailed at Appendix 2.
- 3.3.3 It is proposed that the buildings within the Royal Pavilion & Museums portfolio would be leased to the new trust for a period of 25 years, with the City Council retaining the freehold of the buildings. The City Council would continue to maintain the buildings on behalf of the new trust using the agreed maintenance budget outlined in table 1. The collections of the Royal Pavilion & Museums portfolio will be loaned to the new trust by way of a loan agreement. The final heads of terms for the 25 year lease of the buildings and the loan agreements will be developed in consultation with the shadow Board during 2017 and presented to Policy, Resources & Growth Committee for approval in early 2018.
- 3.3.4 To ensure a financially sustainable long term future for the Royal Pavilion & Museums it is proposed that the City Council enters into a 25 year funding agreement with the new charitable trust. The funding agreement will be reviewable every five years. The final heads of terms of the funding agreement will developed by officers in consultation with the shadow Board and presented to Policy, Resources & Growth Committee for approval in early 2018.
- 3.3.5 The existing employees within the Royal Pavilion & Museums services would be transferred into the new trust from April 2018. The transfer of staff will be covered by TUPE (Transfer of Undertakings Protection of Employment Regulations) legislation, which means that staff would transfer to the new trust on their existing terms and conditions of employment and their continuity of service would be preserved.

3.4 Financial Model

- 3.4.1 The 3-year Integrated Service and Financial Plan reported to Policy, Resources & Growth Committee on 8 December 2016 included savings totalling £0.392m from 2017/18 to 2019/20 for the Royal Pavilion & Museums budget. As a consequence, the Royal Pavilion & Museums net budget would reduce from £1.145m in 2016/17 to £0.753m in 2019/20 (excluding future inflation provision). In addition to the savings achieved in 2016/17 this would represent a reduction of 44% of the net budget since 2015/16.
- 3.4.2 The financial modelling undertaken by consultants has been tested and reviewed by council officers to ensure that the forecasts are robust and accurate as possible. The analysis provides projections for the three scenarios up to and including the financial year 2022/23, by when the final year provides the

expected future trend of the net financial position. The modelling demonstrated that:

- a) The 'Retain & Modernise' option will reduce Brighton & Hove City Council's funding requirement from £2.15m (this figure includes direct funding, planned maintenance and support service costs) in 2016/17 to £1.833m in 2022/23, which is a 15% reduction. However, this will not achieve the level of savings which the council will need to make to the RPM budgets by 2022/23 and will fall short by, at best, £0.030m per annum after 5 years.
- b) Moving to a charitable trust model is projected to achieve a greater reduction in Brighton & Hove City Council's funding requirement, from £2.15m in 2016/17 to £1.593m in 2022/23, which is a 26% reduction and will enable a surplus of £0.210m by 2022/23.
- c) A management contract with a third party would produce the least savings, from £2.15m in 2016/17 to £2.10m in 2022/23, a 2% reduction.

Of the three governance models, the trust model is projected to provide the most financially sustainable long term future for the Royal Pavilion & Museums.

- 3.4.3 The most significant change to the financial modelling compared to that previously undertaken was to increase the planned maintenance forecasts to provide a fund at a level that will ensure the future sustainability of the Royal Pavilion & Museums. Although the planned maintenance annual allocation is usually in the region of £0.400m, the council has spent an average of £0.594m historically when including borrowing costs for stonework costs and this figure, with inflation added each year, has therefore been used in projections to provide accurate comparisons. A building condition survey undertaken in 2015 has identified a need of up to £1m spend per annum but it is assumed that the trust will have the ability to fundraise for specific capital projects to support the core maintenance budget.
- 3.4.4 The trust scenario includes one off set up costs £0.250m for legal and consultancy advice, Human Resources/ICT and financial systems of which the majority is likely to be spent in 2017/18 and will be funded from the corporate Modernisation Fund.
- 3.4.5 However, the financial benefits of becoming a trust will take time to grow to their full extent. For example, building relationships with potential sponsors and individuals will take time to cultivate, then realise the benefits of their investment. The new entity will need time to scrutinise the existing operations and re-design services to become more efficient and generate new income streams.
- 3.4.6 Brighton & Hove City Council will need to support the new management in the early years of business to allow it time to develop new sources of income to replace the reducing local authority contribution, as has been the case with other museum services which have moved outside of council control across the country.
- 3.4.7 As reported to Policy & Resources Committee on 28 April 2016, it is anticipated that the Royal Pavilion & Museums direct budget will need to be maintained at its 2016/17 level of £1.145m until 2021/22 to enable viable operation, after which the grant contribution would be reduced in line with the 3-year Integrated Service

and Financial Plan. The tables below show the council's projected funding requirement from 2018/19 to 2022/23 for both the 'Retain & Modernise' and trust Scenarios. The Retain & Modernise¹ scenario presents a best case, refocused in-house delivery model which would generate some additional income but would ultimately be constrained by legal and financial regulations within current governance arrangements. It is assumed that the Modernisation Fund investment of £0.250m would still be required in order to modernise the service and support longer term implementation to achieve greater income. This shows that by 2022/23 the Retain & Modernise option will be running at an ongoing deficit of £0.030m per annum and there would be a total deficit of £0.155m over the 5 years compared to the available budget. The trust model, using prudential assumptions, shows that after 5 years the trust is generating additional surpluses of £0.210m per annum and total surpluses of £0.350m over the 5-year period compared to available budget. Both scenarios are after assuming the saving of £0.392m in the 3-year Service and Financial Plan from 2021/22 and all figures include inflation provision.

3.4.8 However, the most relevant comparison is the projected Retain & Modernise scenario compared to the trust scenario which indicates that the trust model will cost £0.505m less over 5 years and will cost £0.240m less per annum by year 5.

3.4.9 This shows the trust's funding requirement (including inflation) compared to the council's projected budgets would be in line with the Medium Term Financial Strategy and that longer term requirements from 2022/23 would be in line with the council's reduced funding position. The trust model can also finance the increased level of repairs and maintenance of £0.282m per annum to the properties.

3.4.10 The table only presents the financial implications for the first five years of operation as the figures for this period can be forecast reasonably robustly. However, there is expected to be significant potential for further budget savings to BHCC over the full proposed 25 year funding period under the trust model as it increases its funding from alternative income sources and commercial activities in later years. These savings could be reinvested if desired.

3.4.11 Note that the table shows Central Support budgets for the Retain & Modernise scenario as matching the projected BHCC budgets. However, the projected budgets contain assumed 3-year Service & Financial Plan savings of £0.045m that are likely to be unachievable across support services if the service is retained in-house. Additional Central Support costs (or unachievable reductions) have been assumed in the PwC report for the As Is (Retain & Modernise) option but are not shown here.

¹ Note: The Retain & Modernise scenario was given a working name of the 'As Is' option in the PwC report.

Table 1 – Scenarios Compared

Net Budgets	2018/ 19 £'000	2019/ 20 £'000	2020/ 21 £'000	2021/ 22 £'000	2022/ 23 £'000	Cumul- ative £'000
BHCC Projected Budgets						
RPM Direct Budget (Net)	1,191	1,215	1,239	872	890	
Maintenance Budget	408	416	424	433	442	
Central Support Budgets	461	445	454	463	472	
Modernisation Funding	250	0	0	0	0	
Total	2,310	2,076	2,118	1,768	1,803	
Scenarios Appraised:						
Retain & Modernise Scenario						
RPM Direct Budget (Net)	1,273	1,008	993	701	679	
Maintenance Costs	631	643	656	669	682	
Central Support Budgets	461	445	454	463	472	
Total	2,365	2,096	2,103	1,833	1,833	
BHCC Budget (as above)	2,310	2,076	2,118	1,768	1,803	
Retain & Modernise Scenario: (Saving)/ Pressure compared to budget	55	20	-15	65	30	155
Trust Scenario						
RPM grant	1,397	1,084	1,029	697	653	
Maintenance Costs	631	643	656	669	682	
Central Support Costs	412	407	253	255	258	
Total	2,440	2,134	1,938	1,621	1,593	
BHCC Budget (as above)	2,310	2,076	2,118	1,768	1,803	
Trust Scenario (Saving)/ Pressure compared to budget	130	58	(180)	(147)	(210)	(350)

Note:

- (1) Trust Scenario one off Set up costs of £0.250m in 2017/18 (Modernisation Fund).
- (2) Retain & Modernise Scenario one off funding in 2017/18 of £0.250m to achieve best case, refocused service model.

3.5 Governance

3.5.1 Robust governance arrangements for the new charitable trust will be key to ensuring it is able to operate effectively and deliver the aspirations for the city whilst also protecting the interests of the council. A shadow board will be

established through a national search to ensure that an appropriate range of expertise and experience is appointed. It is proposed that the shadow board will be in place by April 2017 that will oversee the establishment of the new trust and the transfer of the museums and collections, the staffing and operations to the trust prior to the transfer in April 2018.

- 3.5.2 Both the shadow Board and the full Board of the new trust will have elected member representation to be agreed at Council. It is currently anticipated that there will be cross-party representation through 3 elected member seats on the Board. The final governance arrangements will be presented to Policy, Resources & Growth Committee for approval in early 2018.
- 3.5.3 A key role of the shadow Board will be to work with officers to develop the necessary legal and commercial agreements required to establish the new trust and to undertake the due diligence necessary to ensure that the newly established trust is legally robust, appropriately financed, and appropriately staffed, and the recruitment of the final board of trustees with fully prepared and trained trustees is undertaken as advised by the Charity Commission.

3.6 Timetable for establishing the new charitable trust and significant decisions

Date	Activity/Agreement
19 January 2017	Report to PRG for agreement to establish charitable trust
February- April 2017	Register Charitable Company Establishment and appointment of shadow/interim Board, consultation with partners
April 2017-March 2018	Drawing up legal documents, production of business plans, detailed programme planning, staff and union consultation; novation of existing contracts to the trust
July 2017	Outcome of bid to Arts Council for funding for 2018-22
April 2017-January 2017	Transition period: recruit Full-term Chair and Board and Executive
April 2018	Handover between interim and full-term Board and Executive completed
April 2018	Trust takes over running the museums. Transfer Staff. Services and resources (lease for property and collections) to trust

These are indicative dates

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The alternative options to moving to a trust by April 2018 are:

- **Retain & Modernise within the Council** – The Retain & Modernise financial projections show that keeping the service within the council would significantly reduce its ability to make savings, and therefore raises the risk of having to operate reduced services, potential closure or restriction of sites, and the loss of nationally recognised museum services. Remaining in-house projects an operating deficit of £0.505m more compared with the trust model over the next 5 years. From 2022/23 onwards, to keep the service within the

council would cost an additional £0.240m per annum compared with the trust model. If sites are closed or restricted and the reduction of services takes place, the Royal Pavilion & Museums' status will be harmed and the service could go into decline. This in turn will impact on the priorities the service currently delivers for the city and the visitor economy.

- **A management contract with a third party** – The financial projections for the management contract scenario, based on available soft market testing, show that it would be the least financially sustainable of the options considered. This is primarily due to not being able to benefit from the tax breaks which a charitable trust is able to, and having to pay a management fee to the contractor, estimated to be in the range of £0.250m-£0.400m per annum.
- **Incorporate as a mutual or a community interest company or other form of social enterprise** - There may be financial risks associated with this option as they do not attract the taxable benefits which trusts can e.g. gift aid. They operate on shorter contractual timeframes and require the parent body to conduct a tender process. As a mutual, an organisation may only be awarded a contract for a period of three years before being required to compete. The council would then have to put the service out to tender again and the mutual organisation would need to re-tender. As museums need to operate on long timeframes, this approach and uncertainty would not be suitable or recommended. This is not a tested model for museums and with the international significance of the Royal Pavilion & Museums it is considered that this option carries high risks with financial benefits less than those of becoming a charitable trust.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 The council's change management process will be followed in relation to staff and trade union engagement. Key stakeholders will be informed.

6. CONCLUSION

- 6.1 The move to an alternative governance model for the Royal Pavilion & Museums will secure the long term future of the city's unique museum assets. The financial modelling has demonstrated, even in the relatively short term, this is best achieved by moving the Royal Pavilion & Museums into a newly established charitable trust, which also supports the vision committed to enriching and changing the lives of residents and visitors through art, heritage and culture.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications

- 7.1 An overview of the main financial implications on the 3 identified scenarios is included in the main body of the report in section 3.4. The table in the report shows that the council's budget envelope for funding a grant allocation to a trust

would be financed from three areas; Royal Pavilion & Museums Direct Budget, Property & Design Planned Maintenance Budget and Central Support Services Budgets.

- 7.2 All three areas are projected in line with the savings and other assumptions in the Budget Strategy as reported to Policy, Resources & Growth Committee on 8 December 2016. The budget strategy assumes that the Royal Pavilion & Museums Direct Budgets will be used to finance the new trust at the 2016/17 Budget level of £1.145m for the three year period 2018/19 to 2020/21 and at £0.753m thereafter (with future inflation provision provided). The Property & Design budget contributions are estimated at £0.400m per annum thereafter (with future inflation provision provided). There is an expectation that the actual savings achieved in support service costs are reinvested into the trust.
- 7.3 A sum of £0.196m was initially allocated for 2017/18 from the Modernisation Budget for this project. This will be increased to £0.250m to cover one-off set up costs of the trust and included in the council's Budget Report to Policy, Resources & Growth Committee in 9 February 2017. Allocations from the Modernisation Board are only secured following approval of business cases.
- 7.4 The detailed financial modelling includes a number of sensitivities around the following factors:
- Greater maintenance costs
 - Changes to admissions and fundraising income & charging for Brighton Museum
 - Changes to assumptions around staff turnover and staff costs

The sensitivity analysis shows that the modelling is sensitive to changes in the assumptions used and any changes to assumptions in the future will need to be carefully managed and modelled to ascertain any revised financial implications.

- 7.5 The financial transactions between Brighton & Hove City Council and the proposed trust and decisions on which body holds each budget will require consideration. Currently, the expectation is that the council will hold the repairs and maintenance budget, while other budgets will be passed to the trust. However, some support service budgets may be retained by the council for an agreed period until the trust is able to implement potential alternatives. The financial modelling incorporates any VAT implications from trust proposals. Further VAT advice will be sought as appropriate as the project progresses.
- 7.6 Pension implications are referred to in the Phase 2 final report, in particular that there may be a pensions deficit of circa £3.6m at the point of transfer to a trust. However, as noted in paragraph 7.12 below this deficit already exists within the Brighton & Hove City Council fund and would be retained within the fund on transfer, forming part of the ongoing actuarial valuation of the Brighton & Hove City Council fund as now.

Finance Officer Consulted: Steven Bedford

Date: 9 January 2017

Legal Implications

- 7.7 The proposal is that the running of the Royal Pavilion & Museums is transferred to a charitable trust. This trust will have to comply with the legal and regulatory framework which applies to charities. The Council will want to have representatives on the board of trustees but will not be able to have a controlling influence as the board will be required to be independent by the Charity Commission. Members who sit on the board will need to act in the best interests of the trust and consider whether they have conflicts of interest between this role and their role as a member of the council.
- 7.8 Funding will be provided to the trust by way of a grant which means that a procurement is not required. It will limit the degree of control which the council has over the trust. Preliminary advice has been provided in relation to state aid. The arrangements with the trust will need to minimise risks associated with state aid and procurement and it may be necessary to seek Counsel's advice on these issues as the legal documents are developed.
- 7.9 A number of agreements will need to be drafted and negotiated with the board of trustees. These will include a funding agreement which sets out the terms of the grant and a collection agreement which loans the museums' collections to the trust. The council will need to provide funding to the trust to enable them to instruct solicitors to draw up the documents required to establish the trust and to advise them in relation to the agreements with the council. Employees will transfer under TUPE when services transfer to the trust. The trust may require some support from the council for a period of time after it has taken over running the museums. It may, for example, require ongoing finance or IT support. This could be provided via a support services agreement between the council and the trust.
- 7.10 The council will retain the freeholds of the museums and lease the buildings to the trust. The council will retain responsibility for maintenance of the buildings. The leases and the collection agreement will terminate if the funding agreement is terminated.

Lawyer Consulted: Alice Rowland

Date: 6 January 2017

HR Implications:

- 7.11 Transfer of the Royal Pavilion & Museums' existing employees (approximately 150) to a new trust will be covered by TUPE (Transfer of Undertakings Protection of Employment Regulations) legislation, which means that staff would transfer to the new trust on their existing terms and conditions of employment and their continuity of service would be preserved.
- 7.12 In order to help the trust to establish itself, rather than require a bond from the trust, Brighton & Hove City Council will act as guarantor for the new trust to enable them to gain admitted body status within the Local Government Pension scheme and ensure that any transferred staff retain their membership of the Local Government Pension Scheme. In addition, on transfer to the new trust, Brighton & Hove City Council would retain any existing pension deficit in relation

to the transferred staff within its scheme so that no deficit is passed to the trust at the point of transfer.

- 7.13 Staff have been kept informed regarding proposals through staff briefings and will be formally consulted prior to the transfer taking place. Appropriate meetings will be facilitated between staff, unions and the new trust to address any concerns or queries ahead of the transfer.
- 7.14 The new charitable organisation and trading subsidiary will need to commit to ethical business practices and fair contractual terms for all staff (new and existing) and that this will include options such as a commitment to funding, living wage schemes and a commitment to recognise trade unions for employees and any other relevant schemes.

Equalities Implications:

- 7.15 A full Equalities Impact Assessment will be carried out. There will be a full consultation process with staff and trade unions. The public and particular community interest groups will also be consulted.

Sustainability Implications:

- 7.16 None directly related to this report. The trust would be expected to conduct its business in line with environmentally sustainable business practises.

Corporate / Citywide Implications

- 7.17 Through its services, the Royal Pavilion & Museums currently delivers on all of the corporate priorities. The Royal Pavilion is an international visitor destination and is one of the main visitor attractions in the city and region. Its iconic impact alone has been assessed as being worth around £60m in 2004 (University of Brighton research) and its socio-economic impact at around £28m in 2012 (Tourism South East).

Any Other Significant Implications:

None.

SUPPORTING DOCUMENTATION

Appendices:

Appendix 1 – Sites within the Royal Pavilion & Museums portfolio

Appendix 2 – Charitable trust governance arrangements

Documents in Members' Rooms

Royal Pavilion & Museums phase 2 final report

Background Documents

EDC November 2015

P&R April 2016

Sites within the Royal Pavilion & Museums portfolio

- Brighton Museum & Art Gallery – a Grade 2 listed building, on its present site since 1873.
- Booth Museum of Natural History – a Grade 2 listing building, founded in 1874, bequeathed to the public in 1890 by Thomas Booth and held in trust by the council since that date.
- Hove Museum & Art Gallery – established in 1927 (purchased by Hove Corporation in 1926).
- Preston Manor – which is a Grade 2 listed building, bequeathed in 1933 to be held in trust by the council (an 18th century building dating back in part to medieval period).
- Royal Pavilion – a Grade 1 listed building, purchased by the council in 1850. It was restored as a historic palace in the 1970s since which it has been open all year round to the public.
- Royal Pavilion Garden – Grade 2 on Historic England register of parks
- Grade 1 listed buildings: William IV Gate House and India Gate.
- Grade 2 listing buildings/sites: Northgate House, the Old Court House, Jaipur Gate
- 4/5 Pavilion Buildings which includes the Royal Pavilion Shop (rented)
- Off-site store (rented)

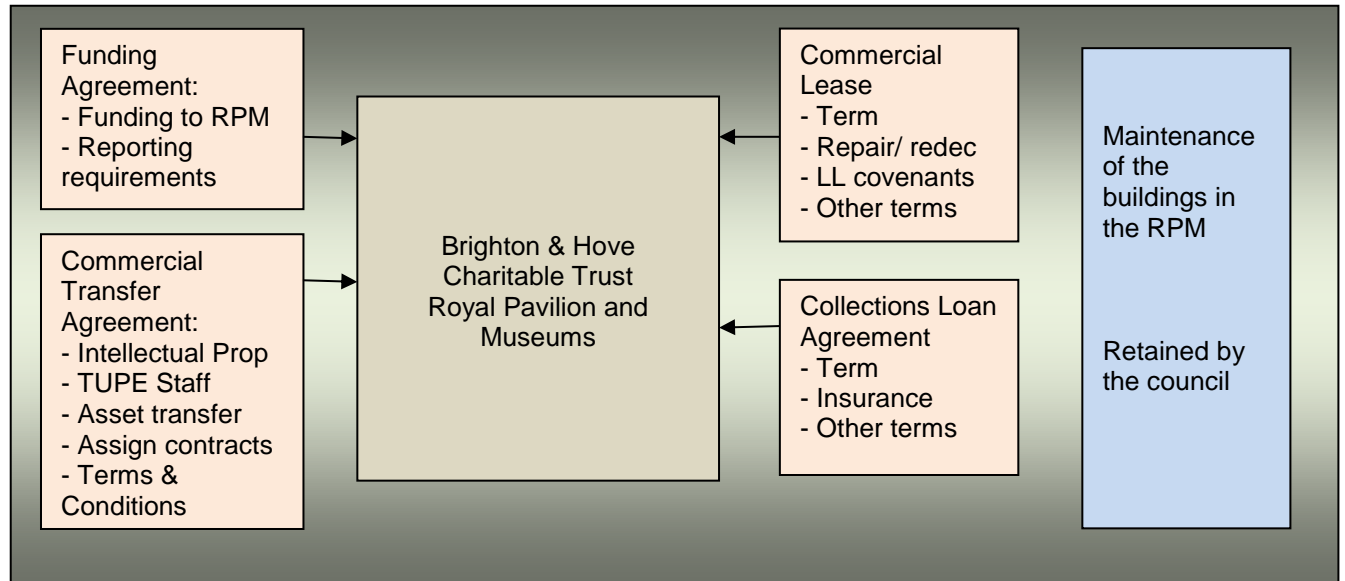
The museum collections include:

- Three Designated Collections of national/international significance. These are World Art, Natural History & Decorative Art (designation attracts funding). The designation scheme is a mark of distinction, identifying and celebrating pre-eminent collections of national and international importance in non-national institutions. There are 140 designated collections held in museums, archives and libraries across England.
- Other collections include: Local History, Social History, Fine Art, Costume, Musical Instruments, Archaeology, Egyptology, Numismatics, Toys and Crafts.

Most of the collections are owned directly by the City Council having been either donated or acquired by the museum service since its inception in 1860. Some items are held in trust by the city council e.g. for the National Toy Museum & Institute of Play; The James Green Trust's collection of Burmese textiles; photographs and artefacts; the Booth Trust Birds, Cases, Library and Building.

Charitable Trust Governance Arrangements

Setup, contracts and assets



Governance

