TOURISM, DEVELOPMENT & CULTURE COMMITTEE	Agenda Item 10
	Brighton & Hove City Council

Subject:	Update on the Royal Pavilion & Museums Service Future Governance	
Date of Meeting:	20 June 2019	
Report of:	Executive Director Economy, Environment & Culture	
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Wards affected:	All	

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 This report updates the Committee on progress following the decision of the 11 October 2018 Policy, Resources and Growth Committee (PRG) to transfer the Royal Pavilion & Museums (RPM) to a charitable trust. The trust's sole purpose will be to deliver the Council's museums services. The decision to proceed with the transfer followed a detailed evaluation of all the options for the future of the RPM accompanied by a programme of staff engagement.

1.2 The aim of the transfer to a trust is to ensure that RPM is sustainable and resilient, and capable of delivering the best possible outcomes for the city, residents and visitors over the longer term.

1.3 This report provides an update on progress and seeks approval to enter into an Memorandum of Understanding (MOU) with the Royal Pavilion and Museums Foundation (the Foundation). Further reports dealing with the governance of the Foundation and seeking delegated authority to conclude the legal agreements between the Foundation and the Council will go to a future TDC Committee (likely to be in September 2019) and then to PRG (likely to be in October 2019).

2. RECOMMENDATIONS

2.1 That the Committee notes the positive progress made, notes that a Joint Project Board has been established and notes that project is now in the Initiation Phase and has progressed ahead of schedule.

2.2 That the Committee agrees in principle that the Royal Pavilions & Museums service should be transferred to the Foundation (noting that this will be subject to final approval from Policy Resources & Growth Committee), and agrees that the Council should sign an MOU based on the MOU attached at Appendix 1 (noting that it may be subject to further minor amendments).

3. CONTEXT AND BACKGROUND INFORMATION

Independent Review

3.1 An independent review of options for the future governance of the Royal Pavilion & Museums took place in 2018. The review concluded that the trust model would be more financially sustainable than the in-house service in the mid to long term, and that the Council should take the decision to move the service to a charitable trust which would have the sole purpose of managing the Royal Pavilions & Museums service. Policy, Resources & Growth Committee accepted that recommendation in October 2018. A summary of the review's conclusions is attached as Appendix 2.

3.2 The independent review recommended officers consider whether a new charity should be established or whether the existing fundraising charity, the Foundation, could become the charitable trust body. In December 2018 the Foundation made an offer to the council to become the Trust that would run the Royal Pavilions & Museums service.

3.3 For the reasons set out in section 4 below, officers provisionally accepted this offer, subject to Committee approval. Officers have established a Joint Project Board which the Foundation has been invited to attend. An MOU establishing the shared principles and commitments from both organisations has been drafted and the Committee is asked to agree that the Council should sign it.

Working with the Foundation

3.4 The Foundation has recently established itself as a charitable company limited by guarantee and is currently considering a name change to the 'Royal Pavilion and Museums Trust'. The Foundation is already registered with the Charity Commission but is seeking to make some minor modifications to its governance arrangements including the change of its name.

3.5 Council officers have begun a dialogue with the Foundation to explore the option of making further changes to the RPM Foundation to enable the council to contract with it to manage the Royal Pavilion & Museums. The changes sought by the Council include:

a) The Council becoming a member of the company. The Council will need to be in a different class of membership so that it can reserve a small number of key decisions (relating to the Articles and the Foundation's name).
b) Amending its Articles of Association to allow the Council to be represented on the Board, while ensuring that the Charity remains independent.
c) Ensuring appropriate skills and diversity on the trustee body, and building the management capacity of the Board
d) Enabling the Foundation to establish a subsidiary trading company, capable of transferring any trading profit over to the charity.

3.6 The complete list of changes sought by the Council are set out in full in the MOU attached. It is proposed that the Council's support for the transfer of the service to the Foundation should be dependent on compliance with the MOU and the 'due diligence' tests described below.

Phases and Timetable

3.7   The October 2018 Policy Resources & Growth committee report outlined three phases of work:

- A Service Improvement Phase, updating processes and systems;
- An Initiation Phase, testing the financial modelling, governance, and other preparatory work and setting the key milestones for transfer; and
- An Implementation Phase which would finalise contracts, leases, the support services arrangements and the TUPE process and consultation.

The Service Improvement Phase is complete, and the project is currently (as of June 2019) in the Initiation Phase, aiming to 'give all key parties a shared understanding of and confidence in future governance, financial and operational arrangements'.

3.8   The timetable outlined in the October 2018 Policy, Resources & Growth committee report was for these three phases to be completed by April 2021, in time for the next funding round to Arts Council England. However, the application process will be beginning in 2020, and therefore ACE, as a major funder and stakeholder, has been supportive of bringing this timetable forward. This allows time for embedding of the new governance model before application for funding is undertaken. The project is currently on schedule.

3.9   Officers have established a Joint Project Board (for the Terms of Reference see Appendix 1). The Board is chaired by the Director of Economy, Environment & Culture and is attended by BHCC officers, union representatives and Trustees of the Foundation. The work is organised into five workstreams: Finance, Staffing, Property, Legal and ICT. These workstreams are described below.

3.10   Although the Foundation is closely involved with the whole process, the council remains the sole decision maker in relation to the Royal Pavilion & Museums until the transfer date.

The Workstreams

3.11   Finance - The 5 year Business Plan, Building maintenance budget; transition funds

The Finance work stream has been developing a detailed five year financial model for the proposed transfer to a charitable trust, including updating of assumptions as more up-to-date and reliable information becomes available, and testing the sensitivity of the various assumptions made. The financial model will continue to be developed as information becomes more robust. Various assumptions tested include:
- o Future impacts on admission and retail income based on increased investment in marketing and adopting responsive pricing strategies .
- o Estimate of Gift Aid income based on comparison to similar organisations allowing for a period of reduced income during transition.
- o Increased level of donations more likely under a charitable trust model.
- o Potential supplier contract efficiencies through procurement;
- o Consideration of required support service and governance costs of a charitable trust.

o   The medium term building planned maintenance requirements based on recent condition survey data

o   Likely level of VAT liability for a charitable trust, with consideration of different funding models, application of cultural exemption and impact of planned maintenance requirement.

The latest financial model has been presented to representatives from the Foundation, who will continue to be consulted and involved as the model develops.

This work stream is also considering how the Trust would meet its future need for accountancy and financial services support, and whether and for how long the council might itself continue to provide these services. A decision will be made to on the basis of providing the best value for money for both parties.

Staffing and HR

The objectives for this workstream are to:

o   Transfer employees to the new Trust under TUPE regulations;

o   Ensure that personal records and data for the transfer are compliant with TUPE regulations, GDPR and Data Protection;

o   Ensure TUPE obligations regarding casuals and agency staff are met;

o   Facilitate information sharing between the council and the Trust through open and transparent collaborative working;

o   Ensure the scope of the workstream aligns with the requirements of the RPM service and the anticipated needs of the Trust;

o   Advise the Joint Project Board on the option for the Trust to retain the services of the council's HR support function;

o   Facilitate the Trust's application for admitted body status in respect of the Local Government Pension Scheme;

o   Obtain Pension Information Memorandum (PIM) and Pension Shortfall Letter from East Sussex Pensions in respect of pension liabilities, and facilitate any pension bond;

o   Ensure staff are closely engaged with the work to transfer the service to the Foundation, and are also kept informed of progress;

o   Ensure any processes proposed by the Trust are identified for formal consultation with transferring staff and Trade Union representatives;

Staff are closely engaged with the work to transfer the service to the Foundation, and are kept informed of progress through email updates (which are printed for those that don't have regular access to email), team meetings, 'open door' for managers, and through their staff reps, who also sit on the Joint Project Board.

Property

3.12   The properties to be leased to the trust, subject to existing sub-tenancies, are:

- o Royal Pavilion, Northgate House, William IV Gatehouse, India Gate & Royal Pavilion Gardens (including the café)
- o Brighton Museum & Art Gallery & Education Building
- o Preston Manor (including the residential flat)
- o Hove Museum & Art Gallery & the Jaipur Gate
- o Booth Museum
- o 118 Church Road Brighton (The Old Court House) (under a separate lease)
- o 4/5 Pavilion Buildings (also a separate lease)

It is intended that the council's leased-in storage facility, Unit B5, will be assigned to the Trust, subject to the Landlord's consent.

3.13   The aims of the Property Working Group are:
- o To agree leases for the transfer of the buildings to the Trust and conclude an assignment for Unit B5;
- o To complete the property condition surveys and the 5 year required maintenance and pass onto the Trust;
- o To draft the building maintenance strategy covering all forms of maintenance and statutory compliance responsibilities;
- o To make any recommendations on the future relationship between the Trust and the council's Property and Design service.

3.14   Detailed and costed condition surveys have been completed for each of the buildings. Heads of Terms for the three proposed leases have been drafted. Valuations have been commissioned to evidence compliance with s123 of the Local Government Act 1972.

3.15   A draft building maintenance strategy has been considered by the Joint Project Board and is being finalised, with the aim of maximising the financial benefit to the Trust. It is anticipated that the council will retain its right to carry out repairs, but that the obligation to maintain, repair and meet statutory compliance duties will sit with the Trust. The Trust will become the responsible body for the safe management and operation of the buildings and all associated forms of building maintenance works. A five-year and annual programme of planned maintenance works will be agreed between the Trust and the council.

Legal work

3.16   In order to transfer the service to the Foundation the Council will need to enter into a number of legal agreements. The Foundation will provide the service to the Council pursuant to a services contract. This is preferable to a grant arrangement as it ensures that the Council can insist that the services are delivered effectively to the standard set out in the contract. It is also beneficial to the Foundation at it has VAT benefits. In addition to the service contract, the parties will enter into a transfer agreement and support services agreements (if the Council is going to provide any services to the Foundation). The service agreement will have a schedule which sets out all the obligations on the Foundation in relation to the collection. The Council has provided Heads of Terms (HOT) for the services contract to the Foundation's solicitors. It is anticipated that these HOT are likely

to be acceptable to theFoundation though the parties will need to have further discussions in relation to the break clause (i.e. the earliest date which the Council can end the agreement). Once the HOT are agreed, the parties will draw up the legal agreements. Finalising these documents is likely to involve a significant amount of time and resource. The Council's in-house legal team will undertake this and will also draw up the leases based on the work of the Property Working Group.

o The legal work stream will consult with the Charity Commission and amend the governing documents of Preston Manor (see legal implications below).

o The Council has made extensive comments on the Foundation's Articles of Association. If agreed these changes will ensure that the appropriate governance mechanisms are in place to ensure that the Council's assets are protected.

ICT systems & Information Governance

3.17 The objectives for this workstream are:
o To transfer the RPM service to new hardware and new systems as the service moves out to the Trust.
o To ensure that records and data management for the transfer is not only GDPR compliant, it also facilitates open and transparent collaborative working between the council and the Trust in the future.
o To advise the Joint Project Board on the option for the Trust to retain the services of the council's ICT support function.

3.18 The RPM operates a number of sector specific business systems including ticketing, financial reporting, retail stock control, collections management, asset management, building management and security systems. It is also recognised as a sector leader in Digital innovation. These business areas are supported by two full time staff within the Enterprise & Visitor services team of RPM who form part of this workstream alongside colleagues from Corporate ICT and Information Governance.

3.19 To date the group has:

o Scoped the new ICT systems required for RPM in Trust and developed costings (See Appendix 3)
o Developed the tender to engage consultant to undertake this work on behalf of the foundation following approval at TDC in June
o Reviewed existing infrastructure and undertaken a number of small infrastructure projects that will enable RPM to split off from the council network without impacting other BHCC services
o Secured agreement for replacement PCs for staff as existing PCs are all end of life and will need to be returned to BHCC at point of transfer.
o Worked with Finance and HR to develop costings and ensure infrastructure is in place to support the continued usage of the BHCC financial systems and payroll services for a transition period on transfer
o Begun drafting Data Privacy Impact Assessments relating to the transfer of Locally Managed records and HR Records from BHCC to the new trust

3.20 The next phase of the project will involve appointing a contractor to develop a new hosted Cloud environment for RPM with Office 365 and Window 10 as well as virtual servers and data back up to support the RPM business systems. This

work will need to be completed prior to transfer to allow for testing and configuration. Information sharing agreements will also need to be developed between BHCC & RPM to cover the transfer. Staff are being kept informed of progress through briefings. The project plan allows for sufficient time for staff training on the new systems prior to transfer.

Safeguarding the Collection

3.21   RPM has all polices in place required to meet museums accreditation. The scheme, overseen by the Arts Council, sets out achieve agreed standards in how museums are run, how they manage their Collections and how they manage public resources, reinforcing a shared ethical way of doing things for everyone involved in the running of a museum.

Policies

3.22   Updated policies relating to the collections were agreed at PRG in January 2018:
   o   Collections Development;
   o   Collections Care & Conservation;
   o   Documentation & Information;
   o   Human Remains;
   o   Documentation Procedure Manual;

3.23   RPM access statement

The following were agreed at TDC in January 2019:
   o   Loans Policy;
   o   Rights Policy;
   o   Digital Preservation Policy;
   o   Human Remains Policy (updated);
   o   Collections Development Policy (updated).

Due Diligence, and satisfying the conditions for proceeding with implementation of the transfer.

3.24   The due diligence process is an important element of the risk management of the transfer, which informs the decision making process of key stakeholders, and ultimately supports the negotiation of the final legal agreement.

3.25   Delegated authority was given to the Executive Director to decide at what point due diligence was concluded and the issues resolved, and to commit the council to implement the final transfer plans.

3.26   The October 2018 Policy, Resources & Growth commitee report set out the following four tests or risks that the service would need to resolve before officers could be satisfied that the project could proceed to implementation.

   1. 'the income generation projections need to be fully modelled and a financial strategy developed to manage the uncertainty around future income to ensure the future model is capable of achieving a surplus position'

The Finance Working group has carefully and rigorously modelled the first five years of Trust operation (a summary is set out as Appendix 4). See also section 7 below.

2. 'that the independent charity would need to have the leadership capacity, skills and appropriate structure to manage a museum service'

The Foundation's review of the proposed governance arrangements for the Foundation, and the steps being taken to implement them demonstrate how this test is to be satisfied. Actioning those proposals, including the necessary changes to the Articles of Association of the RPM Foundation, is subject to the Committee's approval of this report.

A sole-purpose charitable trust whose primary function is to deliver the RPM service gives the greatest focus on stewardship of the very significant heritage assets in Royal Pavilion & Museum's portfolio. Transferring the service to a charitable company has quantifiable short-term costs but gives potentially substantial financial advantages in the medium and longer term.

3. 'that stakeholders and funders (especially Arts Council England) need to have confidence in the arrangements'

Art's Council England (ACE) are supportive of governance options that fulfil the National Portfolio Organisation requirements, and when asked about using the existing charity i.e. the Foundation, ACE has said that with the appropriate governance changes to the organisation so that it mirrors other charitable trusts, and provided it can meet BHCC and ACE requirements, the existing charity could be developed so that it can deliver the service. The Charity Commission will need to approve the proposed governance arrangements.

4. 'that any proposed trustees would need to be confident that the terms on which the service contract would be offered provide a viable model'.

The Foundation's trustees are engaged with the work of the Joint Project Board which gives them the opportunity to raise concerns about the transition. They will also carry out their own due diligence exercise so that they are confident that they understand all the costs and risks of the service and to ensure that they can enter into the arrangements with confidence that they will be able to deliver the service with the funding available.

The Royal Pavilion and Museums Foundation

Background

3.27   The Foundation was established in 1972 as a charity called the Friends of the Royal Pavilion, Art Gallery and Museums with Lord Asa Briggs as Chair, he remained chair until 2006. When established, the charitable objects of the Friends were: for supporting the Royal Pavilion, Art Gallery and Museums through the advancement of public appreciation in the arts and sciences by acquiring suitable objects and works of art for inclusion in the permanent collections and for other such incidental purposes for the encouragement of the arts and sciences as may by law be deemed to be charitable. There was Council

representation from the outset with the chair of the committee responsible for the service (currently TDC) sitting on the board.

3.28   Amendments to the trust deed to extend its charitable objects were undertaken in 1991 and 1998. They were revised as follows:
the advancement of, including the advancement of public appreciation in, the arts culture, heritage or science (without limitation by) acquiring and maintaining objects by:

  o   Acquiring and maintaining suitable objects and works of art for inclusion in the permanent collections at the Royal Pavilion Art Gallery and Museums of Brighton and Hove
  o   Providing for, or supporting, the establishment, maintenance, refurbishment and enhancement of exhibitions and displays of the said permanent collections and the buildings in which they are housed;
  o   Providing for, or supporting, the establishment, maintenance, refurbishment and enhancement of other collections and displays of such permanent collections.

3.29   In 2010 the Friends was rebranded as the Royal Pavilion and Museums Foundation. Since then, the Foundation has acquired funds to support the RPM through a Friends membership scheme along the lines of similar sector schemes across the UK, through enabling people to leave bequests, legacies and donations, and through being able to apply to trusts and grant-giving bodies that do not grant funds to local authorities. The grants which RPM has received from the Foundation have been used for a variety of projects and developments including:

  o   Purchases Kenneth Baker's collection of Regency cartoons;
  o   Conservation of textiles
  o   Exhibition and collections catalogues and publications
  o   Brighton Museum Redevelopment (contribution of £238,970)
  o   India Gate restoration (£13,000)
  o   Elaine Evans Archaeology Gallery (£290,000)
  o   Saloon Restoration (£204,000)
  o   A range or smaller annual fundraising appeals including learning, the Garden, Pagoda restoration

3.30   The RPMF holds unrestricted and designated reserves of £798k as at 31 March 2019. These reserves, alongside an additional £385k of restricted reserves, could be available to invest in, or otherwise support, the new Trust.

The Foundation's Governance Review

Trustee Review and Recruitment

3.31   The Foundation has appointed an independent consultant to review the Board composition and skills profile. The consultant has also been asked to propose a recruitment process for new trustees as well as identifying a process of recruitment of a new Chair of the Foundation.

3.32   A key objective will be ensure that the board of trustees reflects the diversity of the local community and has the right mix of skills, and the capacity to effective

govern the Trust. There are four phases of this work. The first phase has been a skills and experience audit of current Board members. The skills audit shows that the Board has particularly strong skills and experience in the areas of: accounting and budget setting; business planning; and charity governance. It also features a reasonable mix of experience across: arts management; capital projects; community engagement; digital media; equalities and diversity; human resources; and marketing and risk management.

The Board has less experience in cross cutting agendas, in particular: child development/safeguarding; creative learning; disability and accessibility; environmental sustainability; health and wellbeing; and public policy.

3.33   The second phase will entail more detailed discussions with funders, including the Arts Council and City Council officers.

3.34   The third phase would then be initial proposals for the recruitment process for new Trustees and the new Board Chair. Key to this will be to ensure that City Council officers will be involved and Trustees are also keen to encourage an element of staff involvement.

3.35   Stage four will be the final recommendations for recruitment. The intention is that phase 4 will be reached as soon after the 20th June TDC Committee meeting as possible so that the recruitment process can be initiated thereafter.

3.36   The appointment of Council Members as Trustees will be made by the Council's Policy, Resources & Growth Committee. It is hoped that those Members will engage on an informal basis with the Foundation prior to their formal appointment in the autumn in order to start to develop relationships and build their understanding of the organisation and the service.

4   ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1   Note this section does not consider the alternative, in-house option for delivering the RPM service – this was carefully considered by the October 2018 Policy, Resources & Growth Committee last October when it decided to transfer the service to Trust.

4.2   This report describes the work to develop the Trust based on changes to the existing RPM Foundation. The alternative option of a new Trust, created specifically to run the RPM service, was also evaluated, against the following criteria:

a) Timescale for delivery
b) Fitness for purpose
c) Lifetime cost – this took account of overall costs to the council and the Foundation.
d) Risk management
e) Other factors

4.3   While both options would be equally 'Fit for purpose', and might take about the same time to set up, the 'New Trust' option was rejected on the grounds that

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(a) It would not make sense to have two charitable bodies, i.e. the new trust and the existing Foundation.

(b) The transition costs would be higher. The Foundation has been able to bear a proportion of the transition costs using existing funds. Establishing a new company would require officer time and would take longer than 're-purposing' and existing charitable company.

(c) The Foundation brings with it a range of intangible benefits in terms of goodwill, recognition and expertise.

5   COMMUNITY ENGAGEMENT & CONSULTATION

5.1   Arts Council England has been kept updated during the process, and monthly meetings take place between RPM managers and the Arts Council. Their concern has been to ensure the focus is on the high quality delivery to the public of the funded activity programme during any change process, to have a properly resourced and skilled team, to address the actions needed to continue to meet the accreditation standard, and to ensure the service, which is of national importance, has a sustainable future.

5.2   The Trade Unions have been invited to join the Joint Project Board and representatives from both GMB and Unison have been attending to ensure that issues that relate to staff are considered.

5.3   To support the service during 2019-20 the Arts Council requested the establishment of a Museums Advisory Group. Two reports were presented and agreed at TDC (January and March) outlining the role and composition of the Advisory Group. These were agreed at TDC, and included for example, independent senior level expertise in relation to collections, historic buildings and programming.

6   CONCLUSION

6.1   As Council budgets decline, it has been necessary to look at ways to maintain a high-quality service, and to protect and conserve and utilise the sites and collections for public benefit in the longer term, whilst meeting necessary savings targets. It is recognised that there are greater opportunities to raise income in the charitable sector and therefore secure the long-term sustainability of the city's heritage and museum assets to ensure they continue to contribute to the city's priorities.

6.2   This report outlines the positive progress that is being made towards moving the Royal Pavilion & Museums services into Trust.

7.   FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1   A detailed five-year financial model has been developed to identify the likely financial implications of the proposed transfer of the RPM service to a charitable trust. The financial model takes into account information from previous external consultant reviews, analysis of most recent financial data and testing of sensitivities associated to assumptions to ensure that the model is robust. Consistent with previous modelling, the latest financial model suggests that there

are favourable financial implications in the medium to long term from a transfer to trust compared to the service remaining under control of the council. The financial benefits of the proposed transfer to a charitable trust include net favourable tax benefits from gift aid eligibility, increased fundraising opportunities, greater commercial focus, flexibility of pricing strategies and longer term financial planning. The financial model also considers the negative financial liabilities associated to a charitable trust such as irrecoverable VAT, governance and overheads costs. The council will also benefit from savings in support service provision. Some assumptions in the financial model still require further development as information is still being sought. The financial model will continue to be developed and considered alongside representatives from the Foundation during the initiation and implementation phases.

7.2   The financial modelling suggests that the net financial benefit of moving to a charitable trust would maximise future budget savings, however one-off funding to support initial setup and transition would be required in the short term. This initial funding requirement is under discussion between the council and the Foundation. It should be noted that the short term additional funding is partly due to an increased annual financial contribution to the planned maintenance of the RPM estate. This additional funding would be required under both in-house and transfer to trust scenario to meet maintenance requirements identified in the condition surveys carried out. One likely favourable implication of a transfer is that a charitable trust would be able to generate additional funding through fundraising for required planned maintenance and capital investment to meet the maintenance requirement shortfall, which would otherwise require additional council funding.

7.3   A summary of the final financial model will be reported to a future meeting of Policy, Growth & Resources Committee, and will include detailed financial implications associated to the council's budget position.

Finance Officer Consulted: Steven Bedford   *Date: 10/06/2019*

Legal Implications:

7.4   The two parties' legal teams have agreed the terms of the MOU. It is not a legally binding document but is intended to record the parties' commitment to working together to achieve the transition. The Council is waiting for confirmation that Appendix A of the MOU is agreed and there may need to be further amendments. Such amendments are covered by the Scheme of Delegation to Officers and the Committee is therefore not requested to delegate authority but to note that the MOU may be subject to minor tweaks if requested by the Foundation.

7.5   The proposal is that the Council will become a member of the charitable company. The other members of the company will be the trustees/ directors. The Council will be in a special class of membership so that certain decisions can only be made with the Council's consent. The full governance implications will be set out in the report to the TDC/ PRG committees in the autumn but it is likely that the recommendation will be that PRG commitee takes any decisions on behalf of the Council in its capacity as member of the company.

The Council will need to appoint trustees to sit on the RPM Foundation (the RPM Trust as it will be known) once the articles of the Foundation have been amended. Trustees will formally be appointed by PRG Committee.

7.6.1 The legal implications relating to the procurement and state aid risks were set out in the report to PRG committee in October 2018. Leading Counsel has advised and concluded that the risk that there is legal challenge to the Counsel directly awarding a contract (i.e. without undertaking a procurement) is low. He also confirmed that entering into a contract with a charitable trust will not amount to state aid.

7.7 The council will remain corporate trustee of the Booth Museum and Preston Manor after the proposed transfer but will grant leases of the buildings and use of the collections to the Foundation. The council must continue to ensure it acts exclusively in the best interests of Booth Museum and Preston Manor and avoids any conflict of interest. The governing documents will need minor amendment to reflect the new governance arrangements.

7.8 The council is under an obligation when leasing its buildings to achieve the best consideration reasonably obtainable (s123 Local Government Act 1972). However the Secretary of State has issued a general consent: Circular 06/03: Local Government Act 1972 general disposal consent (England) 2003 which allows the Council to dispose of land for less than best consideration provided that the undervalue does not exceed £2m and the authority considers that the disposal will help it to secure promotion or improvement of the economic, social or environmental well-being of its area. Officers anticipate that the disposals of the buildings will be disposed of for an undervalue but it will not exceed £2m in each case. Future reports will set out in full the reasons why the disposals meet the test set out in the general consent.

Lawyer Consulted: Alice Rowland   *Date: 9/6/19*

Equalities Implications:

7.9 An Equalities Impact Assessment has been completed, covering Governance; Staff; service users, and ICT systems. No changes are proposed to the service itself, but the project is an opportunity to review the RPM's equalities and inclusion policies and practices. The RPM Trust is committed to protecting the terms and conditions of staff. Staff are represented on the project Board.

7.10 The review and recruitment of Trustees will ensure that there is a diversity of representation on the board. The contract with the Trust will ensure that the service delivers where applicable on the Council's priorities. In line with Arts Council goals, the service increasingly delivers programmes and services in collaboration with communities and citizens of protected characteristics.

Sustainability Implications:

7.11 The service will continue to work on improving its sustainability which it reports on as part of its agreement with Arts Council.

<u>Any Other Significant Implications:</u>

SUPPORTING DOCUMENTATION

Appendices

1. Memorandum of Understanding between Brighton & Hove City Council and the Royal Pavilion and Museums Foundation
2. Summary of conclusions from the 2018 independent review.
3. ICT Scoping document
4. The sustainable business plan – summary.
5. High level timeline

Background Documents

1. Report to PRG Committee October 2018

Appendix 1 – Draft MOU

Dated_____

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Memorandum of Understanding
between
Brighton & Hove City Council
and
Royal Pavilion and Museums Foundation

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THIS AGREEMENT is dated [DATE]

PARTIES

(1)   Brighton & Hove City Council of Hove Town Hall, Norton Road, Hove BN3 3BQ (**Council**).

(2)   Royal Pavilion and Museums Foundation of 4-5 Pavilion Buildings, Brighton, United Kingdom BN1 1EE (**Foundation**).

1. Background

1.1. The parties have agreed to work together on the project detailed in Appendix A (**Project**) to transfer the Royal Pavilion and Museums (**RPM**) to the Foundation.

1.2. The parties wish to record the basis on which they will collaborate with each other on the Project. This Memorandum of Understanding (**MoU**) sets out:

1.2.1.   the principles of collaboration; and

1.2.2. the governance structure the parties will put in place.

1.3. The parties do not intend this MoU to be legally binding and both parties recognise that the decision to pursue the Project will ultimately have to be made by the Council's Policy, Resources & Growth Committee and the Foundation's board.

1.4. The parties recognise that the alternative option to the Project is for the Council to establish a new charitable company and transfer RPM to that entity and they recognise that this option remains open to the Council until formal legal agreements governing the Project are executed by the parties.

2. The Principles of Collaboration

2.1. The Foundation shall:

2.1.1.   acknowledge throughout the Project that it is important that the Council, as the commissioner, takes the lead in establishing the services it requires;

2.1.2. consult with the Council on changes to its Articles of Association (**Articles**);

2.1.3. amend its Articles so that:

2.1.3.1.   it is a charity whose primary purpose the delivery of the RPM service;

2.1.3.2.   the Council becomes a Member of the Foundation in a different class of membership which enables the Council to reserve key decisions (including those relating to the Articles , and the Foundation's name) to itself;

2.1.3.3.   the board of directors/ trustees is 15; and

2.1.3.4. the Council can nominate up to 3 directors/ trustees to sit on the board.

2.1.4. to consult with the Council in relation to trustee appointments during the Project;

2.1.5. seek to achieve a diverse board of directors with the skills balance required to run a charity delivering a large operational service;

2.1.6. establish finance, legal, IT and HR support and to ensure senior management capacity appropriate to running a significant and complex service;

2.1.7. establish a subsidiary trading company for commercial activities;

2.1.8. work with the Council to identify reasonable transition costs incurred by the Council that could be funded by the Foundation as part of their commitment to working with the Council on a sustainable future for the RPM; and

2.1.9. bear its own costs of the Project.

2.2. The Council shall:

2.2.1. Progress efficiently, effectively and within a reasonable timescale all aspects of the project including HR, legal, finance, IT workstreams;

2.2.2. support the Foundation, including providing support services after the service transfer date (if required by the Foundation and subject to terms being agreed between the parties); and

2.2.3. bear its own costs of the Project, unless otherwise agreed in writing with the Foundation in accordance with 2.1.8 above.

2.3. The parties shall:

2.3.1. communicate in a clear and timely fashion with staff and unions to ensure the success of this Project;

2.3.2. work together so that staff understand the benefits of the Project and are fully informed about the role and objectives of the Foundation, it's commitment to RPM and it's commitment to good relations with staff;

2.3.3. act in good faith and approach the Project in a collaborative and open way, communicate openly about concerns relating to the Project and try to resolve all issues in a positive and proactive manner;

2.3.4. act in a timely manner, deploying appropriate resources to ensure the Project can be delivered by 1st April 2020;

2.3.5. manage stakeholders effectively and in particular liaise with the Arts Council England and the Charity Commission in relation to the Project and the actions outlined in this MoU;

2.3.6. aim to complete the Project and transfer the RPM by 1st April 2020.

3. **Governance Arrangements**

3.1. The parties shall meet regularly as the Joint Project Board. The Terms of Reference of the Joint Project Board are set out at Appendix B.

4. **Term and Termination**

4.1. This MoU shall commence on the date of signature and shall expire upon completion of the Project or immediately upon one party notifying the other in writing that they do not wish to proceed with the Project.

5. **Variation**

5.1. This MoU may be varied by agreement in writing between the parties.

6. **Counterparts**

6.1. This agreement may be executed in any number of counterparts, each of which when executed shall constitute a duplicate original, but all the counterparts shall together constitute the one agreement.

Signed for and on behalf of the Council
Signature: ....
Name: ....
Position: ....
Date: ....

Signed for and on behalf of the Foundation
Signature: ....
Name: ....
Position: ....
Date: ....

MOU Appendix A   The Project

On 11 October 2018, the Council's Policy, Resources & Growth Committee agreed to transfer the Royal Pavilions and Museums service to a charitable trust whose sole purpose is to deliver the Council's museums and heritage services.

It is intended that the Council will enter into a 25 year contract with such a charitable trust.

The Royal Pavilion Museums Foundation has offered to work with the Council to establish itself as the receiving trust.

The transfer was set up as a three phase project, to (1) address a number of preparatory service improvements (now completed); (2) initiate the transfer by satisfying key stakeholders of the governance arrangements and the viability of the proposals; and (3) an implementation phase to deliver the detailed work required prior to the formal handover.

The service improvement phase was completed early in 2019. The initiation phase, aims to address the key risks identified in the October 2018 Committee report:

- the income generation projections need to be fully modelled and a financial strategy developed to manage the uncertainty around future income to ensure the future model is capable of achieving a surplus position;
- the service needs the leadership capacity, skills and appropriate structure to be managed by an independent charity;
- that stakeholders and funders (especially Arts Council England) need to have confidence in the arrangements;
- trustees need to be confident that the terms on which the service contract would be offered provide a viable model.

The subsequent implementation phase will only proceed if these considerations are resolved satisfactorily.

The project aims to complete the transfer not later than April 2020.

MOU Appendix B

Royal Pavilion & Museums – Joint Project Board Terms of Reference

Objectives

To conclude the financial, governance and contractual arrangements to transfer the operation of the Royal Pavilion and Museums to a transformed Royal Pavilion and Museums Foundation.

Role and Function of the Board

The Joint Project Board ("the Board") is responsible for progressing the project.

The key roles and responsibilities of the Board are to;

- Agree the financial strategy and modelling, and develop a sustainable Business Plan; Ensure that trustees are confident that the terms on which the service contract would be offered provide a viable model;

- Ensure the service has the leadership, skills and governance to manage as an independent charity;

- The arrangements can win the trust and confidence of staff, unions, key stakeholders and funders (particularly the Arts Council);

- Address any issue that has major implications for the programme or project, e.g. matters escalated from one of the Working Groups;

- Reconcile differences in opinion and resolve disputes, e.g. arising from the specific tasks in the Working Groups;

- Identify and manage risks through the Risk Register;

Members of the Board must:

- Be committed to, and actively involved in pursuing the programme or project's outcomes;

- Nominate a proxy to attend a meeting if they unable to attend.

Membership

The members of the Board are:

Name	Job Title	Organisation	Board Role
Nick Hibberd	Exec Director	EEC, BHCC	Chair
Julian Crampton	Chair	RPM Foundation	Member
Janita Bagshawe	Head of RPM	BHCC	Member
Jane Weeks	Trustee	RPM Foundation	Member
Anne Silley	Trustee	RPM Foundation	Finance
Steven Bedford	Principal Accountant	BHCC	Finance

Helen Walker		RPM Foundation	Member
Lisa Hepi	HR Business Partner	BHCC	HR
Alice Rowland	Head of Commercial Law	BHCC	Legal
Abigail Thomas	Head of Enterprise and Business	BHCC	Member
Julie Harris	Comms Business Partner	BHCC	Comms and Engagement
Johnny Brooker	IT&D Business Partner	BHCC	ICT
Union representatives	GMB, UNISON	BHCC	Staff
Martin Hilson	Building Surveying & Maintenance Manager	BHCC	Property and Design

This membership may vary as new Trustees are appointed to join the RPM Foundation's Board.

For the avoidance of doubt, the Board retains the roles and responsibilities outlined in these Terms of Reference until responsibility for the service is transferred on the services transfer date.

The Board will have the support of a Project Manager, who will present monthly project reports and update Members on current progress and risks.

The Board will meet monthly.

A minimum of five Board members, including two from the RPM Foundation, is required for the meeting to be quorate.

Chair

Nick Hibberd will Chair the Board and will nominate a substitute in his absence.

The Project Manager will convene Board meetings and circulate minutes.

Agenda Items and Minutes

All Board agenda items must be forwarded to the Project Manager at least three working days prior to the meeting.

The Board Agenda papers will be distributed at least two working days prior to the meeting.

Minutes and Action points will be provided to all Board members no later than five working days following each meeting.

Extract from the independent adviser's report, considered by PRG on 11 October 2018.

Conclusions and Recommendations

1. The assets and the audiences of RPM mean it is potentially well placed to exploit the benefits of Trust status.
2. A sole-purpose Charitable Trust would give the greatest focus on stewardship of the very significant heritage assets in RPM's portfolio.
3. Conversion to charitable status has quantifiable short-term costs but gives potentially substantial financial advantages in the medium and longer term.
4. The success or failure of a new Trust will depend heavily on the terms of its initial setup and of its ongoing relationship with BHCC. It is therefore recommended that the Terms of Transfer are negotiated and an associated Business Plan drawn up in an 'Initiation Phase' before a final decision is made on whether to transfer RPM to Trust status.
5. The purpose of the structured Initiation Phase would be to give all key parties a shared understanding of and confidence in future governance, financial and operational arrangements.
6. The support of RPM staff and of ACE, RPM's other main revenue funder, will be essential for a successful change of governance and so they should be informed and engaged throughout the process.
7. Potential RPM Trustees will need to be party to the discussions, therefore an 'Initiation Group' of prospective Trustees should be constituted. The membership, chair and terms of reference of should be considered carefully. The role of the RPM Foundation and the previous 'Shadow Board' should be clarified and agreed at this point.
8. The negotiations on the terms of a transfer to Trust status should involve, at a minimum, representatives of the Initiation Group, senior Council officers and senior staff from RPM.
9. The Initiation Phase should also be used to progress a number of important initiatives, most notably a review of structure and management systems, which will strengthen RPM's operational effectiveness regardless of the final decision.

Scope Of Work
Royal Pavilion & Museums Trust Migration Project

- Consultation
- Hosting
- Backup
- Windows 10
- Office 365
- IP Telephony
- Firewall
- Internet Filtering
- Anti-virus
- Internet Service Provider
- WiFi Provider
- Hardware Supplier

Consultation

The provider of consultation services must be at a minimum a Microsoft Gold Partner and they must be ISO27001 certified. They must fully understand all of the discount options available through Microsoft, for Charitable and Learning Organisations and must be able to supply these discounts to RPM.

They must provide a turn-key service to supply:
1. A new hosted Cloud environment for RPM within an Azure Tenant
2. Build and configure virtual servers within the Azure Tenant
3. Office 365 Subscription, set-up and configuration
4. Windows 10 subscription
5. Enterprise Mobility + Security, set-up and configuration
6. Set-up of new Virtual servers in the Azure Tenant to mirror RPM's current setup
7. Set-up of data back-up for all data stored on virtual servers, the virtual servers themselves and databases

The Turn-key service must include but is not limited to consultation services to RPM to fully discuss our requirements and options available to us. Full project management, set-up and configuration of the requirements 1 to 7 above, including but not limited to, the relevant routing connections back to RPM offices, to allow staff in those offices to connect using their staff computer to the servers, databases and other programs running on those servers. This includes but is not limited to such programs as our Environmental Monitoring System, Collections Management System and services such as Active Directory, WSUS, DHCP, DNS, Windows Deployment Services and Anti-Virus. They must provide Licensing, management and support for Office 365, Windows 10 and Azure services and explore options to provide RPM with resilience and DR Capabilities. They must agree an SLA including phone and email support. All RPM data must be stored in a location based in the UK.

Hosting

The Royal Pavilion & Museums (RPM) will require an almost fully hosted environment. With the only physical servers on site for printing, rapid digital asset access, Windows image deployment, secondary on site Active Directory and DHCP servers. Antivirus may be provided through the hosted environment or via onsite appliances but this very much depends on the abilities of the hosting environment. We are happy to accept recommendations from the supplier regarding these items.

All virtual servers must have a minimum 1Gbps connection to the Internet. The datacentre must be capable of instantly supplying an alternative Internet connection of the same speed, should the Primary connection fail for any reason.

The datacentre must have multiple power options including battery and generator backup, in the event that mains power fail for any reason.

The data centre must have a fire suppression system that does not damage the physical servers holding our virtual servers should it need to be deployed.

The datacentre must employ some form of server cooling and be able to provide environmental data to us regarding the servers holding our virtual servers.

The datacentre must be able to provide an environmental impact statement to us regarding the services we use, including an indication of our carbon footprint.

The cloud environment that is chosen for the RPM must be able to host multiple virtual servers (see list below) with a minimum storage requirement of 6.77TB.

Server Purpose	Current Used Disk Space
Collections Management Database	899GB
Business Objects	271GB
Environmental Monitoring System / WSUS	834GB
CRM database	898.8GB
Ticketing & Retail System	304GB
Print Server	338.6GB
Digital Assets Storage/ Anti-Virus / KMS / DHCP	2041.72GB
File Server	1347.88GB

The cloud environment must be able to host the following server versions:
- Microsoft server 2016 (minimum), Microsoft Server 2019 (recommended)

The cloud environment must be able to host the following database versions:
- Microsoft SQL server 2014 (minimum), Microsoft SQL Server 2017 (recommended)
- Oracle Database 11g (minimum), Oracle Database 12c (recommended).

The cloud environment must be able to host the full suite of Office 365 products including 'Phone System', (PBX in the Cloud).

The cloud environment will need to be able to accept remote access connections for the purposes of support from RPM ICT, third party suppliers to RPM and a third party support service, should one be engaged.

The cloud environment must be able to accept a VPN connection to provide two way communication between our ticketing system's SQL database and our online ticket sales database, hosted by our ticketing system supplier.

Back Up
Back up of all files and databases must be provided within the cloud environment, be this in the same data centre or a different datacentre with in the UK belonging to the same data centre provider or a different datacentre provider. Backups must take the form of both full virtual server snapshots and individual database and file backups. An incremental backup must occur every day. A full back up must occur once a week, once a month and once a year, with weekly back up's being overwritten every week,

monthly backups being overwritten once a month and yearly backups being overwritten once a year. In addition each server must have Microsoft Shadow copy switched on.

Windows 10

Windows 10 licensing must be provided as part of the package provided by the consultants. RPM ICT will build and test a Windows 10 image and integrate this in to Windows Deployment Services for distribution to RPM computers. The Windows Deployment server can optionally be built in the cloud environment if the Internet connection is sufficiently fast enough, although it is expected it will remain on a local server for speed and bandwidth reasons.

Office 365

Office 365 must be provided via a standard Microsoft licensing product subscription, billed monthly per user. Examples of such a package are Office 365 E3 or E5 which include Word, Excel, PowerPoint, Outlook, OneNote, Publisher, SharePoint, OneDrive, Microsoft Teams and Access. Whichever subscription service is recommended for RPM, taking into consideration its future charitable status, RPM wish to take advantage of applications such as Skype, Microsoft Teams and 'Phone System' therefore any subscription package offered must take this into consideration.

IP Telephony

A solution for IP telephony must be provided that will replace our existing physical telephone system, which will be retired. IP telephony must be provided through Office 365 using 'Phone System' and Direct Routing or Calling Plan which would give us full calling capabilities in Office 365. The supplier must audit our current calling capabilities and provide a solution that is at a minimum comparable to our current calling capabilities.

The solution must be able to handle calls to a central booking office from external customers, providing call queuing, a wait message, hold music and routing to multiple operators with Group call Pickup. There must be a hold facility that allows the operator to hold the call with microphone muted while they check details and there must be a voicemail box that can be accessed by all booking office staff. There must be a physical handset and/or headset option. There must be the ability to report on the number of calls received, the number of calls lost, the time to pick up calls and the duration of calls.

For non-booking office staff the phone system must at a minimum allow calls to be picked up, placed on hold with microphone muted, be forwarded to another number and there must be the ability for calls to go to voicemail. When a voicemail is waiting to be listened to the member of staff must be alerted that voicemail is waiting, either by on computer screen message or on a physical telephone handset. The ability for voicemail to be accessed remotely would be desirable but is not essential.

The ability for staff to have the choice of a physical telephone handset or softphone must be available. The supplier must state whether a physical phone requires Ethernet or USB connectivity and if Ethernet, whether it requires Power over Ethernet or has its own local power supply.

Firewall

The purpose of the firewall is to monitor all incoming data to RPM and outgoing data from RPM and decide whether that data must be blocked or not, based on security rules that RPM sets up.

The Firewall can be a physical appliance installed in our coms cabinet, or it can be a software program that runs locally on a server in our coms cabinet or it can be run in our cloud environment.

The security consultant must decide which method is best for RPM based on our network set-up. They must recommend a system which provides the best security possible within our budget and for the number of staff we have. The Firewall must be configurable to allow staff to connect to our cloud environment, so they can continue to access their files, Office 365 and the cloud based phone system.

The Firewall must allow secure VPN connections into our cloud environment for the purposes of support from RPM ICT and 3rd party vendors. It must also be compatible with Microsoft Open VPN.

The IT department must also be able to interrogate the Firewall database to provide a report on all firewall activity, especially if this is required by the Police and other investigative bodies.

Internet Filtering

Internet Filtering can be done by a physical appliance installed in our coms cabinet, or it can be a software program that runs locally on a server in our coms cabinet or it can be run in our cloud environment. It must provide a fully customisable set of rules to limit content viewable through the Internet including but not limited to porn, gambling, alcohol and drugs. When a staff member tries to view such material, this must be flagged and reported to the IT department. The IT department must also be able to interrogate the Internet Filtering database to provide the Internet activity of any member of staff, must this be requested by the staff member's manager or the Police and other investigative bodies.

Anti-virus

The Anti-virus can be a physical appliance installed in our coms cabinet, or it can be a software program that runs locally on a server in our coms cabinet or it can be run in our cloud environment.

The anti-virus program must provide protection against viruses for desktop, laptop and tower computers as well as servers, both physical and virtual. It must be able to try and automatically clean any virus detected or if un-cleanable remove the infected file into quarantine. The anti-virus program must automatically update itself with the latest virus definitions and then push these virus definitions out to all computers and servers on the RPM network instantly.

The Anti-virus must also check all incoming and outgoing e-mail for viruses, with ideally a sandbox to detonate potential virus threats before they are received by RPM staff into their inbox.

The anti-virus program must have a dashboard where it can be easily seen if any computer has not updated or has a virus.

The IT department must also be able to interrogate the Antivirus database to provide reports on any detected virus.

Internet Service Provider

We will continue to use GTT as our Internet service Provider.

We will become a commercial customer of GTT. All services provided by GTT must be re-routed to ensure RPM is disconnected from Brighton & Hove City Council (BHCC) and all data connections go via the Internet, through our firewall to our Azure Tenant. GTT must configure the network so that all RPM sites have both Internet access and full connectivity with all Cloud based and centralised services held at 4-5 Pavilion Buildings.

WiFi Provider

We will continue to use a combination of GTT and Cloud Connex as our WiFi Provider.

We will become a commercial customer of GTT and Cloud Connex. All services provided by GTT and Cloud Connex must be re-routed to ensure RPM is disconnected from Brighton & Hove City Council (BHCC) and all data connections go via the Internet, through our firewall and web filtering.

GTT and Cloud Connex must ensure that RPM can use wirelessly connected staff laptops, to connect back to the RPM cloud hosted environment (network) to view shared documents and applications such

as Mimsy using Microsoft technologies such as Direct Access or any subsequent Microaoft replacement connection service.

Hardware Supplier

The hardware supplier must be able to supply approximately 125 Windows 10 compatible computers with TPM chips, monitors, keyboard and mouse, comprising small desktop unit's for general staff, tower workstations for power users and IT staff and laptops for remote workers and management staff. At a minimum all general staff computers and laptops must have an Intel i3 CPU, 4GB RAM and no less than a 256GB hard drive. Tower workstations must have a minimum Intel i7 CPU, 8GB RAM and no less than a 1TB hard drive. All computers must be able to support 2 screens simultaneously. CD and DVD drives are not required to be installed and legacy VGA ports are also not required. However all computers (accept laptops) must have an RS-232, 25 pin serial port to support Chip & PIN devices.

The hardware supplier must provide ongoing support for all computers with an SLA that provides at a minimum same day response and 48 hour fix.

[Scope of Work Update 100519]

Appendix 4

Financial Business Plan – summary

The table below shows a high level five-year financial business plan for the proposed charitable trust. Some assumptions in the financial model still require further development as information is still being sought and the figures should therefore be treated as indicative as this stage.

Charitable and Trading Activities					
	Year 1 £'000	Year 2 £'000	Year 3 £'000	Year 4 £'000	Year 5 £'000
BHCC Contract Contribution	1,181	1,119	1,065	734	691
External Grants	1,210	1,210	1,210	1,210	1,210
Donations	130	161	211	261	263
Income from Charitable Activities	4,114	4,328	4,472	4,610	4,723
Other Trading Income	898	924	948	974	1,001
Total Income	**7,533**	**7,742**	**7,906**	**7,789**	**7,888**
Employee Related	5,169	5,273	5,350	5,433	5,518
Premises Relates	597	605	614	622	630
Administration, Supplies and Services	1,241	1,231	1,225	1,218	1,210
Museum Development Grant Payments	226	221	218	214	209
Irrecoverable VAT	310	310	310	310	310
Total Expenditure	**7,543**	**7,640**	**7,717**	**7,797**	**7,877**
Contribution to / from Reserves	**10**	**-102**	**-189**	**8**	**-11**
Cumulative contributions to / from Reserve		**-92**	**-281**	**-273**	**-284**

The **BHCC Contract Contributions** reflects the level of contributions previous reported to Policy, Resources & Growth Committee based on previous modelling.

External Grants relate to existing grants from Arts Council England and are assumed to continue at existing levels over the five year period. Where there is corresponding restricted expenditure, this has been included in the expenditure headings.

Donations based on current levels plus additional contributions likely under trust status.

Income from Charitable Activities includes charges and contributions allowed under charitable activities such as admissions, gift aid and sales of audio guides and guidebooks. Admission and gift aid forecasts are based on existing visitors numbers and type and likely changes investment in marketing and implementation of more responsive charging policies, with prudent estimates, particularly in year one to allow for period of transition.

Other Trading income includes retail income and venue hire. Estimates for increase in income due to modelled investment in product and marketing.

Employee Related costs based on service council budgets and inflation assumptions.

Premises Related costs based on existing service budgets, financial benefit of Trust status due to business rate relief and assumptions of below inflation price increases due to anticipated procurement efficiencies.

Administration, Supplies and Services costs based on existing service budgets with assumptions made for increased investment in product and marketing, costs of support service and governance requirements, and impact of cost of goods sold corresponding to income assumptions.

Museum Development Grant Payments related to payments to other bodies funded by Arts Council England and ring-fenced for a specific purpose.

Irrecoverable VAT is based on a model developed and shared with external consultants taking into account the various assumptions in the financial model. The figure also includes anticipated contributions to planned maintenance the Trust would be expected to make identified below. The level of irrecoverable VAT payable is subject to agreement with HRMC on apportionment methodology, so this figure can only be indicative at this stage.

Assumptions made in the five year financial business plan are considered to be prudent and therefore low risk to the sustainability of a charitable trust. Sensitivity of assumptions has been carried out to determine how changes in assumptions could impact on the affordability of the financial business plan.

Reserves are shown by the model, being generated over a five year period to be used as mitigation against cash flow and unforeseen expenditure. The level of reserves is minimal in the first two years of operation and therefore represents a risk, but it should be noted that the Foundation has existing reserves which could act to mitigate against these risks on a temporary basis. As a charitable trust, the new delivery body would be in a strong position to attract philanthropic contributions to strengthen reserve levels. Reserves levels of the Foundation are approximately £1.185m as at 31st March 2019, which includes unrestricted funds of approximately £0.668m.

Planned Maintenance

The table below identifies the estate planned maintenance requirement. This is in addition to the costs identified in the five year financial business model above.

Planned Maintenance Requirement					
	Year 1 £'000	Year 2 £'000	Year 3 £'000	Year 4 £'000	Year 5 £'000
Planned Maintenance Requirement	1,440	614	578	578	578
Professional Service Fee	144	61	58	58	58
Term and other maintenance	134	134	134	134	134
Total Planned Maintenance Requirement	**1,718**	**809**	**770**	**770**	**770**
BHCC Contribution to Planned Maintenance	713	727	742	742	742
Planned Maintenance Shortfall	**1,005**	**82**	**28**	**28**	**28**
Recurring Planned Maintenance shortfall		**1,087**	**1,115**	**1,143**	**1,171**

Planned Maintenance Requirement is the required cost of maintenance based on condition surveys and / or quinquennial reviews of all buildings to be transferred to the charitable trust.

Professional Service Fee is the anticipated costs to instruct an external professional to plan, procure and instruct the required works. This is based on 10% of the value of works and based on the current council model.

Term and other Maintenance are other annual maintenance requirements not included in the figures above. It should be noted that responsive repairs and grounds maintenance are included as recurring costs in the five-year financial business model above.

The **BHCC Contribution to Planned Maintenance** reflects the level of contributions agreed based on previous modelling.

Without budget restrictions there is an identified annual maintenance funding need of approximately £0.967m per year over five years, with an average B&HCC contribution of £0.733m per year, this results in a funding gap of £1.171m over the five year period. In reality, all annual planned maintenance programmes need to be robustly prioritised and an element of what sits as required maintenance in year one will transfer to year two, and so on. The Trust must aim to close the gap to a more sustainable level as it develops and will have the ability to fundraise for specific capital projects to support the core maintenance budget contribution.

The cost in year 1 is particularly high as this includes urgent works required to the Brighton Museum roof. This could potentially be treated as a separate capital requirement and other funding options considered (such a one-off grants, specific fundraising, capital receipts) to reduce the annual maintenance shortfall. This could partly be achieved by repurposing a capital allocation made to the Royal Pavilion in October 2017 – since that time the Museum roof has emerged as a higher priority, while the Royal Pavilion has meanwhile benefitted from other fundraising (principally by the THE FOUNDATION). Subject to further consideration, this option may be presented to a future Policy resources and growth Committee.

Impact on Council Budgets

The table below shows the anticipated impact on council budgets. The total council contributions reflect the figures in the tables above, with these contributions being funded from a combination of existing service budget and temporary contributions from reserves.

As mentioned, there are various assumptions made in the financial model, some of which still need clarification. The figures in the table below should therefore be treated as indicative only. All budget areas have been projected in line with current budget assumptions within the latest budget proposals. The table below shows that savings are likely to be generated from year five once temporary contributions from reserves have been repaid. It is anticipated that savings after the five year period will be greater as repayments from reserves would no longer be required and contributions to the trust reduced as it benefits from being more financially independent.

Impact on Council Budgets					
	Year 1	Year 2	Year 3	Year 4	Year 5

	£'000	£'000	£'000	£'000	£'000
Contribution to Charitable Activities	1,181	1,119	1,065	734	691
Contribution to Planned Maintenance	713	727	742	742	742
Total Council Contributions	**1,894**	**1,846**	**1,807**	**1,476**	**1,433**
Funded From:					
Direct Service Revenue Budget	1,161	1,184	1,208	1,232	1,257
Existing Planned Maintenance Budgets	481	491	500	510	521
Contributions from/(to) Reserves	252	171	99	-266	-256
Total Funding	**1,894**	**1,846**	**1,807**	**1,476**	**1,522**
Remaining Budget Deficit / (Surplus)	**0**	**0**	**0**	**0**	**-89**

The council is also expected to benefit from a reduction in support service costs (or corresponding increase in income if services are provided to the charitable trust) which have not been incorporated in the table above. Indications suggest that this budget benefit could be in the region of £200,000 per annum in the medium term.

Project Timetable - RPM Transfer to Trust

Month - 2019-20	Initiation Phase					Implementation Phase						
	jan	feb	mar	apr	may	jun	jul	aug	sept	oct	nov	dec	jan
Agree best option for charitable Trust	■												
Initiate ICT and systems development		■											
develop financial model[1]		■	■		■								
Buildings Maintenance plan drafted		■											
contact Sec of State and Charities Cmsn			07-Mar										
TDC Committee - Advisory group report			■										
[First Advisory Group meeting]			■										
In principle MoU agreed with Trust, and initial meetings				■	■								
legal, financial and people plans ready for next Phase?					■								
TDC Committee					■								
Consider '4 tests' satisfied, incl financial model						20-Jun							
[Second Advisory Group: including NPO Business Planning]						■							
RPMF new governance arrangements agreed?						■	■		Third AG			Fourth AG	
ICT consultancy contract award							■						
ICT systems build							■	■	■		■		
Board of Trustees appointed? (incl Member Trustees)							■		■				
TDC Committee								■					
PR&G Committee							■						
[RPMF Trustees meeting]										■			
Terms of transfer - negotiation										■	■		
ICT systems test										■	■	■	
Review position of key stakeholders									■				
Legal agreements approved by Trust and Committee												■	

Mobilisation phase
Transfer
Jan,Feb,Mar 2020
APRIL 2020

Note 1 - this will develop the finacial modelling needed to demosntrate long term viability, to be under constant review until agreed with the future Trust Board

Note 2 - key funders; Charities Commission