Service Review – Full Business Case

Heritage Service Review

Delivery Model Full Business Case

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1. EXECUTIVE SUMMARY

1.1 Introduction

In July 2012 Cabinet decided that a Full Business Case should be developed to explore the option of delivering the Heritage Service through a not-for-profit trust. Work to create the Full Business Case has been undertaken as part of the County Council’s change programme and its move towards a new operating model as a commissioning authority. The work is also set in the context of severe financial constraints for the County Council as a whole and the need for services to become more efficient, cost-effective and affordable.

1.2 Service aims

The Somerset Heritage Service preserves, protects, makes available and celebrates Somerset’s rich heritage, developing key partnerships and providing leadership to enable Somerset’s heritage to flourish. The service contributes to the economic prosperity of the county, helping to make Somerset an attractive place for visitors and for those who live and work in the county.

1.3 Main conclusions

This report concludes that a not-for-profit trust established via a devolved model would:

- Minimise set-up costs
- Ensure a close relationship between the County Council and the trust
- Protect heritage assets
- Best ensure the achievement of County Council objectives
- Deliver ongoing financial savings

In this model, service delivery would move once and for all to a separate organisation, with which the County Council would have an ongoing relationship. A transfer agreement would set out the terms of the relationship and a separate time-limited funding agreement linked to clear outcomes would be required. It is suggested that the funding agreement should be for a renewable period of 5 years.

The devolved model does not require a full procurement process, making transfer to a trust more straightforward and less costly. The County Council would discharge its statutory and legal responsibilities in relation to heritage through the agreement established with the trust. The delivery model would be a not-for-profit company limited by guarantee and with charitable status. The aim would be to disturb existing legal agreements and partnership arrangements as little as possible. Heritage collections and assets would
continue to be held by the County Council, which would delegate management responsibility to the trust’s board of trustees.
The trust would need a robust and certain funding package in order to thrive, grow, plan and realise maximum income generation potential.

Financial modelling indicates that savings levels in a trust scenario reach 27% by year 5, with a cumulative saving over that period of £2m. Achieving those savings crucially depends, however, on a corporate solution being reached with respect to central apportioned costs.

The devolved model proposed provides a long-term solution to heritage provision for Somerset, not a short-term fix. It enables the County Council to have an ongoing relationship with the service through a partnership delivery plan, but with a reduced level of financial commitment over time.

If agreed in principle, further detailed work and financial modelling would be undertaken to validate and stress test the financial model. Agreement would need to be reached on a funding package, and a programme of implementation would be required. The aim would be to establish the trust during 2014.
2. BACKGROUND TO THE HERITAGE SERVICE

2.1 Service components

The Heritage Service was formed in 2004, bringing together services that were previously managed separately. A key recommendation from the Outline Business Case is that the service should continue to be managed together in order to deliver an integrated and coherent heritage service for Somerset.

The major service components are Archives and Local Studies, Museums, and Historic Environment services.

2.1.1 Archives and Local Studies

This service cares for and makes publicly available the written evidence of Somerset’s history and holds millions of documents dating from the 8th century to the present day, including the authority’s own archives. It also manages the Somerset Studies Library and provides an archive service to North Somerset Council under a Service Level Agreement.

Local government archive services are chiefly subject to the Local Government Act 1972, s. 224. The Act states that principal authorities must make ‘proper arrangements’ for records in their ownership or custody.

The nature of ‘proper arrangements’ was defined by guidance published in 2000 by the then Department of the Environment, Transport and the Regions (DETR).

The guidance describes proper arrangements for archives (historical records) as follows:

- Storage conditions should meet the requirements of BS 5454:2000.
- Provision should be made for the preservation needs of records and for active conservation work.
- Access arrangements for the public should be sufficient to ‘satisfy normal demand’. Access should be constantly supervised by trained staff.
- All records open for inspection should be described in available finding aids which may be made accessible remotely by electronic means.
- Proper arrangements should include liaison with schools and other educational bodies ‘so the educational potential of archives can be realised’.
- Staffing should be sufficient, in terms of numbers, qualifications and experience, to keep the records safe and make them available for public inspection.
The Local Studies Library forms part of the authority’s statutory provision under the Public Libraries and Museums Act 1964.

2.1.2 Museums

The service has curatorial responsibility for some 3 million museum objects ranging from Bronze Age gold to modern art. The majority of these assets are owned by the County Council. Many others are owned by Somerset Archaeological and Natural History Society. The service manages the Museum of Somerset at Taunton Castle, the Somerset Rural Life Museum in Glastonbury and the Somerset Brick and Tile Museum in Bridgwater. It has additional curatorial responsibilities under Service Level Agreements with North Somerset Council and Weston Town Council to provide heritage and curatorial services.

The Museums Service is permissive under the Public Libraries and Museums Act 1964. The Act provides, inter alia, that a local authority operating a museum ‘shall take into account the need to secure that the museum or gallery plays its full part in the promotion of education in the area, and shall have particular regard to the interests of children and students’. The service discharges the authority’s statutory responsibilities under the Treasure Act 1996 and manages the associated Portable Antiquities Scheme in partnership with the British Museum.

A learning, events and exhibitions programme is fundamental to the purpose, reach and impact of the Museums Service, and the Heritage Service overall. It is also a core requirement of most of the service’s external funders. The service’s learning activities fulfil two of Arts Council England’s (ACE’s) five goals for museums, described in section 3.1 below. ACE is a key funder of the service and will be crucial to its future development and sustainability.

Delivery of a learning, events and exhibitions programme is also an Approved Purpose of the Heritage Lottery Fund’s £4.8m grant to create the Museum of Somerset. Failure to comply with an Approved Purpose would be a breach of our 25-year contract with HLF and could result in the need to repay part or all of the grant.

Heritage learning activity is partly traded through SStep (formerly Blue Book) arrangements with schools and also draws in external funding for projects.

2.1.3 Historic Environment Service

The Historic Environment Service ensures that Somerset’s heritage assets, including historic buildings and landscapes, are protected through the planning process. The service provides conservation and archaeological guidance and expertise throughout the county, and with partner funders undertakes public realm conservation works. It also maintains the Historic Environment Record. The service has a key role in protecting heritage assets through the planning system, working in partnership with the five district councils. It is actively involved in major infrastructure projects including the
proposed Hinkley C development, working with organisations such as EDF and the National Grid to ensure that appropriate mitigation is in place to record and interpret the historic environment affected.

The service helps the authority discharge its obligations under the National Planning Policy Framework (NPPF) (DCLG, 2012). The NPPF contains detailed policies which must inform the decisions of a planning authority in respect of the historic environment. It also states that a planning authority should maintain or have access to a Historic Environment Record. A wide range of community archaeology programmes are also delivered with partners, such as Leader Plus, supported by EU, DEFRA, RDA and other funding.

The service cares for a small portfolio of heritage landscape assets in County Council ownership. There is potential for this role to grow.

2.2 Premises

2.2.1 Somerset Heritage Centre, Taunton

The Somerset Heritage Centre opened to the public in 2010. It brings together collections, staff and services that previously occupied 16 different premises. It combines on one site the county’s archive, museum and historic library collections and makes them available to the public in a fully modern setting. The premises comply with national standards for collections care and access, and enable the statutory duties undertaken by the Archive Service to be fulfilled. They also house the certification service of the Somerset Registration Service, the records management store for the County Council and the headquarters of the Somerset Archaeological and Natural History Society.

2.2.2 Museum of Somerset, Taunton

The Museum of Somerset opened to the public in 2011. It is managed in accordance with a 25-year agreement with the Heritage Lottery Fund (HLF) dated 20 March 2008. Any material breach of the agreement by the County Council could make necessary the repayment of all or part of a grant of £4.8m given by HLF to the Museum of Somerset project. The County Council is bound contractually to other funders, including the Art Fund, the MLA/V&A Purchase Grant Fund and the National Heritage Memorial Fund, who have funded the purchase of museum artefacts, some of considerable financial value. The Museum of Somerset is a key element in the Vision for Taunton and has already acted as a catalyst for other strategic regeneration projects in the county town, including the creation of a cultural quarter and the redevelopment of Castle Green.
2.2.3 Somerset Rural Life Museum, Glastonbury

Somerset Rural Life Museum has been successful in its Round 1 bid to the HLF in support of a £1.8m project to redevelop the museum, which, like the Museum of Somerset, is a major tourist attraction. The museum includes the 14th-century Abbey Barn which was given in trust to Somerset County Council in 1969 and is a Scheduled Ancient Monument and Listed Building. The Round 2 HLF application will be submitted during 2013, and assuming this and other funding bids are successful, works will start on site in late spring 2014. Completion of the project will make a key contribution to the County Plan promise to 'make it easier for people to visit and enjoy Somerset as a tourist destination'. The project is a specified activity in the County Council’s Business Plan 2012–13.

2.2.4 Somerset Brick and Tile Museum, Bridgwater

The Somerset Brick and Tile Museum is a Scheduled Ancient Monument and Listed Building owned by the County Council. It is currently managed in partnership with the Learning Disabilities Service, which is, however, phasing out its active involvement with the site.

2.2.5 Other heritage assets held

The Heritage Service is also responsible for a range of scheduled monuments and other heritage assets in the county, including Marston Magna moated site, the Beckery Chapel site in Glastonbury, and part of the Avalon Marshes Centre in Shapwick. Several of these sites are managed in partnership with local parishes, groups or strategic partners such as Natural England.

2.3 Current structure and staffing

The Service currently forms part of the Heritage and Libraries Group, and until April 2012 was part of the Community Directorate. The Heritage Service currently employs 57 staff, representing 48.2 full-time equivalents (FTEs). A further 3.4 FTEs form part of the integrated business support team providing support services for both the Heritage and Libraries services. These members of staff have recently transferred to the centralised Business Development function. Included in the total staff numbers is the Group Manager, who is currently shared with the Libraries Service. In 2013 the management link between Heritage and Libraries is due to end. Within the new operating model it has been indicated that the Heritage Service is within a 2-year development phase, during which time the future governance arrangement will be decided and implemented.

2.4 Organisations we work with

The Heritage Service operates with a wide range of organisations. Some of the key relationships include:
Somerset County Council. The Heritage Service supplies a range of services to other parts of the County Council. It provides advice and research on matters including county bridges and structures, street lighting, highways, rights of way, planning regulation, major projects, countryside issues and to the AONBs. It cares for and makes available the permanent records of the County Council, and until 2013 has, for more than 25 years, managed the semi-current records of the Council.

Somerset Archaeological and Natural History Society (SANHS). SANHS is the service’s oldest partner and a very important one. The County Council is the tenant of SANHS at Taunton Castle under a 49-year lease which runs to 2056 without break clauses (a requirement of the Heritage Lottery Fund). An annual rent of £3,517 is paid. The service cares for the extensive and highly important SANHS collections under the provisions of a series of agreements. These agreements run variously until 2040 or 2056 and do not include monetary considerations.

Somerset Military Museum Trust. The service has a long-standing legal agreement with the Somerset Military Museum Trust, which has been the basis for excellent partnership working for more than 30 years. The service delivers the military museum of the Somerset Light Infantry (now The Rifles), and manages museum and archive collections. The agreement does not have a monetary consideration, but has underpinned a valuable arrangement which has been beneficial to both parties.

North Somerset Council (NSC). The service delivers the full statutory archive service, and museum services, on behalf of NSC under the terms of service level agreements. The archive service contract has been in place since 1996, and is currently being held over following the end of the existing contract term on 31 March 2012. The annual value of the contract for 2012–13 is £62.3k. The separate museum services contract was entered into from 1 April 2011 for a 5-year renewable term, at an annual sum of £75k plus inflation.

Weston-super-Mare Town Council. The service delivers museum curatorial and advisory services under the terms of a Service Level Agreement. The agreement was entered into from 1 April 2011 for a renewable term of 5 years, at an annual sum of £45k plus inflation.

Heritage Lottery Fund. The service manages the Museum of Somerset under the terms of a 25-year agreement. The HLF provided a grant of £4.8m for the redevelopment of the Museum of Somerset. If the service fails to meet the conditions of the contract there is a risk that all or part of the grant would have to be repaid. The Heritage Lottery Fund have also provided funding for many other projects, including current grants of £51k to develop the Rural Life Museum Project Round 2 application and of £77k to develop the Somerset Remembers project.
Viridor Credits Environmental Company. Viridor Credits was another significant capital funder of the Museum of Somerset, specifically in respect of the Learning Centre and Temporary Exhibition Gallery. The County Council is obliged to maintain these facilities for 30 years as a condition of the funding.

Arts Council England. Arts Council England became the national strategic lead for museums in April 2012 and is a very important funding partner. Current funding partnerships with the Arts Council include its funding support for the service’s membership of a museum consortium with the Royal Albert Memorial Museum, Exeter, Plymouth City Museum and Art Gallery and the Royal Cornwall Museum, Truro, to deliver a range of museum development work, and a separate project to support income generation.

The National Archives. The National Archives (TNA) became the national strategic lead for archives in April 2012. TNA has a significant regulatory role with respect to several strands of archive legislation and manages archive-specific grants programmes and archive development work.

English Heritage. The Historic Environment Service is a key member of the Heritage Information Partnership, co-ordinated by English Heritage via the Heritage Gateway. The service works with English Heritage to ensure appropriate protection and management of the historic environment in Somerset. This involves strategic planning work, policy advice and local and regional strategy work in accordance with national policies. English Heritage provides capital support for local conservation and monument management schemes which are jointly funded with the County Council, and often also involve town and parish councils.

DEFRA. The service gives advice to DEFRA on Environmental Stewardship applications in Somerset. This advice is used to protect and manage heritage assets, many of which are on private farmland.

Environment Agency. The service works in partnership with the Environment Agency on projects that affect the historic environment. The Environment Agency has funded a range of projects to protect, conserve and record the historic environment in Somerset.

Natural England. The service undertakes joint projects and advisory work associated with environmental stewardship schemes.

Diocese of Bath and Wells. The Archive Service has been the Diocesan Record Office since 1962. It holds the diocesan and parish records for Somerset and advises on record keeping. The Historic Environment Service advises the Diocese on conservation and archaeological matters under the requirements of the Faculty Rules (2000), and provides a link between Somerset local authorities and the Diocesan Advisory Committee.

District Councils. Partnership agreements are in place with all five district councils to offer archaeological advice on planning applications. This ensures appropriate standards are set and maintained across the county. Partnership
projects ensure repairs to local heritage assets, notably historic churchyards in the care of local authorities.

**Somerset VCH Partnership Group and the Institute of Historical Research, University of London.** The Heritage Service hosts the Victoria County History (VCH) in partnership with the University of London Institute of Historical Research. The VCH is a research project which aims to research, write and publish definitive historical accounts of the parishes of England from their origins up to the present day. Ten volumes of the Somerset VCH have been published so far, and the VCH is also available online. The partnership group provides support and fundraising capacity for the project, which is no longer supported financially by the County Council.

**The British Museum; Dorset County Council.** The service works in partnership with the British Museum and Dorset County Council to deliver the Portable Antiquities Scheme for Somerset, including the provision of two Finds Liaison Officers.

**Bristol City Council; South Somerset District Council.** The service works with Bristol City Council and South Somerset District Council in supporting Somerset’s community museums and heritage providers through the joint funding of a Museums Development Officer.

**Friends Groups.** The service works with three Friends groups (Friends of the Museum of Somerset, Friends of the Rural Life Museum and Friends of Somerset Archives). These groups provide support and fundraising capacity, undertake valuable project work and promote wider engagement with museums and archives.

**Volunteers.** The service works with over 160 regular volunteers who gave over 10,000 hours last year. This represents the equivalent of over £200,000 in staff costs, ie over 10% of the service’s net revenue budget. Volunteer support is vital to the continued operation of the service.

The service also works on projects with other partners as opportunities arise. These partners include Bath and North East Somerset Record Office, Wells City Archives, The Alfred Gillet Trust (Clark’s), SPAEDA (Cultural Arts Consortium for Somerset Schools), Glastonbury Abbey, Somerset Libraries, The Museums in Somerset Group, parish and town councils, the National Trust, the Somerset Building Preservation Trust, and other amenity societies and conservation bodies.

### 3. STRATEGIC CONTEXT

#### 3.1 National context

Priorities for service delivery are informed by the key national strategic drivers, articulated by the lead strategic body for each service strand. In March 2012 the Museums, Libraries and Archives Council ceased to exist. The strategic
lead for archives moved to The National Archives (TNA), and that for museums moved to Arts Council England. It will be increasingly important to demonstrate alignment with their strategic priorities over the coming years in order to secure external funding and to obtain or retain national accreditations to operate services.

3.1.1 Archives and local studies

The strategic direction for archives is set out in TNA’s *Archives for the 21st century in action: refreshed 2012-15* (2012) and comprises five main priorities:

**Built to last**
Services will seek to become bigger and better in partnership, working towards increased sustainability within the sector. This includes using commissioning approaches to build a diverse and sustainable funding base and revenue stream.

**Effective, skilled workforce**
Services will build a strengthened leadership and responsive, skilled workforce to ensure that they remain vibrant and outward looking.

**Digital by design**
A co-ordinated response to the growing challenges of managing digital information is essential, so that it is accessible now and remains discoverable in the future. This is a key challenge, and is vital to ensure that the administration, accountability and transparency of organisations is maintained and enhanced.

**More accessible online**
Comprehensive online access for archive discovery through catalogues and to digitised archive content by citizens at a time and place that suits them. This is a huge area of opportunity for archives and the way that users engage with their services.

**Real outcomes through partnership**
Services will seek active participation in cultural and learning partnerships, promoting a sense of identity and place within the community.

3.1.2 Museums

The national strategic framework for museums is contained in Arts Council England’s *Culture, knowledge and understanding: great museums and libraries for everyone* (2011), and has been summarised under five goals:

**Goal 1: Excellence is thriving and celebrated in museums**
Investment will be focused on excellent and forward thinking museums best able to drive innovation, care for their collections and share learning. They will support those looking to expand their horizons, through ambitious programming or new ways of engaging people. ACE will work with partners to champion and support the sustainable development of collections and
scholarship. A priority is to work with museums developing their offer in consultation and partnership with people using their services.

**Goal 2: More people experience and are inspired by museums**
Museums play a key role at the heart of communities, inspiring civic pride, a sense of place and making a valuable contribution to local economies. ACE will support museums working with communities, including volunteering and hard to reach audiences, embracing lifelong learning and access to information.

**Goal 3: Museums are sustainable, resilient and innovative**
ACE will support, encourage and promote those museums that are the most innovative and enterprising, building strong business-like models from which others can learn.

**Goal 4: The leadership and workforce in museums are diverse and highly skilled**
ACE encourages skills development, collaborative working and knowledge sharing and is committed to leadership development.

**Goal 5: Every child and young person has the opportunity to experience the richness of museums**
Access to the knowledge, experiences and treasures within museums is essential to inspiring future audiences and the next creative generation.

### 3.1.3 Historic Environment

The National Planning Policy Framework (DCLG 2012) sets out the policies a planning authority must follow in respect of the historic environment. The framework also provides that a planning authority should maintain or have access to a Historic Environment Record (HER) and ensure that issues relating to heritage assets are assessed using appropriate expertise. The management of HERs is set out in the document *Informing the Future of the Past: Guidelines for HERs* (2007).

English Heritage provides strategic direction for historic environment services in partnership, the key priorities being set out in the *National Heritage Protection Plan, 2012–2015* (2012). The plan seeks to ensure that England’s historic environment:

- Is not needlessly at risk of damage, erosion or loss
- Is experienced, understood and enjoyed by local communities
- Contributes to sustainable and distinctive places to live and work
- Helps deliver positive and sustainable economic growth

These priorities will be fulfilled through eight key measures:

- Foresight – understanding of the economic, social and environmental issues
- Strategic threat assessment and response
• Recognition and identification of the potential resource: identifying heritage assets
• Assessment of character and significance of heritage assets
• Protection of this significance
• Management of planned change in the historic environment
• Managing major holdings of historic assets
• Help and advice for owners of heritage assets

3.2 Local and regional context

The Heritage Service contributes significantly to targets set out in the Somerset County Plan 2012–2013, including the following:

Investing in Our Future
• Protect our unique environment to make Somerset a more attractive and competitive place to do business.
• Make it easier for people to visit and enjoy Somerset as a tourist destination.
• Improve young people’s prospects and skills through the promotion of a range of learning opportunities.

Caring and Protecting
• Improve the prospects of children and young people most at risk of being disadvantaged.
• Promote healthy lifestyles to help individuals live longer, healthier and more independent lives.
• Work with National Grid to ensure that the electricity distribution network respects Somerset’s unique character.

Keeping Costs Down
• Encourage participation, volunteering and community self-help.
• Proactively seek the views of residents, business, staff and members to rate the quality of our services and make them more fit for purpose.
• Work with our partners to simplify access to our services.
• Forge ever closer links with town and parish councils, community groups and residents.

Somerset County Council has been undergoing a significant change programme, and is implementing a new Target Operating Model with the aim of delivering better customer experience, stronger local engagement and value for money through informed commissioning. The proposal to move Somerset’s Heritage Service into a commissioned trust model fits within the context of this change and the new Target Operating Model.

The Localism Act (2012) aims to shift power from central government back to individuals, communities and councils. Recent changes in planning policy in line with this Act, and Neighbourhood Planning, have highlighted the importance of the historic environment at the local level.
3.3 Heritage Service strategic direction

3.3.1 Current strategic position

The Heritage Service vision has been developed to take account of statutory, national and local strategic priorities. The key strategic priorities all focus on the need for a service which fulfils the statutory duties, is innovative and is built on a sustainable but diverse enough base to thrive in the time ahead. Such an organisation must have an ethos of partnership working, as well as having strong leadership and a knowledgeable and motivated staff. It must be centred on the comprehensive stewardship of the heritage assets in its care. This heritage is rooted in the communities of Somerset, and engagement with these communities must be central to the current and future direction of the service. Learning should also be at the heart of the experience of Somerset’s rich heritage.

The Heritage Service is well placed to meet such objectives.

Statutory provision. The service provides statutory Archive and Local Studies services, and contributes to meeting the planning obligations of the County Council and district councils, as set out in the National Planning Policy Framework.

Integrated Heritage Service. The value of the integrated service was recognised in the recommendation approved at the Outline Business Case stage, which states that ‘the heritage services specified in the Outline Business Case should continue to be managed together in order to deliver an integrated and coherent heritage service for Somerset.’ Major advantages of integration include:

- Increased sustainability and ability to make long-term savings.
- Cross-fertilisation of ideas and specialisms.
- A comprehensive approach to heritage asset management and access.
- An ability to build on and exploit synergies and funding opportunities.
- A strong county-wide brand which increases commercial and marketing opportunities.

The mix of service areas is unusual and the service is widely considered to be a leader in the sphere of integrated service delivery. This has resulted in Somerset being consulted as a model of good practice by several other authorities seeking to build a future for their own services.¹

Leadership in the heritage sphere. The service can demonstrate strong leadership and a motivated staff, who have delivered two major capital projects over the last few years. The new Somerset Heritage Centre opened on time and on budget in 2010, and is central to the strategic development of the service. The Museum of Somerset attracted over £5m of external funding and re-opened in September 2011 after full redevelopment. The Heritage

¹ Recently they have included Devon, Dorset and Powys.
Lottery Fund, its principal funder, said the client project team was amongst the strongest it had ever worked with. The team’s track record was important in securing a much higher than normal Round 1 provisional grant in respect of the Somerset Rural Life Museum project. The online HER is regarded as one of the best and most accessible in the country.

**Partnership and community engagement.** The physical integration of heritage assets and staff at the Heritage Centre, with greatly improved public spaces, has opened up more opportunities for partnership projects, improved the ability to attract external funding and increased engagement with communities and volunteers. For example, the number of regular active volunteers participating in archive projects has risen from 10 to 66. The facilities of the Heritage Centre have also enabled the extension of Service Level Agreements with North Somerset Council to cover museum as well as statutory archive functions.

**Tourism and the contribution to Somerset’s economy.** The service makes a significant contribution to tourism and encourages people to visit Somerset:

- The Museum of Somerset has received over 100,000 visitors since it reopened in September 2011. This is well in excess of the anticipated number.
- The Museum of Somerset has received outstandingly positive visitor feedback and is helping to put Taunton on the map as a visitor destination.
- Results from Public Service Quality Group (PSQG) Survey of Archive Services undertaken in October 2012 also demonstrate the contribution of the Heritage Service to the Somerset economy.
- Public realm enhancement and conservation helps protect the character and local distinctiveness of Somerset’s historic settlements.

**Income generation.** The Service has a strong track record of attracting external funding, securing over £5m for the Museum of Somerset and £450k from EDF for planning, archaeological, public realm and learning projects connected with the Hinkley C development. As part of a Major Partner Museum Consortium with other leading museums in the South West the service has secured a total of £174,340 from the Arts Council over three years for museum development work, including the purchase of a new collections management system. The service is a key partner in the Avalon Marshes Landscape Partnership Project which has secured £2.5m. The Service has also been successful in its Round 1 Heritage Lottery Fund application as part of a package of funding bids for the redevelopment of the Somerset Rural Life Museum in Glastonbury. This project seeks to secure a total of £1.8m of inward investment, resulting in the opening in 2016 of a high-quality heritage attraction in this key tourist destination.

The service is also able to attract external investment for specific activities, notable examples being the raising of £425k for the acquisition and conservation of the Frome Hoard of 52,503 Roman coins, and £50k to create online access to information about Somerset’s manorial records.
Therefore, as long as a robust funding package is agreed in any move to a new governance model, the Somerset Heritage Service is in a strong position to thrive and develop, and to continue to meet statutory and strategic priorities in challenging times.

3.3.2 Future strategic context

The world that the Heritage Service inhabits today is very different from that of the 1990s or the early 2000s. Some of the major issues for the coming years include:

- The future for heritage and cultural organisations is characterised by stiff challenges in the next few years. The service faces greater user expectations and increased demand for access to services, but a decreasing resource base.

- The significant capital investment of recent years has helped deliver service improvement, and this benefit needs to be built on in the years ahead, despite reducing revenue budgets.

- The County Council will face significant financial challenges for the foreseeable future and this may impact on the level of revenue funding available to the Heritage Service. Change needs to be embedded which will enable the service to continue to thrive despite a lower local authority funding base. A strategy is needed that broadens the financial base and reduces reliance on local authority funds. New income sources are likely to include grant-making trusts, individual philanthropy, corporate donors, and private foundations, as well as already-established sources such as the HLF and ACE.

- In demographic terms Somerset has an ageing population. The profile of users of heritage services has long had a bias towards older age groups, so there will be particular issues in relation to meeting demand, and the range of access requirements of older users.

- Changing lifestyles mean that many users are unable or unwilling to access services at the times they have usually been available. There is increased emphasis on meeting the needs of service users at the time and place that suits them, particularly with respect to online service access.

- There are increased options for alternative governance and delivery models, which could provide a long-term opportunity to move to a new vision of service delivery. There is evidence from other organisations that have moved to alternative models that a change from direct local government service delivery can increase service innovation, growth and improvement.\(^2\) Shaping such a future for the service is also in line

\(^2\) The opportunity of devolved governance for museums, libraries and archives, MLA, April 2010.
with the County Council’s strategic aim to increase its role as a commissioning authority.

- It will be essential to nurture and develop a wider range of partnerships, particularly with communities and the voluntary sector. This aim connects with current ideas about the ‘Big Society’, as well as with earlier government ambitions to open up service delivery to not-for-profit organisations. The Localism Act and development of Neighbourhood Plans illustrates the need for an active and responsive heritage service that can bring local heritage to life and make it a key part of our changing society.

- A model for service delivery is needed which will enable the realisation of the wider social and economic benefits that a heritage service can deliver. These include the promotion of social heath and well-being, a sense of roots, and pride in and identity with local heritage, as well as the positive impacts of increased tourism and associated secondary spend in the local economy.

- Relationships are changing between individuals and organisations. There is a gradual shift towards increased public approval of smaller local organisations which can build strong and positive relationships with individuals, resulting in long-term personal support, including personal philanthropy. A well-positioned heritage organisation, especially with a strong Somerset brand and self-image, could benefit from this trend.

- The organisational culture of the service will need to be aligned to the changing situation. It will need to be entrepreneurial, innovative, and able to grasp opportunities quickly. All this needs to be done without compromising the existing strengths of the service in respect of access, engagement and collections management.

- Arrangements for future governance need to be made with a long-term perspective. Only thus can the stability be achieved which will enable the service to thrive and develop with an increased level of financial independence from the local authority.

### 3.4 Governance models in the heritage sector

The past 5 to 10 years have seen an increase in the number of local authority heritage organisations considering alternative forms of governance. The most frequently implemented model is a non-profit distributing organisation (NPDO) (for example, a not-for-profit company limited by guarantee) with charitable status. Other alternatives include an unincorporated charitable trust, an industrial or provident society, or a community interest company, although the latter are largely untested in the heritage sector and have only been in existence since about 2005. The main distinguishing feature of NDPOs is that
any profits cannot be distributed, but have to be invested back into the company for its benefit.

A major philosophical and practical distinction needs to be drawn between the outsourcing of services and the devolution of services:

**Outsourcing**
In this model a contractual arrangement is made with an external body to deliver services for a defined number of years and for an agreed service fee. A procurement process is required to decide which organisation will deliver the services. Further procurement processes will then be needed when the contract is due for renewal. Outsourcing works within the framework of a finite contract, and relies on the existence of a competitive market to maximise best value.

**Devolution**
In this model service delivery is moved once and for all to a separate organisation, with which the local authority has an ongoing relationship. The provider is always a specially-created charity. A transfer agreement sets out the terms of the relationship. A separate time-limited funding agreement is entered into, but the transfer to the external organisation is permanent. This form of arrangement does not involve competitive tendering, making it more straightforward and less expensive to set up. Commissioning still takes place within a devolved framework, but on the understanding of a long-term relationship between commissioner and provider, rather than a time-limited one. Policy development and strategy are shared between the commissioning body and the trust.

The devolution route is tried and tested in the heritage sector, which lacks an established commercial market. By far the greater number of services which have devolved to a governance model independent of the local authority are museum services. There are also limited examples of archive services, and some trusts which provide a variety of archaeological services. So far it has not been possible to find an example which exactly matches the mix of heritage services currently operating in Somerset.

### 3.4.1 Benefits of moving to trust status

From the experience of existing organisations, the key benefits of moving to a trust, both for the Heritage Service and for the local authority, are cited as being:

- The creation of a more agile organisation, able to adapt to future changes and to innovate.
- The ability to obtain funding from sources not open to local authorities, especially from individuals.
- Greater financial sustainability and stability on the basis of a funding agreement. This allows more strategic management of financial change, and the ability to maximise savings in the long-term without radically compromising service delivery.
• Independence – the ability to shape the destiny of the service through a more focused and business-like management structure which allows for timely decision-making.
• Greater flexibility to adapt to the needs of audiences and communities.
• The opportunity for cultural change within the organisation, particularly a move to a more business focussed culture.
• Scope to develop new partnerships and working relationships.
• An ability to build a strong heritage brand in order to maximise cultural and marketing opportunities.

3.4.2 Dis-benefits of moving to trust status

Potential major dis-benefits of moving to trust status for heritage services and the local authority are cited as being:

• The lack of a robust ongoing funding agreement with the major funding provider, typically the local authority, could jeopardise the ability of the trust to survive and to discharge statutory and legal requirements.
• Accessing some funding sources specifically open to local authorities becomes more complicated.
• Difficulties with maintaining and possibly rebuilding relationships with stakeholders, partners and service users.
• Less local authority control because the new organisation is legally independent and has a voice of its own.

4. APPRAISING THE OPTIONS

4.1 Background to work so far, including Outline Business Case recommendations

The Outline Business Case considered the current elements of Heritage Service provision, excluding records management, and made recommendations on which of them should continue. Owing to the statutory nature of many elements of the service and existing legal agreements, the scope for stopping services is limited. Some activities were identified, for example the Victoria County History, which can move to the model of an externally-funded partnership project, rather than being funded directly by the County Council.

It soon became evident that the major issue for the County Council was that of governance, and considerable work was undertaken to understand the implications of new governance arrangements, and to research heritage service delivery models operating elsewhere.

Several governance options were considered, as follows:

• Remaining in house: The Heritage Service would continue to be directly provided by the County Council.
• **Externalisation:** The Heritage Service would be transferred to a company created and wholly owned by the County Council.

• **Outsourcing (not for profit):** The Heritage Service would be transferred to and delivered by an external organisation which would be independent of the County Council. This organisation would operate on a not-for-profit model and have charitable status.

• **Outsourcing (commercial):** The Heritage Service would be transferred to and delivered by an external organisation which would be independent of the County Council. This organisation would operate on a wholly commercial basis.

An examination took place of the benefits, dis-benefits, key risks and viability of each option. As a result of this work the options of externalisation and outsourcing (commercial) were considered to be unsuitable and unworkable for the Heritage Service and were rejected.

As a result the nine recommendations that were approved by Cabinet for further consideration through the Outline Business Case process were:

1. That the vision for the Heritage Service is adopted and further developed with stakeholders. This describes ensuring sustainable heritage services in Somerset that protect, promote, celebrate, and make accessible the heritage of Somerset.

2. That the heritage services specified in the Outline Business Case should continue to be managed together in order to deliver an integrated and coherent heritage service in Somerset.

3. That the service explores opportunities and cost/benefits of further co-operation with other local authorities, either through partnering arrangements or SLAs such as that with North Somerset Council.

4. That specific recommendations are developed for the management of carefully-selected heritage land assets in the county.

5. That the role of the Heritage Service is clarified in supporting community-based heritage services, including exploring local delivery options for the Brick and Tile Museum.

6. That a Full Business Case is developed to explore further the costs, benefits, risks and opportunities of setting up a charitable trust or similar organisation (Option C) for delivering the vision for heritage services. To compare this with the costs, benefits, risks and opportunities for heritage services of remaining part of the County Council.

7. Approve the approach outlined in the Outline Business Case for delivering service efficiencies, and the further work to be undertaken on this as part of the Full Business Case, including developing a full business case for charging admission to Somerset’s museums.
8. That the development of a full business case includes the involvement of key stakeholders and staff to help inform any final decisions.

9. Consider the equalities and other impact assessments within the Outline Business Case in relation to making the above decisions and note that these will be reassessed as part of the Full Business Case.

4.2 Engagement with stakeholders, partners and staff

Engagement with stakeholders, partners and staff has been ongoing throughout 2012 and early 2013. At the Outline Business Case stage this included a series of meetings with key stakeholders to ensure that they were engaged with the process of the service review and could give their views on possible options. External specialist advice was also sought from Adrian Babbidge of Egeria, an expert on heritage governance arrangements in a local authority context.

Meetings were held with staff to inform them of progress and to hear their views. Staff representatives were elected to participate in more detailed work, including an initial options appraisal which took place in February 2012. The appraisal undertook a PESTLE analysis (Political, Environmental, Sociological, Technological, Legal and Environmental drivers) and a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) of a range of governance options. An options appraisal based on HM Treasury Green Book methodology was then undertaken, with the results informing the next stages of the review process.

A full description of engagement during the Outline Business Case stage can be found in the Heritage Outline Business Case Report, which was approved by Cabinet on 4 July 2012.

Engagement has continued during the Full Business Case stage. There has also been close involvement by the County Council’s commissioning function. The group of identified key stakeholders has given feedback on the draft Heritage Vision document. Monthly liaison meetings have been taking place with the Somerset Archaeological and Natural History Society, who are in a unique position in any consideration of the future of the Heritage Service, due to the importance of their assets, and in particular the lease arrangements for Taunton Castle.

Monthly meetings have been held with Heritage Service staff, and feedback has been sought on key issues highlighted in the recommendations, including the vision for the Heritage Service, partnership working and governance. The Heritage Management Team and elected staff representatives were also involved in a further options appraisal, which considered the options set out in recommendation 6 of the OBC, namely ‘a charitable trust or similar organisation’ or ‘remaining part of the County Council’.
Regular contact and discussion with union representatives has been achieved through meetings of the Heritage and Libraries Joint Consultative Committee.

The opportunity remains that a heritage trust could be a suitable home in future for Countryside and AONB functions. This is also the case for other functions with which there are synergies, for example the arts.

4.3 Options appraisal

The key recommendation from the Outline Business Case was that there should be further exploration of the costs, benefits, risks and opportunities of setting up a charitable trust or similar organisation, and that this should be compared with the costs, benefits, risks and opportunities for the Heritage Service in remaining part of the County Council.

A workshop was held with the Interim Service Director, the Heritage Management Team, a representative of the commissioning function, elected staff representatives and a union representative. Information was provided about the two options, and there was a question and answer session. The data collected in the PESTLE and SWOT analyses which were carried out at the earlier options appraisal event in February 2012 were considered and updated in the light of what has been learnt during the service review process.

A scoring exercise was then undertaken based on criteria covering organisational objectives, customers and community, economic impacts, partner and stakeholder impacts and legal/regulatory/contractual factors. The results were:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Option 1 In house</th>
<th>Option 2 Trust</th>
</tr>
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<tbody>
<tr>
<td><strong>1. Organisation objectives (30% weighting)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Priorities identified in the County Plan: to look after vulnerable people; to give Somerset’s children the best opportunities possible; to boost the local economy, creating jobs and wealth in whatever ways we can.</td>
<td>30</td>
<td>40</td>
</tr>
<tr>
<td>1.2 The objectives of the Target Operating Model: commissioning organisation, more flexible, delegated decision making, value for money.</td>
<td></td>
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<tr>
<td>1.3 Meet strategic sector priorities (eg DCMS, ACE, TNA, DCLG).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.4 Priorities identified in the Heritage Service vision: to work with individuals, communities and partners to look after Somerset’s heritage excellently, to promote it and make it accessible, to make it a driver for economic growth.</td>
<td></td>
<td></td>
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<tr>
<td>1.5 To be resilient, innovative and outcomes focussed.</td>
<td></td>
<td></td>
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<tr>
<td><strong>2. Customers and communities (25% weighting)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Helps us to develop and engage with existing and new customers</td>
<td>31</td>
<td>39</td>
</tr>
</tbody>
</table>

(Cabinet – 20 March 2013)
2.2 Enables us to meet customers’ and communities’ needs.
2.3 Provides opportunity for customer and community involvement and influence.

### 3. Economic impacts (30% weighting)

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<tbody>
<tr>
<td>3.1 Affordability and cost effectiveness (initial set-up and ongoing operating costs, capital/revenue/income streams, economies of scale, etc.)</td>
<td>27</td>
</tr>
<tr>
<td>3.2 Long-term viability and sustainability of the service.</td>
<td></td>
</tr>
<tr>
<td>3.3 Opportunities to generate income, draw in external funding.</td>
<td>34</td>
</tr>
<tr>
<td>3.4 Ability and flexibility to respond to economic climate.</td>
<td></td>
</tr>
</tbody>
</table>

### 4. Partner and stakeholder impacts (15% weighting)

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Advance the objectives and needs of our partners (eg SANHS, North Somerset Partnership).</td>
<td>29</td>
</tr>
<tr>
<td>4.2 Provide opportunity to develop future partnerships and collaboration.</td>
<td></td>
</tr>
<tr>
<td>4.3 Supports and enables key service developments.</td>
<td>29</td>
</tr>
</tbody>
</table>

### 5. Legal/regulatory/contractual

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the option meet statutory and regulatory requirements? [This option was not scored as it is essential to meet the legal/regulatory or contractual obligations in order to be a viable option.]</td>
<td></td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>117 142</td>
</tr>
</tbody>
</table>

This appraisal provided a steer in favour of moving to a charitable trust, and represented a shift in overall views towards trust status since the earlier appraisal exercise.

### 5. MOVING TO A NEW DELIVERY MODEL

#### 5.1 Is it economically sustainable?

The establishment and running of the Heritage Service as a trust is deliverable in economic terms. See section 6 for the financial outline. It is essential, however, that the following assumptions are understood:

- The trust will only be able to deliver the benefits to the County Council in terms of fulfilment of statutory duties and delivery of the strategic advantages outlined in section 3 if a robust financial agreement is in place.

- A reduction over time in the County Council’s funding contribution is expected, but there will be limits to how far this can go. Heritage services are not of a kind that will ever be able to generate 100% of
their own income, and the fulfilment of statutory duties presupposes the need for an ongoing and positive relationship between the County Council and the trust.

- Any change in governance needs to be established in such a way that a trust can flourish in its early years, as this is the period of greatest risk. If the trust is not able to thrive from the outset, there is a risk that it will fail and will have to be brought back in house at considerable expense, and with significant reputational damage to the County Council and the board of trustees.

- The Heritage Service needs to be in a healthy state at the point that it starts to operate in a trust model. A great deal has already been done to make the service fit for purpose. This has included bringing together staff and collections from 16 locations into the Somerset Heritage Centre, the redevelopment of the Museum of Somerset as a major heritage tourist attraction, and the establishment of commercial and marketing capacity to develop income generation potential.

- The move to a trust is a complex process which, to be achieved successfully, requires the investment of time and resources from various sections of the County Council, and some one-off financial costs. The County Council must believe that the investment in change is worthwhile.

- There are a series of key issues which the County Council will need to resolve, particularly around the SouthWest One unitary charge, debt charges relating to recent capital developments and the ownership and maintenance of the major property assets.

- Expectations of what the Heritage Service will be able to achieve in a trust model must be realistic in the light of the demographic profile of the county. There is great future potential for the trust to operate successfully and work with others in the heritage arena in Somerset, but it will not be possible to attract use levels on a par with major cities in the region such as Exeter or Bristol, as centres of population are smaller.

### 5.2 Establishing the governance model

It is proposed that the means to establish the trust should be one of devolution. Heritage functions work best through a devolved model for the following reasons:

- The complex range of heritage functions, and the need to ensure the long-term future of unique heritage assets, makes an outcomes-based approach more appropriate than a detailed activity-based specification.
• A full procurement process would be expensive and time-consuming for the County Council, especially in relation to the relatively small annual expenditure on the Heritage Service, and the lack of an established market.

• The need to provide long-term collections care of unique heritage assets makes the devolution model a more sustainable solution and reduces risks for the County Council. An ongoing relationship with a charitable trust could be more publicly acceptable, and reduces the likelihood that the County Council could be seen as putting the county’s heritage at risk.

• The long-term nature of the arrangement, and ongoing partnership with the County Council, will encourage the establishment of a high-quality board of trustees. The County Council will also have greater influence on selecting the initial chair and board.

• The financial advantages available to charities can be maximised in the light of the long-term security of the organisation. At the same time the County Council can maximise savings, particularly as responsibility for funding building maintenance would be likely to fall to the trust.

Devolution does not require a competitive tendering process. This means that the process is driven by an ongoing partnership which maximises service development and savings potential, rather than a specification and short-term contract. A commercial market for heritage services is not established, due, to a large extent, to the fact that such services are unable to generate enough profit to be commercially attractive.

The precedent from other devolutions of heritage services is that they have not given rise to legal challenges.

5.2.1 Legal entity

The preferred delivery vehicle is that of a not-for-profit company limited by guarantee and with charitable status. Such a vehicle would be established as a continuing entity and operate with a board of trustees. It would be incorporated under the terms of the Companies Act (2006) and would not issue shares. To register as a charitable company it would need to apply to the Charity Commission and have its constitutional documents approved.

5.2.2 Type of funding

The suggested method of funding is via a grant. Grant funding does not fall under the remit of EU procurement rules. The distinctions\(^3\) between grant funding and contract funding can be summarised as follows:

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\(^3\) Derived from advice provided by Adrian Babbidge, Egeria Heritage Consultancy, January 2013.
<table>
<thead>
<tr>
<th>Grant Funding</th>
<th>Contract Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>An obligation to deliver something for the benefit of the public in general.</td>
<td>An obligation to deliver something to the paying public body, for the benefit of that public body.</td>
</tr>
<tr>
<td>The terms and conditions of the grant are based on clear outcomes agreed between the parties.</td>
<td>A detailed specification of activities to be undertaken is drawn up.</td>
</tr>
<tr>
<td>The grant recipient must pay back all or part of the grant in the case of non-delivery or failed delivery of the terms and conditions.</td>
<td>The public body can recover financial losses from the recipient organisation as a result of failure to deliver the services detailed in the contract.</td>
</tr>
<tr>
<td>No re-tendering is needed. The organisation is devolved once and for all. Separate periodic funding agreements are negotiated between the parties.</td>
<td>Periodic full procurement processes are required.</td>
</tr>
<tr>
<td>The VAT position depends on the terms of the grant.</td>
<td>VAT is always payable.</td>
</tr>
</tbody>
</table>

The option for a grant agreement within a devolved framework would still enable the County Council to commission services with clear outcomes. Key deliverables would be specified, but the commissioning would focus on outcomes not activity. The strategic direction of the Service would be shared between the trust (through the board of trustees) and the County Council (through the commissioning function). Careful monitoring of outcomes would be managed through an annual review and the establishment of scrutiny arrangements.

It would be important that the grant agreement was a true one and did not have the legal characteristics of a commercial contract. The greater the specification, levels of control and contractual conditions, the greater the risk that such agreements can be construed as falling under procurement regulations. It would also need to be carefully constructed to avoid problematic issues relating to VAT.

It would also be possible to run separate small-scale contracts with the devolved Heritage Service to achieve specific aims that fell outside the arrangements of the main grant and its outcomes. A possible area where this could apply is specific public realm enhancement works, which the County Council currently funds through an annual capital allocation.

### 5.2.3 Board of trustees

Finding the right board of trustees will be an essential part of establishing the trust. Board members will need the right balance of skills and personalities to ensure the trust succeeds in its early stages, and to ensure a strong and meaningful partnership with the County Council. The chair will need to be a good ambassador and a strong leader, and members should include people from a range of backgrounds such as heritage, business, finance and visitor services.
It is suggested that the board would probably have a membership of between 8 and 10 trustees. As principal funder it would be expected that the County Council would have the right to nominate a member of the board.

It would be in the interests of both the County Council and the board to ensure that the trust is established in a robust way:

- The establishment of a weak organisation with insufficient funding from the outset will dissuade strong and able potential board members from coming forward. Prospective board members will want to know that they are investing their time and expertise in an attractive entity which will be unlikely to cause them reputational damage.
- A strong board is more likely to lead to a successful trust, and to drive innovation and savings more rapidly.
- A strong and able board will give the County Council more confidence that its investment is being carefully managed.
- The joint aim of ensuring that Somerset’s heritage assets are managed and made available will be achieved.

### 5.2.4 Project management

Moving the Heritage Service into a trust would require a transition phase, typically lasting for a year. The key activities during that phase would be:

- The County Council agrees in principle the move to trust status.
- Establishment of a project board and implementation group with representatives from the Heritage Service and the commissioning function, and including other functions such as finance, property, HR, ICT, procurement, and data management.
- Further feasibility work, including development and agreement of a detailed financial proposal.
- Further agreement by members in the light of the feasibility work, including agreement to appoint a shadow board.
- Recruitment of a shadow board of trustees, who will be able to work with the County Council to shape the new trust.
- Appointment of interim Chief Executive of the trust.
- The County Council drafts Heads of Terms for agreements.
- The shadow board applies for registration as a charity and for incorporation.
- Creation of the necessary suite of legal documentation, with appropriate legal involvement and specialist advice (see section 5.3 for details).
- Application for admitted body status to the Local Government Pension Scheme.
- Preparation of asset, contract and staff lists.
- Ongoing programme of engagement and communication with staff, trade unions, partners and stakeholders.
• Engagement of secretary, auditors, bankers and further board members for the trust.
• Agreement of policies and procedures for the trust.
• Final agreement of transfer documentation between the County Council and the trust.
• Completion and transfer date.

5.3 Legal issues

It will be important to include appropriate levels of legal advice at all stages of the establishment of the trust in order to safeguard the interests of the County Council, the trust and Somerset’s heritage assets. Legal advice will need to be available to both the County Council and the shadow board of trustees.

5.3.1 Legal documentation

The devolved model requires a suite of agreements. This is a well-trodden route, with over 30 devolved heritage trusts already being in existence. This means that there is a body of expertise and forms of legal documents to draw upon. The main agreements and documentation needed are as follows:

Transfer agreement. This formally transfers to the trust the activity of providing the defined heritage services, together with the staff and defined assets such as equipment and furnishings. It takes a similar form to a transfer agreement prepared for the purchase of a business. It enacts a once-and-for-all transfer, with no defined end date.

Funding agreement. This sets out how the County Council will fund the trust, and will be for a defined number of years. A term of five years is suggested in the first instance. It will set out the terms of the funding package in detail. It will include terms and conditions, particularly relating to the outcomes that the County Council requires from the trust, but will also enable the board of the trust to have discretion to frame the means by which these outcomes will be achieved. Alternatively, matters relating to service delivery could form part of a separate partnership delivery plan, which sits alongside the funding agreement, to prevent the agreement becoming too unwieldy. Whether outcomes were specified in the funding agreement or in a delivery plan, there would be an agreed mechanism for monitoring, reporting and appraisal.

Leases. Any County Council freehold property let by the County Council to the trust will require a lease. Leases will be fixed-term, but will need to be of sufficient length to provide stability and to fulfil the requirements of major funding bodies, such as the HLF. Such leases would be likely to delegate responsibility for repairs and maintenance to the trust, so reducing risk for the County Council.
Relevant properties already held as leaseholds by the County Council would be sub-let, as appropriate and possible, so that existing legal arrangements, eg with SANHS, are disrupted as little as possible.

**Memorandum and Articles of Association.** This will form the governing instrument of the trust. It sets out the purpose, rules and powers of the trust as an incorporated charitable organisation and will be subject to regulation by both Companies House and the Charity Commission. It will require all income and property to be used only for the fulfilment of the agreed charitable purposes, the primary focus of which will be heritage.

**Heritage collections agreements.** These will set out the terms under which the trust will undertake collecting, care, management and use of the various heritage collections. It is likely that several separate agreements will be needed to cover Archives and Local Studies, Museums and heritage land assets.

**Licences.** Any existing licences relating to collections or to items such as events management, firearms, vehicles, consents, performance rights, etc., will need to be legally transferred.

**Other documentation.** A range of further documentation will need to be considered, including an admissions agreement for admitted body status to the Local Government Pension Scheme, a TUPE transfer schedule and staff lists, an assets schedule, a buildings condition survey, insurance specification, transfer of equipment leases, policies and procedures for the practical operation of the trust, and a business plan setting out annual and longer-term plans.

All existing contracts will need to be renegotiated, novated or sub-let, including those for equipment, supplies and services. Leases and agreements will need to be looked at on a case-by-case basis and legal advice will be essential.

**5.3.2 The County Council’s contract with SouthWest One (SWOne)**

The Heritage Service is currently in receipt of a range of services which are provided on a corporate basis. These include HR advice, payroll, recruitment, ICT infrastructure and advice, property services, financial services, procurement, and communications. Many of these services are provided to the County Council by SWOne and are funded via a unitary charge.

This unitary charge is considered ‘below the line’ in local government accounting terms, and is apportioned annually across services. The apportionment actual for the Heritage Service in 2011/12 was £477,676 (excluding a one-off adjustment figure of £128,119). The estimated charge for 2012/13 is £469,900.

An independent trust will need funding to procure necessary services that are currently provided corporately. This will require a corporate decision on the
level of the apportioned costs which should be transferred to the new trust for running business-critical functions. There is a risk that the County Council will be unable to release apportioned costs and may have to agree to some double-funding in order for the trust to be established. It is unlikely that the Heritage Service in a trust model will need funding at the current level of the sum apportioned to it.

Should the trust chose to retain any services from SWOne, either as an interim measure, or ongoing, then it will be necessary to have a related legally binding Memorandum of Understanding between the County Council and SWOne. It is unlikely that the whole package of services would continue to be procured from SWOne, due to the need for the trust to test the market and obtain best value, and to demonstrate an appropriate level of independence to the Charity Commission.

5.3.3 State Aid

State Aid rules are part of EU law. They are designed to regulate subsidies and to stop public authorities from distorting markets.

For State Aid rules to apply five criteria have to be met:

- The action is granted by the State, or through State resources, including Local Authorities.
- The action confers an advantage to an entity involved in economic activity, including charities.
- The action is selective and favours certain undertakings.
- The action distorts or has the potential to distort competition.
- The activity is tradable between EU member states.

In general heritage services, such as provided in Somerset, would fall outside State Aid rules as long as:

- The cultural objective of the organisation is genuine and evident.
- Services are operated on a not-for-profit basis by an entity which invests all income into the organisation’s cultural objectives.
- There is no means to operate the institution without State support.
- There is no cross-subsidy of commercial activities with the institution’s cultural objectives.
5.3.4 Possible trust failure

As long as the trust is established with a sound financial basis and governance structure the risk of failure is low. However, the statutory nature of many elements of the Heritage Service, and the legal agreements in place particularly with respect to the operation of the Museum of Somerset, mean that if the trust should fail there would be a need for the County Council to decide how the services would be delivered in future. This would either involve a decision to bring the services back in house, or to establish a new service provider. Detailed legal advice would be needed in such circumstances.

5.4 HR issues

5.4.1 Transfer of staff

If the decision is made to move to a trust it is recommended that Heritage Service staff should transfer to become employees of the new body via TUPE transfer regulations (Transfer of Undertakings (Protection of Employment) Regulations, 2006). This protects the rights of employees, enabling them to have the same terms and conditions at the date of transfer, together with continuity of employment.

TUPE is preferable to secondment because it reduces the risk both to the County Council and to the trustees over questions of who actually controls the staff. It also enables the County Council to reduce the total number of staff on its books. Secondment could make staffing costs 20% more expensive because of VAT considerations.

As the transferor, the County Council has a responsibility to consult with employees and their trade unions about any proposed transfer at as early a stage as possible. Regular meetings are already being held with staff and the JCC in order to keep all parties informed of the possible changes.

5.4.2 Business support

As part of the County Council’s new Target Operating Model all Business Support staff have been centralised. In the Heritage Service this includes reception, administrative, facilities management and financial functions. It also resulted in the removal of the Service Development and Commercial Manager post.

In a trust model it will be essential to have staff to undertake these roles in order for the trust to operate successfully. Any funding agreement will need to take this into account.

Under TUPE transfer regulations, if staff are carrying out a ‘substantial part of their role’ on work for the Heritage Service they will transfer to the new organisation.
5.4.3 Pensions

The pension rights of local government employees are protected under the HM Treasury Guidance Staff Transfers from Central Government: Fair Deal for Staff Pensions (June 1999), Fair Deal for Staff Pensions Procurement of Bulk Transfer Agreements and Related Issues (July 2004) and the Best Value Authorities Staff Transfers (Pensions) Direction 2007.

The new organisation can meet this requirement by seeking Admitted Body Status to the County Council’s Local Government Pension Scheme (LGPS). Admitted Body Status retains LGPS terms and provides continued access to the pension scheme for future service through the terms of a pensions admission agreement.

If a new body is granted Admitted Body Status, then liabilities for past funding deficits that have accrued on the staff transferring are normally borne by the County Council’s LGPS. An actuarial valuation has been requested in order to ascertain the costs, which are dependent on the profile of the staff being transferred and the current fund valuation. The new body would then be responsible for ongoing employer’s contributions to the fund.

5.5 Building assets

5.5.1 Leases

In a devolved model buildings in County Council ownership would be leased on individual leases for each property for an agreed period of time which satisfied both the County Council and the legal requirements of any funding body with capital investment in the premises. Links between the County Council and the trust will need to be strong and positive to ensure the future well-being of these County Council-owned building assets. The value of the leases will need to be agreed, and the level of rent and maintenance obligation reflected in the financial agreement between the County Council and the trust.

Taunton Castle is currently leased by SANHS to the County Council. It is suggested, subject to landlord’s approval, that the premises should be sub-let to the trust.

An asset transfer schedule will need to be drawn up relating to all property and contracts, following an audit. Liability for these contracts would move to the trust.

5.5.2 Repairs and maintenance

Long leases such as those required by external funding bodies are usually full repairing leases, and maintenance liability would be likely to transfer to the trust. This would represent a real saving for the County Council. This would
not preclude the mutual agreement of future grant aid from the County Council to the trust for specific works on County Council assets.

A condition survey would be needed on each property to provide a benchmark and to itemise any outstanding repairs. An ongoing maintenance plan would also be needed, including a profile of costs. It would be essential for the trust to prioritise the creation of a repairs and maintenance fund.

Most of the building assets used by the Heritage Service have benefited from significant capital investment in recent years, which has placed them in a good state of repair.

### 5.6 Collections assets

The long-term security of Somerset’s unique heritage assets (chiefly museum and archive collections) is a central requirement of any governance arrangement. It is this ongoing requirement which sets heritage organisations apart from organisations of many other kinds.

The heritage assets held by the County Council chiefly comprise assets which it owns and assets which it holds on behalf of third party depositors. The experience of other local authorities has been that where new governance arrangements are entered into, the local authority should remain the owner, or (in the case of collections belonging to third parties) the depositor body in respect of heritage collections. The National Archives in their document *Archives in Trust* (2012) provide clear guidance that the local authority must remain the depositor body for archives. There is a serious risk to collections and other heritage assets if their ownership is transferred to the trust. Were the trust to fail, the collections could be considered trust assets and seized to settle outstanding liabilities.

Though the County Council would remain the owner or depositor body, the trust would undertake all elements of the management of collections on behalf of the County Council, under the terms of a collections management agreement. This agreement would set out obligations with respect to maintenance, third party loans, acquisitions, disposals, use, security, storage, insurance, cataloguing, and exhibitions.

Lease arrangements would be necessary for any heritage sites and amenity land which it was agreed should be managed by the trust.

### 5.7 Insurance

There are three key considerations with respect to insurance in a trust model.
5.7.1 Business insurance

The trust will require its own insurance to run as a business. This will involve a package of insurance including public employers’ liability, directors’ liability, a fidelity guarantee and professional indemnity. There are a range of packages of insurance available for trusts. It would not be possible to obtain this insurance via the County Council’s self-insurance fund. The County Council may also ask for an insurance bond if Admitted Body Status to the Local Government Pension Scheme is granted.

Insurance is chiefly at present an apportioned cost, and the new trust would need to be able to fund essential insurance provision.

5.7.2 Buildings and contents insurance

It is likely that maintenance responsibility would be transferred to the trust. It would thus need to take out relevant buildings insurance. The County Council would retain a residual liability and would need to ensure that mechanisms were in place to provide adequate insurance. Such mechanisms would be set out in the main contract.

Contents insurance would need to be taken out by the trust to cover all assets under its management.

5.7.3 Collections insurance

If the County Council remains the owner, or (in the case of collections belonging to third parties) the depositor body in respect of heritage collections. It would still be able to insure the collections on behalf of the trust, with the trust, as appropriate, paying the premiums. This would be the most cost effective and least disruptive option. Any move to insuring the collections externally would necessitate a large-scale valuation of the entire collection, which would in itself be a very costly and time-consuming process.

The trust would need to indemnify the County Council against any items lost or destroyed through the direct fault of the trust.

The overall collections care strategy, including disaster control and risk management, will be important in managing future insurance liabilities relating to the collections, and will need to be included within the performance management criteria.

5.8 ICT

A number of processes will need to be worked through in order to manage the ICT requirements of the new trust, but none of these are insurmountable. The situation at present is that the server and infrastructure assets belong to SWOne, and the desktop equipment belongs to the County Council. The trust would need to decide either to:
• Continue to buy ICT services from SWOne.
• Find an independent supplier of the package of services required.

If the decision is made to remain with SWOne then the arrangement will operate in the same way as it does with existing traded services such as Dillington and schools.

If it is decided to move to alternative suppliers then a detailed specification of requirements will need to be drawn up. The specification will consider the following main areas:

• Server requirements. Options will need to be considered, including possible cloud hosting.
• Infrastructure, including network connectivity between sites.
• Internet and website requirements.
• Dis-aggregation from corporate systems such as SAP. Devon and Somerset Fire and Rescue Service has moved from SAP, so there is a precedent for this work.
• Licences required for software and public access to resources.
• Data transfer mechanism and protocols.
• Future interaction with the People’s Network.
• Specialist needs of the Heritage Service.

A procurement process would then need to be undertaken. A survey of the Heritage Service’s ICT architecture and services is being undertaken to help inform this process.

5.9 Data management

The trust would have responsibilities for data management under the terms of the Data Protection Act 1998. The County Council would remain the Data Controller and the trust would be a Data Processor under the terms of the act.

In the case of the Heritage Service all data management issues need to be considered in the dual context of current operational service data and the historic archive and local studies collections.

The data types held in both hard copy and electronic formats fall into three broad categories:

• **Business sensitive data**: There may be confidentiality and intellectual Property Rights issues, which will need to be considered.
• **Personal data**: This will, as appropriate, fall under the Data Protection Act 1998. Some of the data will need to remain the property of the County Council, and a process of dis-aggregation of the data will be required.
• **Public data:** The trust will need to ensure that such data remains accessible and within the public domain.

A process of data mapping will be needed to decide the way that classes of hard copy and electronic data are treated.

A legally binding Memorandum of Understanding will then be required to manage the transfer of data between the County Council and the trust at the point of transfer and in the future. This document could also include clauses to cover retrospective transfer of any personal data not caught in the initial survey.

As the trust would not be part of a local authority the Freedom of Information Act would no longer apply. The Act would, however, apply to the statutory Archives and Local Studies Service, and a mechanism for managing Freedom of Information duties would need to be included in the Memorandum of Understanding.

### 5.10 Change management, communications, and engagement with staff, partners and stakeholders

Engagement and consultation with key stakeholders, partners and staff has been ongoing throughout the review process. It is essential to stay close to staff and those with a key stake in the Heritage Service, and to be open about the process and explain the proposed changes. A communications strategy has been in place during the FBC phase, and this strategy will be updated and continued throughout the transition phase.

Engagement with unions has taken place through the Heritage and Libraries Joint Consultative Committee.

We have been advised that there is not a statutory duty to consult with the general public on the proposed change of governance itself. However, any material change to services in connection with a new trust will require a formal consultation process, eg any proposal to introduce charges to museums.

The major issues with respect to change management will be concerns and uncertainty arising from the swift pace of change, and the need to understand and embrace the new culture that will be necessary for the trust to succeed.

### 5.11 Impact assessment and risk analysis

#### 5.11.1 Impact assessment

An impact assessment has been undertaken, assessing the proposed change in governance from the point of view of equalities, Health and Safety, privacy, sustainability, community safety, and business risk.
As the change is one of governance, rather than to front line services, there is not a significant impact on service users and volunteers. The main impacts identified relate to increased pressure on staff during a time of uncertainty, and specific issues relating to data security.

5.11.2 Risks

A register of risks has been compiled and will continue to be updated in the light of decisions made on future governance arrangements. The major risks of the proposed trust model, and its ability to deliver the County Council’s requirements and to meet its legal obligations, have been identified as follows:

<table>
<thead>
<tr>
<th>Risk</th>
<th>Likelihood</th>
<th>Impact</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the funding package is not robust the trust will be unable to deliver services and innovate, and may have to be brought back in house.</td>
<td>3</td>
<td>5</td>
<td>Ensure funding package is robust enough for the trust to thrive and be able to fulfil the County Council’s service requirements.</td>
</tr>
<tr>
<td>Full savings potential is unable to be realised, due to corporate issues relating to apportioned costs.</td>
<td>4</td>
<td>5</td>
<td>This requires a corporate response to the issue of apportioned costs.</td>
</tr>
<tr>
<td>An inappropriate governance board lacking sufficient skills and experience could undermine the stability and sustainability of the trust and its ability to fulfil outcomes for the County Council.</td>
<td>3</td>
<td>5</td>
<td>Ensure robust recruitment and selection process and appropriate ongoing relationship between the board and the County Council.</td>
</tr>
<tr>
<td>Income targets set are unrealistic in the early years.</td>
<td>4</td>
<td>5</td>
<td>Ensure targets are challenging but realistic, to maximise stability and innovation for the trust and ensure appropriate levels of savings for the County Council.</td>
</tr>
</tbody>
</table>
| Trust fails due to inadequate set-up arrangements during the transfer period, lack of capacity within the County Council, or lack of funding for one-off set-up costs. | 3          | 5      | Ensure careful project management and attention to detail to ensure all set-up arrangements and costs are in place.  
Ensure early engagement with corporate teams and a clear statement of requirements. |
6. FINANCIAL APPRAISAL

6.1 Introduction

A financial appraisal has been conducted to compare a trust model to continuing with an in-house service. To ensure the comparison is on a like-for-like basis, it has assumed that the current level of service continues. The financial appraisal is indicative at this stage, and aims to provide a sufficient level of detail to enable a decision in principle on the merits of a trust compared to in-house delivery. Following a decision on whether to proceed with the trust model, further work will be needed to:

- test assumptions and finalise estimates (eg by obtaining quotes)
- agree the likely level of savings the service will be required to make to ensure the County Council continues to deliver a balanced budget
- identify options for how to deliver further savings (noting that this may impact on the service required)
- fully ‘stress-test’ the financial model
- validate the financial model (potentially through the use of external experts)

All budget figures are, therefore, indicative, and figures beyond 2013/14 are built on the assumption that a move to trust status takes place during 2014.

6.2 Analysis of current service costs

The Heritage Service has made significant savings in recent years, including c. £200k on staffing alone in the last 3 years. Between 2011/12 and 2013/14 the effect of MTFP savings and new cost pressures associated with the Somerset Heritage Centre (eg increased business rates) and the Museum of Somerset have resulted in a 25% reduction in operational budgets. The net budget for 2013/14 is likely to represent a low base for service operation. Potential future budget reductions will need to be carefully assessed against the impact on service delivery, and on statutory and contractual obligations.

The level of service costs for 2012/13 and projected costs for 2013/14 (at current prices) are as follows (superscript numbers refer to notes):
<table>
<thead>
<tr>
<th>Spend category</th>
<th>2012/13 budget (£000)</th>
<th>2013/14 budget (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>1,471.8</td>
<td>1,349.8¹</td>
</tr>
<tr>
<td>Business support</td>
<td>106.2</td>
<td>62²</td>
</tr>
<tr>
<td>Premises</td>
<td>471.7</td>
<td>461.7²</td>
</tr>
<tr>
<td>Transport</td>
<td>37.1</td>
<td>37.1</td>
</tr>
<tr>
<td>Supplies &amp; services</td>
<td>234.1</td>
<td>219.1¹</td>
</tr>
<tr>
<td><strong>Gross budget</strong></td>
<td><strong>2,320.9</strong></td>
<td><strong>2,119.7</strong></td>
</tr>
<tr>
<td>Income</td>
<td>(540)</td>
<td>(520)⁴</td>
</tr>
<tr>
<td><strong>Net budget</strong></td>
<td><strong>1,780.9</strong></td>
<td><strong>1,599.7</strong></td>
</tr>
</tbody>
</table>

Notes
1. The original target for MTFP savings in 2013/14 of £65k, and additional MTFP target of £20k have been included.
2. Reflects the removal of the Service Development and Commercial Manager post as part of the corporate restructuring.
3. Additional pressure of £10k arises because of a non-recurring saving found in 2012/13.
4. Includes the net effect of the MTFP increased income target of £10k for planning-related heritage advice and a decrease in income of £30k due to a proposed reduction in the value of the North Somerset Archive Service contract with North Somerset Council. A further breakdown of income is provided in section 6.3.1.

In addition to these costs, corporate overheads are apportioned to the service. In 2011/12, £477,676 was apportioned and the estimated apportionment for 2012/13 is £469,900. These apportionments include costs for ICT, repairs and maintenance, accommodation, finance and HR. A full breakdown is provided in Appendix 1.

**6.2.1 Current income generation**

Ongoing income generation (which contributes towards the annual net revenue budget) is broken down as follows:
### 2012/13 Income

<table>
<thead>
<tr>
<th>Services</th>
<th>Amount (£000)</th>
<th>Risks/Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Somerset museums agreement</td>
<td>126</td>
<td><strong>Risk:</strong> NSC seek contract value reduction</td>
</tr>
<tr>
<td>North Somerset archive agreement</td>
<td>68</td>
<td><strong>Risk:</strong> NSC has negotiated contract reduction to £59.2k for 2013/14 and wish to reduce contract by £30k in total.</td>
</tr>
<tr>
<td>Museum of Somerset donations, sales, lettings, etc.</td>
<td>77.5</td>
<td><strong>Opportunity:</strong> To develop commercial activity further. NB investment is required to realise income.</td>
</tr>
<tr>
<td>Archaeology/built environment</td>
<td>65</td>
<td><strong>Risk:</strong> Reliance on annual bids to SCC capital for match funding of external grants.</td>
</tr>
<tr>
<td>Records Management use of SHC</td>
<td>53</td>
<td><strong>Risk:</strong> This includes additional income from space being allocated to meet immediate Smart Office requirements; ongoing total likely to be nearer £40k</td>
</tr>
<tr>
<td>Portable Antiquities Service</td>
<td>52</td>
<td><strong>Risk:</strong> Non-renewal of national funding. This element of Heritage Service work would then cease.</td>
</tr>
<tr>
<td>Learning (SSStep, etc.)</td>
<td>40</td>
<td><strong>Risk:</strong> Schools reduce take-up of offer.</td>
</tr>
<tr>
<td>SHC income from research, copying, reprographics, sales, Registration Service use of SHC</td>
<td>39.5</td>
<td><strong>Opportunity:</strong> Some ability to increase income</td>
</tr>
<tr>
<td>Rural Life Museum donations, sales, lettings, etc.</td>
<td>19</td>
<td><strong>Opportunity:</strong> Greater income potential following redevelopment. <strong>Risk:</strong> No income during closure phase for redevelopment (2014-16)</td>
</tr>
</tbody>
</table>

**TOTAL** 540

In addition, the Heritage Service also generates one-off project income (typically ring-fenced for specific projects lasting under 3 years). Project income, by its very nature, varies from year to year. The amount of project revenue generated in a typical year by the Heritage Service is in the region of £150k–£170k. Projects are a key way of increasing/improving the service offer and contributing in broad terms to overall service delivery, but have little if any impact on the ongoing net revenue budget. Major funders in the Heritage sector include the HLF and ACE.

The Heritage Service has also had success in recent years in levering in significant capital funding, most notably for the Museum of Somerset (£5m from the HLF and other key funders), and for purchasing important collections. A recent example is the Frome Hoard. Often there is a requirement for matched funding from a range of partners in order to enable bids for substantial sums of external money. In a trust scenario the County Council could choose to be a partner in such projects, particularly when the projects...
relate to County Council-owned assets. Any such arrangement would be separate from the core funding agreement.

6.3 Indicative trust financial model

6.3.1 Indicative trust budget

The trust will need a robust and certain funding package in order to thrive, grow, plan and realise maximum income generation potential. A review of successful models around the country and expert advice indicates that a 5-year funding agreement would be needed, thereby providing stability to the trust and confidence to the County Council of the level of savings that can be realised.

A high-level indicative budget has therefore been projected for the first five years of the trust. To make comparisons clearer, the effects of inflation have not been included. Nor have any assumptions been made about changes to service levels (as the potential need for such changes would be based on financial modelling for the authority’s overall budget that have not yet been undertaken). Section 6.3.2 sets out the basis for the financial model, and section 6.5 summarises initial sensitivity analysis/stress testing.

<table>
<thead>
<tr>
<th>Spend category</th>
<th>Transition 2013/14 (£000)</th>
<th>Year 1 2014/15 (£000)</th>
<th>Year 2 2015/16 (£000)</th>
<th>Year 3 2016/17 (£000)</th>
<th>Year 4 2017/18 (£000)</th>
<th>Year 5 2018/19 (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>1339.8</td>
<td>1,500</td>
<td>1,500</td>
<td>1,450</td>
<td>1,450</td>
<td>1,400</td>
</tr>
<tr>
<td>Business support</td>
<td>62</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Premises</td>
<td>461.7</td>
<td>380</td>
<td>380</td>
<td>380</td>
<td>380</td>
<td>380</td>
</tr>
<tr>
<td>Transport</td>
<td>37.1</td>
<td>37</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Supplies &amp; services</td>
<td>219.1</td>
<td>370</td>
<td>370</td>
<td>370</td>
<td>370</td>
<td>370</td>
</tr>
<tr>
<td>Apportionment</td>
<td>477.7</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Gross budget</strong></td>
<td><strong>2,597.4</strong></td>
<td><strong>2,287</strong></td>
<td><strong>2,282</strong></td>
<td><strong>2,232</strong></td>
<td><strong>2,232</strong></td>
<td><strong>2,182</strong></td>
</tr>
<tr>
<td>Income</td>
<td>(520)</td>
<td>(520)</td>
<td>(560)</td>
<td>(615)</td>
<td>(655)</td>
<td>(665)</td>
</tr>
<tr>
<td><strong>Net budget</strong></td>
<td><strong>2,077.4</strong></td>
<td><strong>1,767</strong></td>
<td><strong>1,722</strong></td>
<td><strong>1,617</strong></td>
<td><strong>1,577</strong></td>
<td><strong>1,517</strong></td>
</tr>
<tr>
<td>Savings %</td>
<td>14.9%</td>
<td>17.1%</td>
<td>22.2%</td>
<td>24.1%</td>
<td>27%</td>
<td></td>
</tr>
</tbody>
</table>

6.3.2 Assumptions underlying the indicative trust budget

Further work will be required to test all assumptions. This work will include:

- A line-by-line budget review.
• Comprehensive stress tests/sensitivity analysis, to assess tolerance levels for future budget projections.
• Assessment of the corporate position in relation to apportioned costs.
• A comparative analysis of the financial structure of comparable heritage trusts.

6.3.2.1 Employees/business support

In the transition year business support costs have been identified separately. Though they are now centralised, they need to be included to enable like-for-like comparison between years. These costs relate to 3.4 FTE posts covering reception, finance and administrative roles.

It has been assumed that employee costs will increase due to the need for the trust to undertake the business functions previously covered by corporate apportioned costs. Provision is included for the Service Development and Commercial Manager and functions such as ICT and finance. Whether these additional costs need to be met in full will largely depend upon the approach taken to apportionments, in particular whether the trust continues to use SCC/South West One functions such as ICT and finance or whether it procures its own. This will also depend on the level of independence required of the trust by the Charity Commission and board of trustees.

6.3.2.2 Premises

For the reasons set out in section 5 it is assumed that the trust will lease or sub-lease property assets from the County Council and that the leases will include maintenance liabilities on a full-repairing basis. The building assets include historic structures, notably Taunton Castle and the Abbey Barn at Glastonbury.

The key assumed saving is from reduced business rates as a result of charitable status. Reductions in liability for business rates would deliver an annual saving of approximately £110k.

The main additional premises cost is in relation to repairs and maintenance. Expert advice suggests that 1–2% of budget per annum should be put aside for long-term repairs and maintenance (£30k). The cost of the planned and reactive maintenance and minor works that the County Council currently carries out and charges to the Heritage Service via apportioned costs (£50k) will therefore no longer be required, which should deliver a cashable saving to the County Council. Capital costs charged relating to the depreciation of assets specific to Heritage are £537,000. As landlord these costs would remain the responsibility of the County Council, and are unchanged by any move to a trust.

6.3.2.4 Supplies & services and transport

These costs are increased to take account of additional costs which are currently charged to the service as apportionments, including ICT
infrastructure, website, HR/payroll systems and insurance. They also include the governance costs of the trust. Much of the VAT liability of the trust would be recoverable (all but about 5%), although more work will be needed fully to establish the detailed VAT implications.

### 6.3.2.5 Apportionment

The apportionment figure has been included for the transition year to show centralised costs that are apportioned in an in-house scenario. This enables comparisons of true service costs to be made between the in-house and trust scenarios. Implicit in the comparison is an assumption that the trust would procure some services currently provided through the apportionment, and that the saving in apportioned costs would be realisable and cashable. This is not likely to be the case, and the issues are explored in more detail in the sensitivity analysis, and summary of savings to the County Council. This assumption has been made in order to simplify the financial modelling.

### 6.3.2.6 Income

Taking into account the various risks and opportunities surrounding ongoing income generation it would be reasonable to expect the trust to increase its income. In the financial year 2012/13 ongoing income accounts for 24% of the net budget, which is above the national average cited in the recent report *Funding the Archive Sector*. This report indicates that local authority archive services nationally recover 17% of their costs as income, but should be seeking to move to a position where they recover 32% of costs and receive 68% of income from the parent authority. A reduction of local authority funding to 68% of costs would appear achievable for the Heritage Service in the longer term, given the opportunity progressively to realise further income generation potential. There will, however, always be limits to the ability of the Heritage Service to generate its own income given the nature of the services it provides and the obligations it fulfils.

In the first five years it is estimated that income could increase by at least 20% over current income levels. All figures in the table below are indicative, and do not include the likely ability of the trust to generate additional time-limited project income.

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Notes
1. Estimated that c. £35k of income is at risk; see table in section 6.3.1 for further details of risks.
2. Based on expectation of partial year effect only in Year 1. Increased effect from Year 4 reflects reopening of the Rural Life Museum after redevelopment. Figures based on unique visitors per annum.

There is more scope to generate income in a trust scenario because of the changed culture and ability of the trust to access an increased range of income sources, including time-limited sources. The change will be gradual, and it would be expected that income generation would be able to increase by at least a further 10–15% between years 6 and 10.

Further revenue funding will be likely to be achievable via short-term projects, as explained in section 6.2.1 above. Such income has not been included in the core revenue projections, as grants are likely to be ring-fenced (ie costs will net off 100% against project income), and because of the inherent uncertainty around such revenue.

An immediate result of a decision to move to trust status would be the likely ability to lever in significant capital funds for projects such as the Rural Life Museum. This project aims to raise £1.8m in external grants in order to redevelop the site and thus to maximise its long-term tourist and financial potential. The Rural Life Museum aims to move from an income base of 10% of costs being recovered to 35% on activity relating specifically to that site, once the project is complete. This aim forms part of the expected increase in overall income which is projected in a trust scenario, much of which would be realised in years 6 to 10 onwards.

### 6.4 Indicative in-house financial model

To enable a comparison to be undertaken between the trust option and remaining in-house, an indicative in-house budget for a level of service

<table>
<thead>
<tr>
<th>Income Category</th>
<th>Year 1 2014/15 (£000)</th>
<th>Year 2 2015/16 (£000)</th>
<th>Year 3 2016/17 (£000)</th>
<th>Year 4 2017/18 (£000)</th>
<th>Year 5 2018/19 (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing income - excluding main risks</td>
<td>485</td>
<td>485</td>
<td>485</td>
<td>485</td>
<td>485</td>
</tr>
<tr>
<td>Venue hire, events and other commercial activity</td>
<td>10</td>
<td>15</td>
<td>20</td>
<td>30</td>
<td>40</td>
</tr>
<tr>
<td>Admission charges</td>
<td>25²</td>
<td>50</td>
<td>100</td>
<td>130</td>
<td>130</td>
</tr>
<tr>
<td>Legacies and gifts</td>
<td>0</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>520</td>
<td>560</td>
<td>615</td>
<td>655</td>
<td>665</td>
</tr>
<tr>
<td>% Increase</td>
<td>0</td>
<td>7%</td>
<td>15%</td>
<td>21%</td>
<td>22%</td>
</tr>
</tbody>
</table>
equivalent to the trust option is set out below. As with the trust option, the effects of inflation have not been included. Nor have any assumptions been made about changes to service levels.

<table>
<thead>
<tr>
<th>Spend category</th>
<th>Transition 2013/14 (£000)</th>
<th>Year 1 2014/15 (£000)</th>
<th>Year 2 2015/16 (£000)</th>
<th>Year 3 2016/17 (£000)</th>
<th>Year 4 2017/18 (£000)</th>
<th>Year 5 2018/19 (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>1339.8</td>
<td>1339.8</td>
<td>1339.8</td>
<td>1339.8</td>
<td>1339.8</td>
<td>1339.8</td>
</tr>
<tr>
<td>Business support</td>
<td>62</td>
<td>62</td>
<td>62</td>
<td>62</td>
<td>62</td>
<td>62</td>
</tr>
<tr>
<td>Premises</td>
<td>461.7</td>
<td>461.7</td>
<td>461.7</td>
<td>461.7</td>
<td>461.7</td>
<td>461.7</td>
</tr>
<tr>
<td>Transport</td>
<td>37.1</td>
<td>37</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Supplies &amp; services</td>
<td>219.1</td>
<td>219.1</td>
<td>219.1</td>
<td>219.1</td>
<td>219.1</td>
<td>219.1</td>
</tr>
<tr>
<td>Apportionment</td>
<td>477.7</td>
<td>477.7</td>
<td>477.7</td>
<td>477.7</td>
<td>477.7</td>
<td>477.7</td>
</tr>
<tr>
<td>Gross budget</td>
<td><strong>2,597.4</strong></td>
<td><strong>2,597.3</strong></td>
<td><strong>2,592.3</strong></td>
<td><strong>2,592.3</strong></td>
<td><strong>2,592.3</strong></td>
<td><strong>2,592.3</strong></td>
</tr>
<tr>
<td>Income</td>
<td>(520)</td>
<td>(514)</td>
<td>(539)</td>
<td>(586)</td>
<td>(619)</td>
<td>(627)</td>
</tr>
<tr>
<td>Net budget</td>
<td><strong>2,077.4</strong></td>
<td><strong>2,083</strong></td>
<td><strong>2,052.8</strong></td>
<td><strong>2,006.3</strong></td>
<td><strong>1,972.8</strong></td>
<td><strong>1,964.8</strong></td>
</tr>
<tr>
<td>% Savings</td>
<td>-0.3%</td>
<td>1.2%</td>
<td>3.4%</td>
<td>5%</td>
<td>5.4%</td>
<td></td>
</tr>
</tbody>
</table>

Note

1. Income levels are likely to be affected, for example, by a reduced ability to obtain as wide a range of external project funding for temporary exhibitions and events, more restricted marketing opportunities, and public perceptions arising from local authority rather than charitable control.

### 6.5 Sensitivity analysis

The ways in which a trust is predicted to generate a financial saving (compared to the transition year of 2013/14) are set out below, with key areas of sensitivity summarised in 6.5.1 and 6.5.2. In establishing a funding agreement appropriate sharing (between the Council and the trust) of the benefit of any income over and above that forecast would need to be agreed.

<table>
<thead>
<tr>
<th>Category</th>
<th>Year 1 2014/15 (£000)</th>
<th>Year 2 2015/16 (£000)</th>
<th>Year 3 2016/17 (£000)</th>
<th>Year 4 2017/18 (£000)</th>
<th>Year 5 2018/19 (£000)</th>
<th>Total savings (5 years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business rates¹</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td>400</td>
</tr>
<tr>
<td>Apportionments²</td>
<td>227.6</td>
<td>227.6</td>
<td>227.6</td>
<td>227.6</td>
<td>227.6</td>
<td>1,138</td>
</tr>
<tr>
<td>Increased income</td>
<td>0</td>
<td>40</td>
<td>95</td>
<td>135</td>
<td>145</td>
<td>415</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>307.6</strong></td>
<td><strong>347.6</strong></td>
<td><strong>402.6</strong></td>
<td><strong>442.6</strong></td>
<td><strong>452.6</strong></td>
<td><strong>1,953</strong></td>
</tr>
</tbody>
</table>

Notes
1. Savings calculated at 40% of current business rates, with £30k retained towards repairs and maintenance which would be likely to be a trust liability.

2. This figure reflects the apportioned costs that it is estimated could be released, and assumes all are cashable. £250k of costs have been retained to fulfil the trust requirement for functions including ICT, HR, payroll, etc., and the need to appoint a Business and Commercial Manager.

6.5.1 Apportionments

In reality if the Heritage Service moved into a trust it would have no choice but to procure externally some of the services whose costs are currently apportioned (eg insurance). In respect of others (eg HR and ICT) there is a choice (subject to negotiations with South West One in some instances) about whether to continue with existing arrangements. Other costs (eg apportioned Democratic Services or change programme costs) would clearly not be required by a trust, but are unlikely to lead to any saving for the County Council, and are therefore non-cashable savings. In other instances the saving to the County Council would be cashable (eg on repairs and maintenance). Prior to finalising a financial model for a heritage trust much further work will be required on apportionments.

The worst-case, but unlikely, scenario is that the County Council would not be able to reduce any of its apportioned costs, but would have to pay twice for certain services which the trust procures for itself. To the extent that apportioned costs are not cashable by the County Council, the purely financial case for a trust is diminished.

6.5.2 Increased income

Income forecasts have been included, and the overall level of expected income growth has been compared with the performance of established trusts. In addition to risk that forecast income will not be achieved there is also the possibility that the forecast will be exceeded. Forecasts will be refined as part of the next stage of detailed financial modelling.

The known main risks to existing income have been reflected in the income projections (a £35k reduction in existing income compared to 2013/14). The overall scale of income growth expected is in line with that realised by other heritage services that have moved into a trust.

The largest element of the increased income forecast is from museum admission charges. The estimates are regarded as realistic and will be tested as part of an ACE-funded project to develop a strategy for admission charges and income generation more generally. In a worst case where the Rural Life Museum is not improved through the proposed capital project, reduced revenue from admission charging could be expected from that site.

Legacy and gift income is at this stage a broad estimate. No such income has been forecast for 2014/15 on the basis that it will take time to establish the brand and build this income stream.
It should be noted that the employee costs in the trust option include a Business and Commercial Manager, a role which in various forms is included in all trusts which have been reviewed as part of developing this FBC. While such a role would be key to capital and project income generation, if the expected £40k costs of the post are netted off against income, the increased income projected over 5 years would be reduced from £415k to £215k.

### 6.6 Financial comparison

The difference in indicative net budget and savings between the in-house and trust models is set out below (with the proviso that the benefits of a trust model are not simply financial):

<table>
<thead>
<tr>
<th></th>
<th>Year 1 2014/15 (£000)</th>
<th>Year 2 2015/16 (£000)</th>
<th>Year 3 2016/17 (£000)</th>
<th>Year 4 2017/18 (£000)</th>
<th>Year 5 2018/19 (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TRUST scenario</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net budget</td>
<td>1,767</td>
<td>1,722</td>
<td>1,617</td>
<td>1,577</td>
<td>1,517</td>
</tr>
<tr>
<td>Savings %</td>
<td>14.9%</td>
<td>17.1%</td>
<td>22.2%</td>
<td>24.1%</td>
<td>27%</td>
</tr>
<tr>
<td><strong>IN-HOUSE scenario</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net budget</td>
<td>2,083</td>
<td>2,052.8</td>
<td>2,006.3</td>
<td>1,972.8</td>
<td>1,964.8</td>
</tr>
<tr>
<td>Savings %</td>
<td>-0.3%</td>
<td>1.2%</td>
<td>3.4%</td>
<td>5%</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

As set out in the sensitivity analysis, the key differences between the trust and in-house indicative budgets are reductions in business rates, increased income generation (primarily legacies, gifts and admission charging) and apportionments.

Based on these projections, even if the County Council was not able to realise any of the current level of apportioned costs, the in-house option would only offer a £30k greater saving than the trust option by 2019. However, this is more than offset, for example, by the apportioned costs of repairs and maintenance (£50k) and ICT (£113k). As such (setting aside one-off set-up costs) even in the worst-case scenario the trust option would be lower cost than an equivalent in-house service.

It is assumed that MTFP savings required over the next 5 years may be between 25% and 50%. The savings modelled in this report meet this level in a trust scenario by year 5 (27%), but do not meet it in an in-house scenario.
6.7 Set up costs

If the decision is made to move towards trust status, the year 2013/14 will be a transition year, during which the work required to create a trust will be undertaken. For that reason, most one-off costs will fall within the financial year 2013/14.

The major costs are likely to be made up of the following:

- Legal costs incurred by the County Council and the newly-established trust.
- Expert advice to the County Council and the shadow board by consultants about specific aspects of the process.
- One-off costs incurred by third parties, such as SANHS. These parties will want assurance that any reasonable costs will be met in full, so that they are not financially disadvantaged by any decision to change the governance of the Heritage Service.
- Staff costs relating to the work required to implement trust status, eg back-fill for key members of staff who are working on the project.
- The recruitment and appointment of the board of trustees.
- Changes to current systems and the set up of independent systems, eg ICT, HR, payroll and finance.
- Communications throughout the transition period with stakeholders, partners, staff and service users, including launch event costs and branding.

Initial indications are that these costs could be in the region of £135k for a devolution model. Expert advice has indicated that this estimate is reasonable if much of the work is done in-house. This is considered to be less than the one-off costs that would be incurred if a full procurement process were to be undertaken. It is likely that the costs will break down as follows:

<table>
<thead>
<tr>
<th>Spend category</th>
<th>(£000)</th>
<th>Confidence in estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td>60</td>
<td>Medium</td>
</tr>
<tr>
<td>Advice &amp; consultancy</td>
<td>35</td>
<td>Medium</td>
</tr>
<tr>
<td>Third party costs</td>
<td>5</td>
<td>Medium</td>
</tr>
<tr>
<td>Staff costs</td>
<td>13</td>
<td>High</td>
</tr>
<tr>
<td>Recruitment of board</td>
<td>5</td>
<td>Medium</td>
</tr>
<tr>
<td>Systems set-up</td>
<td>15</td>
<td>Low</td>
</tr>
<tr>
<td>Communications/branding</td>
<td>2</td>
<td>High</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>135</td>
<td></td>
</tr>
</tbody>
</table>
No budget has been identified as yet to meet these implementation costs. It will be necessary for the County Council to identify the means to meet the costs in order for the trust to be established, as the Heritage Service budget is insufficient to cover these costs.

In addition there will be investment of in-kind officer time from within the Heritage Service and other parts of the County Council. There will also be pension crystallisation costs, as explained in section 5.4.3 above.

The devolution model proposed also removes the costs to the County Council of undertaking further procurement processes at the end of each funding period.

7. HOW SERVICES COULD BE DELIVERED

7.1 Future objectives

This section sets out the main areas of ambition for Somerset’s heritage services during the first five years of operation in a trust model (2014–19). All elements are open to development and amendment. The views and aspirations of the board of trustees, and the objectives of the County Council and other major funders, will be central to the development of the services during this period.

It will be essential to construct an ongoing relationship which satisfies both the County Council and the board of trustees. There must be shared objectives between the County Council and the trust, which will enable the trust to fulfil the requirements which the County Council has identified in establishing the trust.

The move to trust status is a long-term arrangement, and the major focus during the first few years will be on building and ensuring a robust financial position and developing strong relationships with major partners. Underlying all activity will be the requirement to fulfil statutory duties and legal contractual obligations.

7.1.1 Realign business objectives

The trust will:

- Embed the new governance model and ongoing relationship with the County Council, in order to create a stable organisation which can be resilient enough to thrive in challenging economic conditions.
- Develop a public profile, establishing the right marketing and branding.
- Build a reputation through offering and delivering high quality services.
- Embed an entrepreneurial staff culture through ongoing communication, structural change and staff training.
7.1.2 Secure financial base

The trust will:

- Meet the aims and objectives of the County Council and other principal funders and strategic leads, including Arts Council England, the Heritage Lottery Fund, The National Archives, English Heritage and Natural England.
- Develop an admissions charging strategy and membership offer, informed by public consultation and the work undertaken by Stuart Davies Associates (who have been commissioned to investigate income generation potential).
- Develop a strategy to identify new income sources, such as legacies, donations and private philanthropy.
- Work with organisations that promote Somerset in order to attract visitors to the county and ensure the trust’s market share.
- Develop site-specific strategies to ensure that the business potential of each site is maximised.
- Develop a trading arm to maximise commercial possibilities.
- Work towards a position of reduced financial dependence on the County Council.

7.1.3 Capital Projects

Rural Life Museum
This project will be a flagship for capital investment during the early years of the trust. It will involve securing £1.8m of external funding to enable redevelopment to take place in 2014–16. The project will create:

- Improved access to the site, including the orchard, Abbey Barn and the main exhibition space in the farmhouse.
- A learning and activities space, which will also be available as a community venue.
- Increased scope for volunteer and community involvement through activities and events in refreshed and redeveloped spaces.
- Active partnership working with Glastonbury Abbey, the National Trust and other heritage partners in the area.
- Increased focus on the site’s sustainability, with enhanced events facilities, including use as a weddings venue.

The project will create a high quality visitor experience, and maximise the business potential of the site.

Wyndham Hall
The trust will work with SANHS to investigate a strategy for the future of the Wyndham Hall (part of the Taunton Castle complex and leased with it). The key aims of this project will be to develop a high-quality venue for heritage and other events and maximise commercial possibilities. The building sits within the developing cultural quarter in the heart of the county town.
7.1.4 Nurture partnerships

The trust will:

- Work in partnership with the County Council through the funding agreement to deliver the statutory, legal and identified shared priorities for the Somerset Heritage Service.
- Build stronger partnership relationships with museums in the South West, demonstrating good use of current Arts Council funding, and looking for future opportunities.
- Consolidate the partnership with North Somerset Council, including engagement through public programming at the Museum of Weston-super-Mare and the development of the Round 2 HLF bid for the redevelopment of the museum.
- Deliver agreed programmes with partners, including the Avalon Marshes Landscape Partnership, Blackdown Heritage Project with Mendip AONB and the Manorial Document Register Project with The National Archives.
- Develop a strategy to engage with the business community.
- Explore options for connecting with other heritage providers in the county and beyond, building relationships to encourage visitor numbers and joint spend.
- Expand the relationship with organisations working towards heritage, tourist, and economic development in the county, for example the Taunton Cultural Consortium and Somerset Tourist agencies.
- Engage further with local groups, including Friends groups and SANHS, in order to maximise their advocacy and fundraising support.

7.1.5 Engage with people

The trust will:

- Continue investment in buildings and public programmes in order to grow the user base through an exciting exhibitions and events programme which is relevant to people’s lives and links to significant issues.
- Make use of the ‘Somerset Remembers’ project to provide a flagship exhibition and events programme during the early phase of the trust. (This project promotes community involvement in remembering the effects of the First World War on Somerset.)
- Use market research to develop the customer offer, extending opportunities to socially-excluded audiences.
- Expand digital access to collections and information about collections, including through new online content, and further develop the potential of social media.
- Work with the British Museum to develop loans for exhibitions showcasing items of national significance, for example the proposed exhibition on Oman jewellery and textiles in 2015.
• Be part of the Festival of British Archaeology and promote local projects, research and discovery.
• Realise the potential of volunteers through a development scheme, and through liaison with relevant volunteer initiatives in Somerset, for example the Voluntary Sector Partnership.
• Aim to be an exemplar organisation for customer service within Somerset.

7.1.6 Develop opportunities

The trust will:

• Agree ambitions for growing the business in order to be well placed to take advantage of opportunities, for example the ongoing Avalon Marshes Project. Such work must not, however, undermine the overarching aim of creating a stable trust, in order to fulfil the County Council’s key requirements.
• Continue discussions, and maximise potential for working relationships, with organisations such as the AONBs.
• Embrace accreditation for the Archives and Historic Environment services, and the opportunities this would provide in terms of funding and work programmes for the future.
• Seek Arts Council Designation for collections of national significance, resulting in benefits in terms of profile, marketability and ability to attract external funding.
• Explore opportunities to provide services regionally on a more commercial basis, including museum exhibition design, conservation and advisory services.

7.2 Management

The proposed organisational structure aims to integrate elements of what works within the current service structure with functions which will be essential to the future management of heritage services within a trust.

The role of the management team will be of central importance in the successful delivery of these services. The team would need to take direction both from the board of trustees and from County Council commissioners. The team is likely to spend much of its time in ensuring the financial resilience of the organisation, and applying for funding from many sources.

It would be expected that the management team would have responsibility for the following:

• Leadership in enabling the smooth transition to trust status, and establishing the priorities, direction and tone of the organisation.
• Management of the major functional service areas of Archives and Local Studies, Museums, and Historic Environment.
• Business development, including fundraising, commercial development and events management.
• Business management including finance, legal and HR functions.
• Management of visitor services and facilities.
• Collections management and access including exhibitions, research facilities, digital assets and online access.
• Learning services, including public programmes.
• Pro-active building of relationships and partnerships.
• Marketing to develop the profile and brand of the organisation.
• Establishment and management of major projects.

7.3 Benefits of the new situation

By 2019 the Heritage Service in Somerset will have:

• Embedded a partnership arrangement with the County Council which balances the need to deliver statutory, legal and other identified priorities with the need to secure ongoing financial savings.
• Created an innovative and cost-effective organisation by successfully realigning the business model and creating new revenue streams, thus significantly reducing the level of reliance on County Council funding.
• Positioned itself as a leading regional heritage organisation.
• Significantly increased Somerset’s profile as a tourist destination through the Museum of Somerset and the Somerset Rural Life Museum, as well as through general promotion and awareness-raising.
• Built a strong relationship with national funding bodies and strategic agencies, and put Somerset on the map as a cultural provider in the area of heritage.
• Greatly enhanced the commercial reach and effectiveness of the organisation.
• Achieved national recognition of heritage collections in Somerset, and transformed online access to heritage collections and information.
• Ensured protection and management of a range of heritage assets throughout the county.
• Empowered a wide range of volunteer and community-based activity, putting diverse audiences at the heart of what is achieved.
• Placed itself in a position to build further opportunities to enhance the heritage offer and deliver further savings over the following five years (2019–24).

8. RECOMMENDATIONS

1. To agree in principle the recommendation in the Full Business Case that a Somerset Heritage Trust should be established in 2014, subject to further detailed work and financial modelling.
2. To note that the Lead Commissioner for Economic and Community Infrastructure, following consultation with the lead member, will undertake further detailed work to validate and stress test the financial model, agree outcomes and available funding, and undertake detailed implementation planning.

3. To note that a final ‘gateway’ report will be brought to Cabinet in September 2013. This report will seek approval of the financial model, of implementation, and of the establishment of a shadow board of trustees, and will ensure that the approach is affordable, viable and sustainable before any commitments are entered into.
## Glossary

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACE</td>
<td>Arts Council England (Strategic lead for museums and libraries from 1 April 2012)</td>
</tr>
<tr>
<td>AONB</td>
<td>Areas of Outstanding Natural Beauty</td>
</tr>
<tr>
<td>HER</td>
<td>Historic Environment Record</td>
</tr>
<tr>
<td>HLF</td>
<td>Heritage Lottery Fund</td>
</tr>
<tr>
<td>LGPS</td>
<td>Local Government Pension Scheme</td>
</tr>
<tr>
<td>MLA</td>
<td>Museums Libraries and Archives Council (former lead strategic body, in existence until 31 March 2012)</td>
</tr>
<tr>
<td>NPDO</td>
<td>Non-profit distributing organisation</td>
</tr>
<tr>
<td>PSQG</td>
<td>Public Service Quality Group</td>
</tr>
<tr>
<td>SANHS</td>
<td>Somerset Archaeological and Natural History Society</td>
</tr>
<tr>
<td>SCC</td>
<td>Somerset County Council</td>
</tr>
<tr>
<td>SHC</td>
<td>Somerset Heritage Centre</td>
</tr>
<tr>
<td>SWOne</td>
<td>South West One</td>
</tr>
<tr>
<td>TNA</td>
<td>The National Archives (Strategic lead for archives from 1 April 2012)</td>
</tr>
<tr>
<td>TUPE</td>
<td>Transfer of Undertakings (Protection of Employment) Regulations</td>
</tr>
<tr>
<td>VCH</td>
<td>Victoria County History</td>
</tr>
</tbody>
</table>
## Breakdown of Heritage Apportionments

<table>
<thead>
<tr>
<th>Charge Category</th>
<th>2011/12 Actuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairments – Nn En CS</td>
<td>50,443</td>
</tr>
<tr>
<td>Carbon reduction</td>
<td>2,999</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>49,277</td>
</tr>
<tr>
<td>Central Accommodation</td>
<td>56,573</td>
</tr>
<tr>
<td>Central Despatch</td>
<td>379</td>
</tr>
<tr>
<td>ICT Services</td>
<td>113,358</td>
</tr>
<tr>
<td>Property Services</td>
<td>46,446</td>
</tr>
<tr>
<td>Finance Department</td>
<td>13,670</td>
</tr>
<tr>
<td>Personnel Department</td>
<td>22,694</td>
</tr>
<tr>
<td>Somerset Direct</td>
<td>5,893</td>
</tr>
<tr>
<td>Access &amp; Communications</td>
<td>2,701</td>
</tr>
<tr>
<td>Democratic Services</td>
<td>877</td>
</tr>
<tr>
<td>Procurement</td>
<td>651</td>
</tr>
<tr>
<td>Fleet Management</td>
<td>8,813</td>
</tr>
<tr>
<td>Procurement Transformation</td>
<td>20,931</td>
</tr>
<tr>
<td>Other Best Value Recharges</td>
<td>114,222</td>
</tr>
<tr>
<td>CFR/AMRA - RCCO</td>
<td>(84,651)</td>
</tr>
<tr>
<td>Central Redundancy</td>
<td>46,314</td>
</tr>
<tr>
<td>Change Programme</td>
<td>6,086</td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td><strong>477,676</strong></td>
</tr>
</tbody>
</table>