

**CROMWELL MUSEUM: UPDATE ON FUTURE GOVERNANCE ARRANGEMENTS**

*To:* Highways and Community Infrastructure

*Meeting Date:* 18 November 2014

*From:* Executive Director Economy, Transport and Environment

*Electoral division(s):* Huntingdon

*Forward Plan ref:* N/a *Key decision:* No

*Purpose:* To update the Committee on plans for the transition of the Cromwell Museum to an independent charitable organisation to run the museum from April 2016, and to invite the Committee to make decisions about the way forward.

*Recommendation:* The Committee is recommended to agree to:

- a) the creation of a Charitable Incorporated Organisation (CIO) as the preferred model for the new trust
- b) delegate further decision making on this matter to the Executive Director – Economy, Transport and Environment in consultation with the Chairman of this Committee.

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## 1. BACKGROUND

- 1.1 At the meeting of the Highways and Community Infrastructure Committee on 15 July 2014, it was resolved to agree to:
- a) the creation of an independent charitable Trust to take over the running of the museum;
  - b) leasing the museum building to the new Trust for 25 years on an internal repairing lease at less than best consideration (subject to approval by General Purposes Committee);
  - c) leasing museum storage and office facilities in Huntingdon Library and Archives to the new Trust for 5 years at less than best consideration (subject to approval by General Purposes Committee);
  - d) the Council bearing the cost of any staff redundancies arising as a result of the transfer of undertakings;
  - e) using the Cromwell Museum Art Fund to help fund the establishment of the new Trust;
  - f) the Council retaining ownership of its assets within the museum collections.
- 1.2 It was also confirmed that the General Purposes Committee would consider the financial and property (contractual) issues in relation to the Cromwell Museum. A letter, which was tabled at the meeting, had been received from Huntingdon Town Council offering to support the Cromwell Museum by fully maintaining the building in future and leasing it to the new Museum Trust on a peppercorn rent, conditional on the County Council bringing the building up to a fully approved maintenance standard and transferring the title ownership of the building to the Town Council. The Town Council had also generously offered to provide an annual grant to the Museum Trust.

## 2. PROGRESS UPDATE

- 2.1 Legal advice has been obtained on the options available for the model of the independent charitable organisation. The relative merits of these options were discussed by the Cromwell Museum Management Committee (CMMC) at their July meeting. Although the initial recommendation from LGSS Legal Services was a Company Limited by Guarantee with charitable status, as a tried and trusted model, Committee Members were keen to explore the Charitable Incorporated Organisation (CIO) model which is newer and simpler, does not require registration with Companies House, and is particularly designed for small charities with limited assets, as in this case. It was noted that this model is gaining favour nationally and that a number of other local museums were pursuing this route.
- 2.2 Following investigation of the experience of other museums in choosing and operating a CIO model, CMMC members agreed to recommend this model to the County Council as their preferred model for the new Cromwell Museum Trust. A copy of the report to CMMC on this investigation is attached as an **appendix** to this report.
- 2.3 Discussions are underway with Huntingdon Town Council (HTC) to offer the Cromwell Museum building to HTC on a 999 year lease. HTC wishes to commission its own survey of the condition of the building in order to determine what (if any) work is required by the Council to bring it up to a fully approved maintenance standard before HTC takes on a lease for the building, but this survey has not yet been carried out.

- 2.4 The Curator has tendered his resignation. It is planned to appoint a fixed term interim post to oversee basic day to day museum operations and assist with the transfer of Museum services from the County Council to the new charitable organisation.
- 2.5 Officers are currently making preparations to advertise for the post of the shadow Chair of the Board of Trustees, so that a shadow organisation can start to be involved with decision making ahead of transfer to the new CIO in April 2016. Guidance and best practice is being obtained from the Charity Commission, the Association of Independent Museums (AIM) and other organisations, and Trustees with a suitable mix of skills and contacts will be sought.
- 2.6 The Museum has applied for light-touch accreditation with Arts Council England (ACE). A failure to maintain accredited status would mean a reputational loss for the County Council, would entail the return of some items on loan, would bar the Museum from applying to some grant-giving bodies, and make the Museum less attractive to potential trustees. Light-touch rather than full accreditation is only offered by ACE in an exceptional circumstance, such as that which the Museum is currently in. The Museum's accreditation application was submitted on 16 October and is scheduled to be discussed by ACE at their next accreditation panel meeting on 20 November. It is hoped that the Museum's accreditation can therefore be maintained until the trust is set up, and it will then be the trust which will renew the Museum's accreditation thereafter.

### **3.0 DELEGATION OF FURTHER DECISION MAKING**

- 3.1 Having made the decisions of principle in relation to the future governance model and funding arrangements for the museum, the Committee is now requested to give consideration to future decision making on this matter being delegated to the Executive Director – Economy, Transport and Environment, in consultation with the Chairman of the Highways and Community infrastructure Committee and the Chair of the Board of Trustees once appointed, taking into account the views and recommendations of the CMMC.

## **4. ALIGNMENT WITH CORPORATE PRIORITIES**

### **4.1 Developing the local economy for the benefit of all**

The following bullet point sets out details of implications identified by officers:

- The Cromwell Museum is the main visitor attraction in Huntingdon and draws visitors from across the country and around the world, thereby making a positive impact on the local economy. By supporting a new Trust to continue running the museum, the Council will enable this positive impact to continue.

### **4.2 Helping people live healthy and independent lives**

There are no significant implications for this priority.

### **4.3 Supporting and protecting vulnerable people**

There are no significant implications for this priority.

## **5. SIGNIFICANT IMPLICATIONS**

### **5.1 Resource Implications**

The following bullet point sets out details of significant implications identified by officers:

- A saving of £30k is identified in the Council's draft business plan proposals for 2016/17 from the externalisation of the museum to be run by an independent organisation, therefore it is important that this change is taken forward in a timely way in order to achieve this saving.

### **5.2 Statutory, Risk and Legal Implications**

The following bullet point sets out details of significant implications identified by officers:

- Legal and HR advice has been sought and will continue to be required in setting up the new charitable organisation

### **5.3 Equality and Diversity Implications**

There are no significant implications within this category.

### **5.4 Engagement and Consultation Implications**

The following bullet point sets out details of significant implications identified by officers:

- Key stakeholders continue to be consulted through the CMMC.

### **5.5 Localism and Local Member Involvement**

The following bullet points set out details of significant implications identified by officers:

- The CMMC includes local County and District Member representatives
- Secures future operation of the museum in the local community

### **5.6 Public Health Implications**

There are no significant implications within this category.

<b>Source Documents</b>	<b>Location</b>
Highways and Community Infrastructure Committee (15 <sup>th</sup> July 2014) report and minutes	Room 117, Shire Hall

## **Appendix 1: Report to CMMC on investigation into CIO model**

To: Cromwell Museum Management Committee

Date: 29 September 2014

From: Alan Akeroyd, Archives and Local Studies Manager

### **1 Research into the Charitable Incorporated Organisation model**

- 1.1 The legal status of each of the two possible models for the future Cromwell Museum trust, specifically the Company Limited by Guarantee (CLG) model and the Charitable Incorporated Organisation (CIO) model, was outlined in the paper presented by LGSS Law to the last meeting of the CMMC, and will not be repeated here.
- 1.2 In practice there are very few distinctions between the models. The following table is a summary stakeholder analysis. It is clear that the relationships between the trust and the majority of stakeholders do not depend on whether the trust is a CLG or a CIO.

<b>Stakeholder</b>	<b>Company Limited by Guarantee</b>	<b>Charitable Incorporated Organisation</b>
Trustees	CLG makes contracts in its own right. Trustees' liability is limited. A CLG is a more heavyweight model than a CIO, so may attract individuals with more business experience, but could also deter some potential trustees	CLG makes contracts in its own right. Trustees' liability is limited. A CIO may find it easier to attract new trustees as it is a simpler and less intimidating model than a CLG, and there is already some experience of it in the local museum sector.
Employees	TUPE process	TUPE process
Visitors	No change from the present	No change from the present
Depositors of items	Loan agreement is now with CCC	Loan agreement is now with CCC
CCC	Service Level Agreement	Service Level Agreement
HDC	Views unknown	Views unknown
HTC	Promises to rent the building to the CLG and contribute towards running costs	Promises to rent the building to the CIO and contribute towards running costs
Friends of the Cromwell Museum	May become an institutional member or trustee, or send a non-voting observer	May become an institutional member or trustee, or send a non-voting observer
Cromwell Association	May become an institutional member or trustee	May become an institutional member or trustee

Potential new funders or donors	May be attracted to lend substantial amounts to the trust if the trust has suitable assets against which it could borrow. However, the trust is unlikely to have such assets, as it will not own the building	May be attracted to give small amounts
ACE	Will need to be notified. CLG takes over the forward plan and inherits accreditation	Will need to be notified. CIO takes over the forward plan and inherits accreditation
English Heritage	Will need to be notified of change in ownership of building	Will need to be notified of change in ownership of building
Heritage Lottery Fund	Happy with this model	Happy with this model
Suppliers including utilities	Will need to be notified	Will need to be notified
Pizza Express (access adjacent to museum)	Will need to be notified	Will need to be notified
Bank	New bank account	New bank account
HMRC	New PAYE registration. Gift Aid registration?	New PAYE registration. Gift Aid registration?
Charity Commission	CLG Articles of Association need to be drafted and the company set up as a new charitable entity with the Commission. Necessary annual returns.	CIO constitution needs to be drafted and the CIO set up as a new charitable entity with the Commission. A recommended model constitution could be used. Necessary annual returns.
Companies House	CLG needs to be incorporated. Necessary returns sent to CH.	Not applicable

- 1.3 The Charity Commission recommends a CLG if the charity is, or is intended to be, quite large, issues debentures (bonds secured against assets), regularly enters into commercial contracts, owns land, buildings or other property, and delivers services under contractual agreements. It is apparent that the proposed Cromwell Museum trust is unlikely to be a charity of this size.
- 1.4 The Charity Commission recommends a CIO for small to medium sized charities which employ few staff and which occasionally enter into contracts. The CIO model only has one line of external reporting, to the Charity Commission, whereas the CLG model has two separate lines of reporting, to the Charity Commission and Companies House. The sole purpose behind the creation of the CIO model was to minimize the regulatory burden on small to medium sized charities, thereby making charities quicker to set up, easier to run, and more attractive to potential new trustees.
- 1.5 In early September 2014 there were 2,454 CIOs on the Charity Commission database, of which 50 were in Cambridgeshire. Two of these are museums: the Cambridge Museum of Technology and Ely Museum Trust.

Contact was made with some museum sector charities (not necessarily in Cambridgeshire) by the Archives and Local Studies Manager and the Museums Partnership Officer for the purpose of researching this report. The specific museums will not be identified in this paper, because the views expressed by officers and/or trustees may not represent the views of their employing organisations.

- One museum contacted is in the process of becoming a company limited by guarantee. The curator there was open in saying that the CLG route was being adopted because a great deal of work and investment had already been expended upon it, including consultancy fees. The museum had already drafted a constitution using the CLG model before the CIO model became an option. The museum in question is much larger than the Cromwell Museum, and owns property and other assets, so the CLG model is suitable.
- Another museum contacted is pursuing the CIO model because they are following the advice of their independent consultant. The curator there was unclear as to why the consultant had recommended a CIO and did not respond to follow-up requests for clarity.
- Another museum actively chose to delay setting up their new trust until the CIO model was available. The contacts we spoke to (one trustee and the curator) were very clear that the CLG model had no benefit over the CIO model. This museum is larger than the Cromwell Museum trust is likely to be, as it employs more staff (three PT) and owns the building in which the museum is housed, yet they still regard themselves as being a small museum for which the CLG model would be unsuitable. This museum is using one of the model CIO constitutions offered by the Charity Commission. The period from the submission of their application to the award of CIO status by the Charity Commission was five days. This trust has adopted the Association model, with members and trustees, rather than just trustees, and the trustees are drawn from the membership. This trust was very clear that trustees should not be nominated by external organisations; stakeholder bodies can send observers, but they cannot vote.
- Another museum, also already a CIO, informed us that the decision to move to a CIO was to limit the liability of trustees without having to provide a return to Companies House. This museum has used one of the model constitutions from the Charity Commission. The move to CIO has taken about eighteen months but this length of time was not due to setting up the CIO, it has been due instead to the complexities of transferring assets and closing the old charity.

## 1.6 Recommendations

Based on the evidence above, it is the opinion of officers that the trust be set up on a CIO basis, for the following reasons:

- that the Charity Commission itself recommends CIO status for small charities;
- that the trust will not own the Museum building, its land or any other significant property;
- that the trust will not own the collections it displays;
- that the trust will have negligible assets and therefore will not be in a position to borrow significant amounts of money or issue debentures;
- that the trust is unlikely to be entering regularly into commercial contracts;

- that the trust will be employing very few staff;
- that the trust will aim to ease its regulatory burden as much as possible in order to attract potential trustees;
- and that these conditions are unlikely to change in the foreseeable future given the constraints imposed by the size, nature and location of the Cromwell Museum.

It is recognized that CIO status will impair the ability of the trust to borrow money secured against assets, but in the opinion officers this disadvantage is made negligible by the fact that the trust will have few assets.

- 1.7 If the CMMC agrees that the correct model of governance for the post-April 2016 Museum should be a Charitable Incorporated Organisation then County Council officers will begin the process of establishing such a body. The immediate next steps will be to identify the skills, knowledge and experience required by the initial trustees, to draw up a job description for the initial trustee role, and to advertise for applicants. Applicants for trusteeship will be selected as individuals, not as representatives of local authorities.