

Brighton & Hove City Council

Cabinet

Agenda Item 90

Subject: Royal Pavilion & Museums Trust Service Fee 2026-31

Date of meeting: Thursday 11th December

Report of: Cabinet Member for Culture, Heritage and Tourism

Lead Officer: Name: Corporate Director- City Operations

Contact Officer: Name: Louise Peim

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Ward(s) affected: All wards

Key Decision: Yes

Reason(s) Key: Expenditure which is, or the making of savings which are, significant having regard to the expenditure of the City Council's budget, namely above £1,000,000 and is significant in terms of its effects on communities living or working in an area comprising two or more electoral divisions (wards).

For general release

1. Purpose of the report and policy context

- 1.1 This report is seeking cabinet approval of the fee term 2026-31 for the Royal Pavilion & Museums Trust (RPMT) Service Agreement. The activities of the Trust support our Council Plan objective, A city to be proud of.

2. Recommendations

- 2.1 Subject to the matters set out in the part 1 and 2 reports Cabinet agrees to the proposed annual fee of £1.9m for the fee term 2026-31 for the RPMT Service Agreement.
- 2.2 Cabinet agrees to the deferral of loan repayments to 2031.
- 2.3 Cabinet agrees to delegate authority to the Corporate Director City Operations in consultation with the cabinet member to make such variations as required to the contractual documentation between the Council and RPMT to give effect to the recommendations above.

3. Context and background information

- 3.1 RPMT have been operating as an independent organisation for five years. Services transferred from the council in 2020. The Services Agreement held between the council and the Trust sets out five-year fee terms. This report seeks approval of the second five-year fee term within the twenty-five year contractual agreement.

- 3.2 The Services Agreement sets out service levels across the assets that RPMT are custodians of. The assets are Royal Pavilion & Garden, Brighton Museum & Art Gallery, Preston Manor and Garden, Hove Museum & Garden and Booth Museum.
- 3.3 The first five-year fee term, 2020-2025, established a reducing fee from the council. The fee for this current operating year 2025/26 is set at £0.870m. However, due to contractual clauses relating to pay award reimbursements, the council's contribution is likely to be £2.1m this financial year. For the next five-year term the council is seeking to consolidate the contribution it makes to the Trust and proposes £1.9m as a static fee from 2026-31.
- 3.4 The council has worked collaboratively with RPMT to agree the fee in principle, pending this cabinet decision. Close consideration has been given to the Trust's business and operating model with learning taken from the first five-year term.
- 3.5 RPMT's first five years as an independent organisation presented some exceptional challenges. Transferring services during a global pandemic had a significant impact on the business model. Visitor numbers have been slower to recover than anticipated, with an annual average of 15% fewer visitors than projected. Brexit has also had an adverse impact on the cohorts of European students that the business model had previously relied on when services were with the council.
- 3.6 Despite these challenges the Trust can demonstrate significant achievements, exceeding key performance indicators within the Services Agreement. They have delivered an engaging exhibition programme including Lee Miller: Undressed, Roger Bamaber: Out of the Ordinary, Wildlife Photographer of the Year, ABBA: One Week in Brighton and others.
- 3.7 RPMT's educational programmes served 91% of Brighton & Hove's schools in 2024-25. During 2024-25 they worked with more than 40 local community groups, 135 people volunteered across the asset base, contributing 7,331 hours, developing skills and reducing isolation.
- 3.8 Strategic and corporate partnerships have been built with a range of organisations to bring added value to the city: The Universities of Brighton and Sussex; Brighton & Hove Albion FC; Brighton & Hove Buses; Sussex County Cricket Club; Hove Civic Society; Plumpton College; Queer Heritage South and others.
- 3.9 RPMT have secured over £6m in capital investment for the estate, including £4.6m from National Lottery Heritage Fund and £1.46m from Arts Council England to replace the roof of the main Brighton Museum gallery.
- 3.10 To mitigate challenges presented by global events, the Trust undertook three staff restructures, creating a leaner and more agile staffing structure. This has achieved approximately £1m annual savings for the Trust.

- 3.11 The Trust was established without any reserves or working capital. In recognition of this financial challenge, particularly in the midst of a global pandemic with full building closures in place, a £4m loan facility was agreed by the Council's Policy & Resources Committee in 2020. RPMT have drawn down £3m from this facility, with the most recent drawdown agreed by cabinet in June 2024. A repayment plan was agreed with payments due to commence this financial year. Due to ongoing financial challenges, RPMT have not been able to meet these repayments.
- 3.12 In order to realise their business plan, inclusive of a proposed £1.9m annual fee from the council, loan repayments are not viable within this model until 2031. The Trust need to build reserves in line with their Reserves Policy, as identified in Charity Commission legislation, to ensure that they are sustainable. However, it is recommended if the Trust begin to generate revenue above their reserves policy, the council will claim loan repayments. If they do not exceed agreed level of reserves, loan repayments will commence in 2031.

4. Analysis and consideration of alternative options

- 4.1 As demonstrated above, RPMT have achieved a great deal since becoming an independent Trust. The objectives of transferring the services out of the council have been achieved through securing external funding to invest in the assets. Commercial funding has grown by over 100% since 2022/23. External factors including the pandemic and Brexit have impacted significantly on the business model and visitor numbers have not returned to pre-pandemic levels. This picture is reflected at a national level.
- 4.2 An alternative option is to bring the services back in-house, which would incur an estimated budget pressure of £2.1m a year. This would require all staff to be transferred back to the council and opportunities to secure external funding that is only available to charitable organisations would be lost.
- 4.3 Another option is to reduce service levels and close buildings in order to reduce the annual financial contribution. However, this would impact on the city's cultural and education offer and cause loss of employment opportunities in the city.
- 4.4 If the council pursues loan repayments, RPMT will become insolvent during year one of the new fee term, as their business plan will fail. The services would revert back to the council, incurring a budget pressure of approximately £2.1m, as outlined above.

5. Community engagement and consultation

- 5.1 There has not been any community engagement and consultation for the purpose of this report.

6. Financial implications

- 6.1 The current service agreement carries significant financial risk and uncertainty, due predominantly to the contractual clauses relating to pay award reimbursements. The impact is a total contribution of £2.1m in 2025/26 resulting in a budget pressure for 2025/26 of £0.495m. This has been reported through the council's TBM reports and is being mitigated in part from other underspends within the service.
- 6.2 By not fixing the fee, it continues to expose the council to financial risk and uncertainty and creates on-going issues across the MTFS period. A fixed fee of £1.9m represents a reduction of £2.1m on the current level. This still results in a budget pressure of £0.300m for 2026/27 but removes the risk of future increases contributing to the council being able to develop a more sustainable and less volatile MTFS. The pressure is forming part of the budget discussions for next year, which are required to be approved by Full Council in February 2026.
- 6.3 The business plans and proposals submitted by RPMT have been reviewed and due diligence undertaken to ensure that they are reasonable and reflect the risks that the sector is facing at the moment. However, this does not negate the fact it is a business plan and can be impacted by economic circumstances beyond either entity's control. Therefore, regular meetings between the council and RPMT will be conducted to review the financial performance and take any early action required to prevent any budget pressures for the council.
- 6.4 In order to agree a fixed fee of £1.9m RPMT have requested the loan repayments to be deferred to the end of the fee term in 2031. At the July 2024 cabinet a repayment schedule was agreed which due to the financial difficulties RPMT have faced they have been unable to make any repayments to date. Therefore, the council is carrying £3m on its balance sheet due for repayment as at March 2025.
- 6.5 The loan to the RPMT is interest free, and therefore there is no impact on the interest for deferring the loan repayments. There is, however, the loss of investment income for the council not being able to invest the funds in line with the original loan repayment schedule. However, any investment income loss has to be balanced with the risk of loss from non-repayment by RPMT were the council not to support the loan deferral. Agreeing to claim repayments if RPMT exceed their reserves position, as part of the new agreement, will provide the council with the opportunity to receive loan repayments upon review of RPMT's annual accounts ahead of 2031 when the repayment of the loan will be required to commence.

Name of finance officer consulted: Craig Garoghan Date consulted : 06/11/2025

7. Legal implications

- 7.1 The service agreement with RPMT provides for the service fees for each year to be set and agreed on a five yearly basis. The next five-year fee term commences 1st April 2026. In making the adjustments to the loan facility proposed by this report, an analysis will need to be made to ensure compliance with subsidy control rules. Further legal comments are set out in the part 2 report.

Name of lawyer consulted: Siobhan Fry Date consulted: 02.12.25

8. Risk implications

- 8.1 The risk of not agreeing the proposed fee of £1.9m, is that the current fee term rolls forward. This means that the opportunity to consolidate the council's financial contribution to the Trust will be missed.
- 8.2 Providing a reduced fee poses a risk to RPMT's ability to continue to operate independently. The risk is that the services will come back to the council causing significant budget pressures.
- 8.3 The risk relating to loan repayment deferral is that the business model will not succeed if loan repayments are made.

9. Equalities implications

- 9.1 As an independent organisation RPMT have adopted their own equalities policy and work with a diverse range of communities to support their objectives and ensure that the assets and services are accessible to all in the city.
- 9.2 RPMT have collaborated on the council's Ant-Racist Strategy and have become a Dementia Friendly organisation under the council's scheme. The Trust delivered a two-year funded Culture Change programme, which included a commitment to decolonising collections.

10. Sustainability implications

- 10.1 RPMT have worked with the council's net zero team to consider opportunities for the asset base to be more sustainable. RPMT are custodians of some of the council's most valuable heritage assets. Heritage buildings require extensive investment to make them future proof. Funding secured for the Brighton Museum roof replacement has resulted in thermal improvements to the building.

11. Health and Wellbeing Implications:

- 11.1 The activities of RPMT support health and wellbeing through the cultural offer they provide. It is widely recognised that engaging in culture improves people's sense of wellbeing. RPMT's volunteer programme engages 135 volunteers annually, providing a range of opportunities to provide a positive impact on people's health and wellbeing as well as enhancing skills and employment opportunities.

Other Implications

12. Procurement implications

- 12.1 There are no direct procurement implications. RPMT is an established independent charitable Trust.

13. Crime & disorder implications:

- 13.1 None identified.

14. Conclusion

- 14.1 The proposed £1.9m annual fee will consolidate the financial contribution made to RPMT, creating certainty with budget setting over the next five years. The fee will enable the Trust to deliver the current service levels outlined in the Services Agreement.
- 14.2 The service fee will comprise 19% of RPMT's overall projected annual income, which is lower than some other local authorities contributions to independent museums Trusts (Birmingham provide 25% of overall income for the local museums Trust and Sheffield 45%).
- 14.3 Whilst a budget pressure of £0.3m will be incurred during the first 2-3 years, by year four of this fee term, the Council will begin to see small savings with a fee of £1.9m. This will achieve the original objective of transferring the services out of the council, to incrementally reduce costs.
- 14.4 It will be challenging for RPMT over the next five years as they will receive a £0.2m reduction from the council. The Trust need to realise their business plan through achieving the projected 4% increase in commercial income and visitor numbers. For this reason, it is recommended that loan repayments are deferred to provide every opportunity for RPMT to succeed.
- 14.5 As outlined, if the Trust exceed their reserves policy, the council will claim repayments. If this does not happen, repayments will commence in 2031.