
Executive

30 May, 2006

Report of the Assistant Director (Lifelong Learning and Culture)

York Museums Trust Funding

Summary

1. This report asks the Executive to:
 - Agree core funding for the York Museums Trust for the period 2008-2013
 - Release £50k of capital funding to the York Museums Trust (YMT) for a scheme to refurbish Kirkgate in the Castle Museum

Background

2. In 2002 City of York Council entered into a partnership agreement with the newly constituted York Museums Trust in order to ensure the long-term stability and prosperity of the City's museums and collections. The background to the decision to create YMT was:
 - The accelerating decline in visitor numbers – an average of 37,000 visits per year lost over the previous ten years
 - The increasing gap between income and expenditure with the service costing an extra £120k every year
 - A large backlog of inadequately catalogued objects and poor storage
 - Buildings requiring extensive maintenance and upgrading including full access for people with disabilities
 - The need to modernise the displays at all the sites
 - The need to improve the effectiveness of the management of the service
3. The Council recognised that the Museums had suffered from a lack of investment over many years and that significant additional funds were needed on an ongoing basis - the 'funding gap'. In response to the business plan that was drawn up by YMT the Council agreed to:
 - funding based on present levels with inflation with 5 yearly reviews, and
 - a triennial 'dowry' to fund 90% of the funding gap
4. The first dowry amounted to £415k. The initial business plan predicted the need for further dowries albeit reducing in size. The second dowry, to be paid in 2005/6, was projected to be £320k. In the event YMT requested £240k. The Council agreed in principle to provide £120k, linked to the project to refurbish Kirkgate at the Castle Museum. However, in setting the 2005/6 budget the Council was not in fact able to allocate this funding.

5. The legal agreement between the Council and YMT provides that the level of 5-year core funding for 2008 to 2013 must be agreed now. The purpose of this paper is to explain YMT's current financial position, its business and capital plans, and to make the business case for continued revenue funding.

Progress

6. The Council has received regular reports on the general progress of the Trust, which has seen significant progress in all of the problem areas identified above. Most notably, the overall decline in numbers of visitors has been halted and major sources of project funding have been tapped (£2.5m to date). A major HLF bid for £5m towards a project costing £9.2m was submitted in December.
7. Funds raised have been used to:
 - Remove all admission charges to York Art Gallery, increasing visitor numbers by 40,000
 - Create a vibrant museums' education provision with 3 new learning posts
 - Tackle the problems in collections management through a new Directorate of Collections
 - Strengthen the curatorial team with new posts in archaeology and natural history
 - Re-fit the entrance to the Castle Museum, resulting in a much more appealing space and a higher retail spend per visitor
 - Completely refurbish York Art Gallery, increasing visitor numbers by a further 60,000
 - Develop a new contemporary art venue in the city at York St Mary's
 - Achieve accreditation for all of YMT museums, an important marque of quality within the sector
 - Submit a major capital bid to the Heritage Lottery Fund (HLF) for St Mary's Abbey Precinct project – a potentially transformational scheme which will create a Cultural Quarter for the city
8. Overall visitor numbers have gone from 387,000 in the first full year of operation to 465,000 in 2005/06.

Forward Plans to 2013

9. A summary of the project plan is attached at Annex 1 together with a summary of the business plan at Annex 2. The Performance Delivery Plan which sets out detailed targets will be submitted to Leisure and Heritage EMAP in June. Key milestones in the business plan are:

York Castle Museum:

10. The strategy for York Castle Museum is to raise and invest £300k - £500k in new displays on a yearly cycle. This investment will be used to develop new offers for visitors to encourage repeat visits.
11. It is also intended that the Trust will tackle the problems of physical access to the upper galleries and integrate and strengthen the museum's position more effectively in the new Castle Piccadilly developments. This would be a major

scheme involving new build to connect both museum buildings as well as resolving the best position for the main entrance and integrating the river into the museum offer. The Trust will expect to play a major part in the consultation process both with the developers and the people of York.

12. Key milestones for the development of York Castle Museum are:

- Spring 2006 – refurbished Victorian Streets (Kirkgate) open to public (part-funded by DCMS / Wolfson and HLF)
- Throughout 2007 – collections reinterpreted on the theme of slavery, to reflect the UK wide Slavery Bill Bicentenary; renewal of military gallery
- Summer 2007 to February 2008 – new workrooms for hands-on collection and learning activities, including a kitchen, a sewing room and an armoury (funding part-secured from Renaissance in Regions)
- During 2007 review the evening offer in order to create more special events
- By 2008 – plans formulated for Castle Museum in the context of the Castle Piccadilly planning process
- Spring 2008 – new 1960s gallery opens (funding applied for from DCMS / Wolfson)
- 2009 – 2011 secure funding for new connecting building and entrance (funding to be raised)
- Spring 2009 – new display to interpret the 18th Century prison experience (funding to be raised)
- Spring 2010 – new display to replace Cradle to Grave (funding to be raised)
- Spring 2011 – new display to replace Toys and Costume (funding to be raised)
- Spring 2013 – new connecting building and entrance opens

Yorkshire Museum and Gardens:

13. The strategy for Yorkshire Museum and Gardens is laid out in detail in the St Mary's Abbey Precinct project plans. It is dependent on the success of the bid to HLF. This area of the precinct is Phase One of a two-phase project. Phase One is a £9.2m project, which includes £1.8m from CYC. The key milestones are:

- July 2006 – decision by HLF on Stage One of Phase 1 of St Mary's Abbey Precinct project, if successful submit Stage Two December 2006
- Late Summer 2007 – Work commences on extension to Birch Park Store
- Autumn 2007 – Yorkshire Museum closes for refurbishment; collections documented, packed and transferred to permanent storage at Birch Park
- Summer 2009 – Yorkshire Museum re-opens

York Art Gallery:

14. The strategy for York Art Gallery is to develop and extend in Phase Two of St Mary's Abbey Precinct Project. This will involve creating a mezzanine floor over the main gallery, creating a new entrance to St Mary's Abbey Precinct, creating new public areas in what is now the City Archives and possibly

extending the building into new contemporary public gardens which will be created in currently private spaces within the precinct.

15. This transformation will be achieved in partnership with CYC and the University of York. The key milestones are:
 - 2006 onwards – continue to build on the success of the refurbishment of York Art Gallery in 2005 by increasing audiences by 15,000 per year (10% of this year's target).
 - 2008 – Reintegrate the space currently occupied by City Archives into York Art Gallery. This is dependent on CYC plans for relocation.
 - December 2008 – St Mary's Precinct Project Phase Two bid submitted to HLF
 - Autumn 2010 – St Mary's Precinct Project Phase Two works commence
 - Summer 2012 – St Mary's Precinct Project Phase Two works completed
16. The artistic programme will develop with the additional display space and will always include aspects of the permanent collection. It is the ambition of the Trust to include decorative art and contemporary design and craft within the programme to ensure a varied content that will address a diverse audience.
17. The temporary exhibition programme will be inspired by the designated collections of decorative and fine art, supported from other public and private collections. The programme will include major exhibitions of the works of well known artists (such as Stubbs for example) as well as thematic and contemporary works.

York St Mary's:

18. York St Mary's is the fourth venue in the Trust's portfolio and is an important asset given its location and potential outlet for a variety of purposes. For example, when the York Art gallery was closed it offered display opportunities and with the pending closure of Yorkshire Museum it will offer educational facilities. In the longer term the Trust will seek to develop a more permanent use for the venue. We are currently thinking of options such as café and conferencing, meeting space, retail and display. The Castlegate development will, no doubt, help us define our ambitions for the venue. In the meantime, the Trust has invested in the internal structure of York St Mary's and developed the space into a new contemporary visual arts venue. The site-specific new commissions have been entirely funded by the Arts Council of England. This funding is on a year-by-year basis.
19. The Trust has a commitment to securing funding to re-establish the integrity of the interior through careful contemporary design as well as ensuring a venue with facilities appropriate to the 21st Century. An indicative plan has been drawn up and costed for such a development.
20. The key milestones are:
 - Secure funding for 2007 from the Arts Council to commission new work
 - End of 2007 - Review viability of development plan in the light of discussions with potential funders and the Castlegate Development Plan

Learning – formal:

21. The Lifelong Learning Directorate has developed over the last three years with funds provided through new *Renaissance in the Regions* funding. YMT is a long way towards providing a comprehensive service to schools. However, the formal learning service for schools will need to continue to develop through the following initiatives:
22. In the short term:
 - Continue to deliver the programme of successful workshops and activities for formal booked educational groups
 - Pilot the delivery of workshops by freelance workers
 - Develop working partnerships with a number of key partners including Renaissance in the Regions Hub museums, Libraries, Archives, Adult learning, Further Education and Higher Education, CYC
 - Explore new ways of delivering the service updating the learning delivery plan and audience development programme
23. In the medium term:
 - Develop new workshop programmes and activities to access new parts of the collections
 - Improve the offer in both range and depth of subject, to 14 to 19 years, HE and FE students
 - Build on our offer to less advantaged and hard to reach groups including ethnic minorities, people with disabilities, and special needs.
 - Contribute to the regional offer of a comprehensive service to schools
 - Develop an outreach service in science and archaeology during the closure of the Yorkshire Museum
 - Extend the service in quantity and quality by the use of freelance deliverers
 - Develop partnerships with other museums in the region
 - Contribute to the wider use of cultural heritage in learning
 - Contribute to the development of object literacy in learning

Learning – informal:

24. In the short term:
 - Continue to interpret and enliven the permanent displays and temporary exhibitions on all sites to our target audiences
25. In the medium term:
 - Extend the informal learning offer to a wider range of audiences including minority groups people with disabilities
 - Increase the subject range of informal learning across all our collections
 - Develop and deliver exciting interpretation of the collections at the Castle Museum through the proposed work rooms initiative
 - Develop adult life long learning offers in partnership with existing providers.

- Develop volunteering as informal learning
- Develop the use of volunteers to deliver informal learning

Collections Management & Development:

26. The strategy for Collections Management and Development is to integrate the behind the scenes work on our collections with public outcomes such as exhibitions, new galleries, publications and research. To maximise the potential of our collections, the agreed programme of retrospective documentation needs to be completed so that we know what we have; improve storage so that the collections are kept in good condition and we can gain access to them quickly and easily. Management of the collections will also include developing an aspirational acquisitions policy so that they continue to reflect the history, science and culture of the city and region.
27. The programme of retrospective documentation for all of YMT collections is targeted for completion by 2010, in line with Accreditation standards. In order to achieve this target, investment will be required in new or upgraded documentation software, improved IT infrastructure and increased access to IT at remote sites.

Storage:

28. The strategy for storage is for short, medium and long term developments to ensure all collections are accessible and stored in acceptable environments. The St Mary's Abbey Precinct project incorporates storage improvements for all Science and Archaeology collections. In the short term YMT will improve the conditions of the Social History collections by:
- Increasing capacity at James St by the installation of additional shelving
 - Vacating the store at Darnborough Street
 - Improving storage capacity at Fulford by reorganisation and the installation of additional shelving or storage equipment
 - Vacating the commercial container storage which houses some of our furniture collections and which provides poor access and environment
29. In the medium term YMT will investigate new storage facilities for the Castle Museum Collections so that:
- The existing store at Fulford which is difficult to gain access to and which has no environmental controls can be vacated
 - Collections that are currently stored in inaccessible parts of the Castle Museum will be relocated so that they can be better used
30. For the whole of the collection, in the longer term, YMT will:
- Find an alternative storage facility for the material in James Street to improve our control and minimise external risks.
 - Increase storage for the Fine and Decorative Art Collections as part of the redevelopment of York Art Gallery.
 - Resolve the storage of archaeological material excavated from the City of York which is currently housed by York Archaeological Trust.

31. In addition to the public presentation of the collections within our venues, the strategy for collection use includes developing partnerships with universities in the region to increase knowledge and understanding. An ambitious programme of publication, both in print and as a virtual publication on the internet will be pursued.
32. While continuing to develop the skills and knowledge of the curatorial staff, YMT will also seek to build capacity in under-resourced subject areas and to build expertise in specialist categories of our collections. Synergies will be explored with other institutions in the city in all collection subject areas, such as Science City, the National Centre for Early Music, York St John etc. to ensure we maintain a contemporary relevance for all our collections.

Consultation & Evaluation:

33. YMT has undertaken consultation and market research for a variety of projects. The Renaissance in the Regions initiated market research across Yorkshire and YMT have organised more focussed research projects for particular purposes especially with regard to the Heritage Lottery application. However, YMT acknowledges the need to consult more with our users and non users and seek to understand more the needs and aspirations of our target audiences. This will be done through the following:
 - Regular market testing on publicity and potential new products such as exhibitions and displays
 - Regular and quality focussed research on new product which will inform the future planning
 - Yorkshire wide and city focussed market research on the tourism market and the changing trends
 - Public consultation with regard to specific development plans such as St Mary's Abbey Precinct project
 - Regular informal consultation with special interest groups such as Friends of York Art Gallery, Yorkshire Philosophical Society, St Mary's Abbey Steering and Stakeholder Groups, Teacher Groups and the Guildhall Ward

York Residents

34. York Residents with York Cards have free access to the Castle museum and Yorkshire Museum and last year 25,700 residents took up the opportunity to visit these two museums. In addition another 5,600 York school children visited across all the venues. York Art Gallery has free admission and is consequently difficult to monitor exactly the number of residents visiting, however out of the 152,000 visitors in 2005-6, it is reasonable to expect that a similar level of 10% would be residents at the most conservative, given the changing exhibition programme offering more reasons to visit during the year. All in all, the number of visits by York Residents was close to 50,000 in 2005-6 or one to every four residents.
35. To grow the number of visits by York residents and to engage them more fully in the Trust's work YMT will:
 - Carry out market research specifically on the interests of York residents
 - Establish a Volunteer Scheme and programme directed at York residents

- Produce publicity directed specifically for York residents
 - Develop the informal learning public programme
 - Continue with the Territories project which works with hard to reach groups within the city
 - Develop partnership working with organisations within the city
36. Over the last three years the Trust has concentrated its energies on building the organisation and its capacity to deliver its objectives. We are now entering the second phase where we are able to become much more customer focussed in our work. Market research will be a key tool in determining where we put our resources in the future. Our aim is to embed the Trust in the life of the city as well as playing its part in its economic success as a tourist destination. Performance indicators to measure this work are currently being discussed with the Council as part of the process of redrafting the Partnership Delivery Plan.

Options

37. YMT is seeking stable core funding for this next 5 year period continuing at the current level with uplifts for inflation. Members can:
- a) Agree funding at the level requested
 - b) Agree a lower level of funding

Analysis

38. All of the above investment into the collections and the venues adds up to a transformation of the City of York's Museum service for the benefit of both local residents and visitors to the City. The plan is intentionally ambitious because the Trust believes that the importance of the heritage assets and the number and expectations of visitors to the City merit this aspiration.
39. The Trust has welcomed the opportunity to work with other partners in the City to achieve a profile of the City with a World context. The Trust sees the quality of the cultural offer within the City as a fundamental element of this vision. One key example of this collaborative working is the concept of the Cultural Quarter, of which St Mary's Abbey Precinct project is the heart.
40. In taking forward this ambitious programme it is essential, especially given YMT's short track record and its independent status, that it is able to demonstrate its financial stability and sustainability. Otherwise funders such as the HLF will not commit their capital resources. Other crucial stakeholders also need to be assured including the Department of Culture Media and Sport whose 'Renaissance in the Regions' funding is dependent on sustained and secure funding from the City of York. It is therefore recommended that stable core funding is provided by the Council for this next 5 year period as requested by YMT.

Corporate Objectives

41. YMT's business plan contributes to a number of corporate objectives including developing opportunities for residents and visitors to experience York as a vibrant and eventful city, improving opportunities for learning, and in strengthening York's economy through investment in the tourism infrastructure.

Reinvestment in the museums is an identified priority within the sub-regional investment plan.

The Business Plan

42. Key issues arising from the business plan (summarised in Annex 2) are:

- Renaissance in the Regions – this national source of funding will continue to support the new learning and collections management posts. It also will grow over the next few years to support part of the capital work at York Castle Museum, a Volunteers Programme and a post to organise events and other informal learning activities. By 2007/8 it will be worth £434k p.a. to the Trust.

It is an important condition of this funding that it is additional to core funding and so would be threatened by any reduction in real-terms in the Council's funding of YMT.

- The Trust's financial position continues to depend on York Castle Museum. The business plan has been developed to ensure that the public offer at that site is regularly refreshed whilst major developments take place St Mary's Abbey Precinct.
- The temporary closure of the Yorkshire Museum during redevelopment will yield some savings. These will be used as matching funding for the project.
- The income and expenditure forecast is summarised in Annex 2. The numbers of visitors on which it is based are as follows:

Year	Visitors	Rationale
2004/05	350,918	Actual
2005/06	450,800	Target which YMT are on course to exceed
2006/07	508,000	Uplift due to improvement of Kirkgate and Constantine
2007/08	438,000	Closure of Yorkshire Museum for refurb. in last quarter
2008/09	401,000	Full-year closure of Yorkshire Museum
2009/10	457,000	Refurbished Yorkshire Museum re-opens
2010/11	573,000	Full-year impact of refurbished Yorkshire Museum
2011 - 13	546,000	Steady state

- The business plan aims to generate funds which can be transferred to capital from 2008/9 onwards in order to generate match funds for major capital refurbishment projects and to address the back-log of major repairs required.
- The Trust will seek to retain a level of reserves commensurate with the level of financial risk it faces over the life of the business plan. The target is currently £400k, rising to £500k as the major capital project commences.
- The business plan is deliberately ambitious and so has inherent risks:
 - To achieve the programme of capital development outlined will require continued success in fundraising. Most notably, there is no guarantee that the St Mary's Precinct Project will be supported by the HLF

- The main revenue risk is that the new products developed at both York Castle Museum and the Yorkshire Museum will not prove popular with the public. This risk will be mitigated by extensive use of market research during product development

If the visitor numbers are not achieved then the Trust will not generate the projected capital contributions as set out in the Annex and its reserves could be jeopardised.

Financial Implications

Revenue:

43. The proposal is that the Council continues to provide funding at the current level with annual inflationary increases. The inflation uplift will continue to be calculated each year based on a composite of 3 inflation rates that the Council uses in its own budget process: For pay, general non-pay, and income from fees and charges. If the inflation uplift applied in 2005/6 remained the same through to 2012/13 the position would be as follows:

	2008/09	2009/10	2010/11	2011/12	2012/13
	£,000s	£,000s	£,000s	£,000s	£,000s
CYC grant	1,535	1,581	1,629	1,678	1,728
Income	1,727	2,091	2,793	2,849	2,922
Expenditure	-3,114	-3,517	-3,784	-3,863	-3,969
Transfer to capital	-250	-250	-600	-600	-600
Reserves brought f/wd	755	653	558	596	660
Reserves carried f/wd	653	558	596	660	741

44. In agreeing this level of funding members would be pre-committing resources ahead of the budget process for the period in question, in the same way that they did in 2002 for the period 2003 – 2008. In return, the business plan forecasts that once the Yorkshire Museum is re-opened to the public, increased visitor numbers and conference business will mean that, for the first time, the Trust will be generating surpluses. These projected surpluses (in the last 3 years of the new funding period) will:
- Remove the need for any further ‘dowry’ payments from the Council
 - Be available to use as match funding for capital bids to external sources. In this way it will be possible to increase their value three or four fold
 - Mean that YMT can potentially become self-sufficient in capital terms. This would mean that the Council may not be asked to contribute to the major Art Gallery and Castle Museum refurbishments
 - Enable YMT to tackle the more than £2m worth of work required to the fabric of the buildings which would otherwise be a liability on the Council
45. Ultimately, once the programme of refurbishment is achieved, the financial benefit accruing may translate into a reduced requirement for Council revenue support from the 2013 funding review onwards.

46. The increased visitor numbers generated by the Trust to date have already allowed the Council to demonstrate non-cashable Gershon efficiency savings. Depending on the actual level of visitor numbers over the next few years it may be possible for the council to demonstrate further efficiencies with static council input in terms of revenue funding (after inflation) generating more output in the form of increased visitor numbers.

Capital

47. The Council is committed to providing £1.813m in capital funding in order to match fund YMT's HLF bid. This is profiled as follows:

2006/07	£200k	2007/08	£1m	2008/09	£613k
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48. YMT have, however, asked that in light of the second dowry not being available in 2005/6, £50k of the above capital be made available immediately to be used as match funding in the refurbishment of Kirkgate at the Castle Museum. This £50k will not then be available for the Yorkshire Museum and Gardens project and the Trust will add the corresponding amount to the overall fundraising requirement for that project.
49. An issue has been raised by the HLF in connection with YMT's Yorkshire Museum and Gardens bid. The HLF require some safeguards to be in place to protect the value of any grant when making significant awards to non public bodies such as YMT. Their helpnotes say, "You must be able to sell-on, sub-let, and charge your lease but you must first have our permission to do so". This is so that they can place a charge against the lease, in the event of them making an award, enabling them either to recover the value of the grant or to continue to protect the investment should something happen to YMT.
50. The difficulty is that the Council's leases to YMT contain an absolute prohibition on assignment or charging. The reason for this is that the Council did not wish to allow YMT to assign the buildings to any third party or to encumber the leases with charges. Under the circumstances there are 3 possible solutions if the HLF make a grant award:
- a. The Council joins in the contract between YMT and the HLF
 - b. The leases are amended
 - c. The Council enters into a deed with the HLF agreeing that if YMT's leases are forfeited in the future the Council will either:
 - i. take over the remainder of YMT's 25 year contract with the HLF, or find someone else to do so, in order to ensure that the Yorkshire Museum continues to operate and the benefit of the grant is still derived, or
 - ii. repay the grant
51. To join in the contract with YMT could not be recommended as it would give the Council a share in responsibility for a wide range of issues over which control rests entirely with YMT, for example proper expenditure of the HLF grant.
52. Negotiations are underway for a compromise on changes to the leases stopping short of allowing assignment. If this cannot be resolved within the next few days then the recommended course of action is that delegated

authority is given to officers to enter into a deed with the HLF in the terms set out in paragraph 50 above.

Other Implications

53. Human Resources: None
Equalities: None
Crime and Disorder: None
IT: None
Legal: The legal agreements between the Council and YMT require that funding for 2008-13 is settled now.
Other: None

Risk Management

54. If the Council is unable to provide the stable funding requested by YMT there is a risk that:
- ❖ Confidence will be lost, external funding opportunities will dry up, and the service will return to a cycle of decline
 - ❖ YMT will then not be able to achieve the visitor numbers set out in the business plan. No surpluses will be generated and YMT will not then be able to generate their own capital contributions
 - ❖ The Council may be faced with significant capital liabilities on the buildings, and requests for further dowry payment
55. By entering into a deed with the HLF the Council will take on responsibility, if an HLF award is made, and if anything should subsequently happen to YMT resulting in the leases being forfeited, for either ensuring the continued operation of the Yorkshire Museum for the remainder of the 25 year grant period or for repaying the grant to the HLF. The Yorkshire Museum and Gardens are of course subject to a charitable scheme and it is therefore most unlikely that the Council would be able to, or would want to use them for any other purpose.

Recommendations

56. The Executive is asked to:
- Agree core funding for the Museums Trust for the period 2008/09 - 2013/14 at the current level with continued inflationary uplifts guaranteed as set out in paragraph 43
 - Provide £50k of the £1.813m capital funding immediately as a contribution to the refurbishment of Kirkgate
 - Give officers delegated authority to enter into a deed with the HLF, if YMT is successful in its HLF bid, as set out in paragraph 52
- in order to secure the future of YMT and the successful refurbishment of the Council's museums.

Annexes:

1. Summary project plan
2. Summary business plan

Contact Details**Author and Chief Officer responsible for the report:**

Charlie Croft
Assistant Director (Lifelong Learning and Culture)
Tel: (01904) 553371

For further information please contact the author of the report.

Background Papers:

1. *Establishment of the Museums Trust* – report to the Executive 26 July, 2002

worddoc/reports/exec/museums_funding.doc