

## Leeds Museums and Galleries Development Trust

Date: 14 December 2022

Report of: Director of City Development

Report to: Executive Board

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### Brief summary

This report relates to the setting up of a charitable trust with the purpose of raising funds in support the work of Leeds Museums and Galleries (LMG). This is a key recommendation in a recent fundraising review commissioned by LMG in order to support the delivery of the service's 5-year strategy (approved by the Executive Board on 16 March 2022), and a 10-year site investment plan (which will be created by LMG and the new trust in 2023). Leeds Museums and Galleries Development Trust will be independent of the Council and its main purpose will be fundraising for large capital projects and programmes, not to manage or own Council assets. The model for the new trust is the highly successful, Barnsley Museum and Heritage Trust, established by Barnsley Metropolitan Borough Council in 2015. If approved, the development trust will be set up before the end of the current financial year.

### Recommendations

- a) Executive Board is recommended to approve the formation of Leeds Museums and Galleries Development Trust and delegate responsibility for implementation via the Director of City Development to the Head of Service, Leeds Museums and Galleries, from December 2022.

## What is this report about?

1. This report relates to the setting up of a charitable trust to raise funds to support the work of Leeds Museums and Galleries (LMG).
2. LMG manages nine sites in and around Leeds with a collection of some 1.3 million objects. It is the largest local authority run collection outside of London with four designated collections of national significance: decorative art, fine art, natural sciences, and industrial collections. Pre-Covid the nine venues (Leeds Art Gallery, Leeds City Museum, Leeds Discovery Centre, Leeds Industrial Museum, Thwaite Watermill, Kirkstall Abbey, Abbey House Museum, Lotherton Hall, and Temple Newsam House) welcomed almost 1.7 million visitors and over 49,000 schoolchildren. The service's websites attract over 3.5 million page views per annum, and LMG have 300,000 followers on social media. The service contributes at least £24 million a year to the local economy.
3. Although the service is supported by LCC and Arts Council England (ACE) funding, it does not qualify for many other potential funding streams because it is owned and managed by a local authority.
4. The establishment of a charitable trust, which will be called Leeds Museums and Galleries Development Trust is a key recommendation in a recent fundraising review of Leeds Museums and Galleries by Catherine Longley M(Instf) Dip, Msc, MA (Dist), Founder and Lead Consultant at the Good Fundraising Co Ltd. Catherine has over 20 years of experience working with national, regional and local charities of all sizes in a variety of different fields throughout the UK to raise funds. Catherine is a fully certified member of the Institute of Fundraising with a Diploma in Fundraising.
5. The review found, 'The need for fundraising at LMG is clear and the potential is great. The creation of a Development Trust would be unquestionably the best way in which to follow the recommendations outlined in this report and realise the fundraising potential for LMG. In the current unstable political and economic environment, the establishment of a fundraising function at LMG would support the necessary diversification of income and put LMG firmly on the route to greater resilience. This will ensure that LMG is able to continue in its vision to create deeper connections with the people they serve using the collections and sites they care for, and to widen their impact on the world.'
6. The purpose of the trust is to fundraise for large capital projects and programmes associated with the strategy *Deepening Connections, Widening Impact, 2022-27*, approved by the Executive Board on 16<sup>th</sup> March 2022, as well as a 10-year site investment plan (this will be developed once the foundation has been set up). The setting up of a development body was included in the service's strategy as a way of delivering on Outcome 1 which aims to make LMG more sustainable and responsible financially and environmentally.
7. The Trust would not manage nor take ownership of Council assets but would allow the Council to qualify for many sources of funding currently off limits to the museums service, such as grants from the Garfield Weston Foundation (see Appendix 1 for a fuller list).
8. The model for the new trust is Barnsley Museum and Heritage Trust formed in 2015, which has increased fundraising income from £15,000 to over £500,000 per annum.

9. Although structurally Barnsley is a close comparator for Leeds, Barnsley has only four sites compared to nine sites managed by LMG, and Leeds as a city is larger and has considerably greater fundraising potential (see Appendix 1).
10. At Barnsley, fundraising has been made possible as the Trust has been able to distinguish itself from the Council when asking for money, creating the ability to access funding from charitable trusts and foundations, secure additional funds from those funders that the Museum Service already receives funding from (e.g. Arts Council England and National Lottery Heritage Fund), manage messaging, have control over which areas of the service that grants and donation income can be used to support and simplify the management of donations.
11. This has been made possible by a board of trustees which is fully independent from the Council.
12. In order to maintain this degree of independence, and ensure the board is as diverse and representative of society as possible, and has the skills and experience needed, trustees for LMG Development Trust will be recruited from outside Leeds City Council. No officers or elected members will be appointed to the board of trustees. However, the Head of Service (and any other Council officers requested by the Chair on the advice of the Head of Service) will attend board meetings and the board will work to the fundraising priorities of LMG.
13. The recruitment process for members will follow a similar process to that undertaken to recruit the Culture 2023 Trust members. This would entail a public and open recruitment process to the Board, including the role of Chair. Given limited timescales (funding from Arts Council England needs to be spent by the end of financial year 2022-23) this process will need to be undertaken quickly and with relatively short deadlines. The final appointments will be confirmed by a selection panel, which will include the Executive Member for Economy, Culture and Education, Chief Officer, Culture & Economy, and the LMG Head of Service.
14. Although there are a number of good examples of fundraising trusts in the UK including the Norfolk Museums Development Foundation and the Tyne & Wear Archives and Museums Development Trust, in terms of how fundraising will operate, Leeds will most closely follow the example of Barnsley. There, an agency is contracted to deliver the fundraising work of the Trust, and this is paid predominantly by BMBC, with the support of Arts Council England. However, in recent times the Trust has begun to cover some of its operating costs. This was chosen as a model as it prevented the Trust from having to develop a formal Human Resource function and creates flexibility that can respond to the changing needs of the Trust. Using an agency with a number of staff available to undertake the work and additional clients, prevents any complications with IR35 regulations, which could be a problem if using a freelancer when the nature of their work and commitment to the single contract could result in their classification as an employee for HMRC tax purposes. In addition, as BMBC pay the fees, they retain a close relationship with the Trust, and it is in the Trust's interests to meet the needs of the Museum Service. However, there is no obligation to do so, which maintains the independence of the Trust.
15. The development trust will not seek to replace existing supporter charities such as Leeds Art Fund, Friends of Leeds City Museums, and Leeds Philosophical and Literary Society but will provide a degree of coordination for fundraising efforts and take a lead role in fundraising for large capital projects and programmes at any of the nine LMG sites.

16. The development trust will provide a focal point for donations, grants and legacies<sup>1</sup> and help to foster and galvanise a culture of fundraising across LMG which does not currently exist (see Appendix 1).
17. The board of trustees will also work in partnership with LMG's oversight board, which will be active from January 2023, to help ensure the efficient and effective delivery of the organisation's national portfolio funding agreement with Arts Council England.
18. Importantly, the development trust will equip the service to fully build on our year of culture, LEEDS 2023, to play a key role in the legacy of 2023 through more investment for programming and better infrastructure.
19. Other recommendations in the service's fundraising review include developing the fundraising ask at each of the nine sites, building a culture of fundraising through staff training and clarifying where funds raised will be invested, setting up contactless giving and more opportunities to donate online, messaging on legacies, and developing some corporate sponsorship (appreciating that this can be an area that requires high resourcing).

### **What impact will this proposal have?**

20. The proposal will make a material difference to the museum service's users through increased investment in programmes and infrastructure, enhancing the visitor experience and allowing the service to 'deepen connections and widen impact', thereby promoting greater diversity, inclusion and community cohesion. An Equality, Diversity, Cohesion and Integration Screening Form has been completed and is attached at Appendix 2.

### **How does this proposal impact the three pillars of the Best City Ambition?**

- Health and Wellbeing
  Inclusive Growth
  Zero Carbon

21. The Museums & Galleries service contributes to the council strategies of Inclusive Growth (visitor attraction, education and skills development), Health and Wellbeing (community engagement etc.) and Climate Emergency (sustainability work).
22. The development trust will further support the service's work relating to the three key pillars.

#### Inclusive Growth

23. The role of the development trust contains several elements that will contribute to the council's inclusive growth priority.
24. The service's nine sites provide direct employment for 196 (FTE) staff and at least £24 million for the local economy, with plans in the strategy to build on and improve this position. Added to this, the service's commitment to diversity in its workforce and in audiences and users mean that this form of growth will be inclusive.
25. Museums & Galleries Service is supported by hundreds of volunteers each year (in a range of community programmes and through our Friends organisation) many of whom gain

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<sup>1</sup> Legacies given to LMG in the past have been given to other organisations to distribute on the Service's behalf because of the restrictiveness of Council accounting procedures. A new trust would make this unnecessary.

valuable skills and work experience which can help them into work and better jobs. The strategy proposes that the service continues to prioritise 'working with communities' in this way.

26. By fundraising for programmes and capital projects this direct contribution to inclusive growth will be increased.
27. By being more internationally facing, the service intends to increase the City's profile through its cultural assets which, in turn, will drive more footfall and investment to Leeds.
28. The killing of George Floyd in police custody in Minneapolis on 25 May 2020 and the disproportionate impact of Covid-19 on black and ethnic minority people, have intensified LMG and Leeds City Council efforts to take further action to oppose racism (historic and present day) in all its forms and ensure that our practise truly reflects the diversity of the society we serve. LMG is part of an anti-racism working group which will recommend a series of steps to combat racism with Culture & Economy and more widely in the Council through the Race4Equality work plan.

### Health and Wellbeing

29. As outlined in the service's strategy, there is now a great deal of evidence showing that museum visitation and cultural learning has considerable benefits for peoples' mental and physical health.
30. During the Covid-19 pandemic, LMG continued to engage individuals and groups checking in on some of the most vulnerable people in our communities during a period of disconnection.
31. With the exception of our city centre sites, all others (such as Temple Newsam, Kirkstall Abbey, Leeds Industrial Museum, Thwaite Watermill, and Lotherton) have green spaces which became havens for people during lockdowns and have continued to be popular as restrictions ease.
32. As a result, we believe that the Museums & Galleries service can make a significant contribution to the council's aim of 'supporting healthy, physically active lifestyles' and this will be enhanced through increased investment in infrastructure and programming through the development trust.

### Climate Emergency

33. The museum service has and will continue to play a key role in influencing behaviour change in response to the climate emergency.
34. The service will diversify its work in improving its own environmental sustainability through a variety of green initiatives as well as better reporting, and play a regional and national role in advising on this for the museums sector.
35. The strategy identifies engaging audiences and using collections in an educational role to inspire and support behaviour change to tackle the climate and biodiversity emergency.
36. The development trust's purpose to support the work of LMG will allow greater investment in this work.

## What consultation and engagement has taken place?

Wards affected: City Wide

Have ward members been consulted?  Yes  No

37. Consultation has taken place over six months with staff and key stakeholders, including the Executive Member for Economy, Culture and Education. This has been led by the Head of Service, and Catherine Longley, the consultant working with Good Fundraising Co. Ltd. on the service's fundraising review (August – November 2022).

38. Key stakeholders consulted:

Group Leader, Heritage and Arts, Barnsley Council

Head of Development, Norfolk Museums Service

Chair, Leeds Art Fund

Secretary, Friends of Leeds City Museums

President, Leeds Philosophical and Literary Society

Head of Visitor Experience & Commercial, York Museums Trust

## What are the resource implications?

39. The setting up of the development trust is expected to cost £38,500 and this will be paid for from Arts Council England National Portfolio Organisation funding, already secured.

40. Running costs are approximately £70k per annum, slightly higher in year one (see costs from Barnsley, below). This will be met from 2023-26 from external funding (Arts Council England, Shared Prosperity Fund, Friends of Leeds City Museums, and reinvestment from proceeds of Museum & Galleries Exhibitions Tax Relief).

Donation Boxes and Signage/Messaging across sites	£20,000	<b>One-off Cost</b> (this could vary considerably depending on the amount of boxes and signage decided upon)
Fundraising Contract	£38,400	Ongoing
Admin/Finance Contract	£16,320	Ongoing
Marketing and Comms	£7,440	Ongoing
Additional costs – accountant, memberships, regulatory body registration, contracts for electronic donations, contingency etc.	£5,000	Ongoing
<b>TOTAL</b>	<b>£87,160</b>	

41. Investment will be crucial to develop fundraising, whether this is undertaken in-house or externally. Given the pressure that the whole team are under at LMG it would make sense to start small and build a team up. This will allow fundraising to grow organically, trialling and testing different approaches and not putting too much pressure on the existing teams to help. It is a lower risk approach that attempting to establish a large fundraising function immediately.
42. In terms of investment needed, until the decisions have been made regarding the specifics of what the trust wants to achieve, only rough estimates can be provided. However, whether a fundraiser is recruited to work within LMG or a Development Trust, or an agency is used to deliver the fundraising function, the costs will be similar.
43. At Barnsley Museums and Heritage Trust, the costs of delivering the fundraising, marketing, communication, and administrative functions, including payment of the accountant and all outgoings related to the Trust, amount to around £70k. This provides 80 hours of direct fundraising support per month, 80 hours of fundraising and administrative support and 20 hours of marketing and communications. This would be the minimum requirement for investment in fundraising.
44. It is generally accepted that in the early stages of developing fundraising (1-2 years) it may take a while before even a breakeven point can be reached. However, depending upon the context, in a more developed fundraising team a return on investment of 1:2 or 1:3 can be hoped for. When fundraising is well established, this can be grown to 1:5 or even higher when capital campaigns are involved. At Barnsley Museums and Heritage Trust, in recent years, the return on investment has grown to around 1:7. However, it is not expected that this will be the case every year and a more realistic average of 1:5 is looked for.
45. As noted above with the example in Barnsley, once the trust has become established more of the operating costs will pass to the trust.
46. There is also the possibility of utilising the development trust for donations via the LMG trading company, including proceeds from Museums & Galleries Exhibitions Tax Relief, but this will require further investigation.
47. The development trust will use an external accountancy firm for the preparation of accounts, and for independent financial advice. The trust can then advise on opportunities such as the claiming of Gift Aid.

### **What are the key risks and how are they being managed?**

48. There is a risk that the development trust does not recruit the right kind of trustees to support the vision of the museum service. Ways of managing: in terms of trustee recruitment, ensure robust role descriptions, and a comprehensive skills and experience matrix are created and recruitment carried out in a way which reaches most qualified individuals. Also, terms of reference are clear, and trustee induction and training is comprehensive to give a well rounded view of the service.
49. There is a risk that the trust and the service do not align. Ways of managing: proper induction, ensuring regular reporting to the board of trustees by the Head of Service and

other nominated officers, and board participation in the creation of the 10-year site investment plan.

50. There is also a risk that the development trust will not succeed in fulfilling its main purpose: fundraising. Ways of managing: robust trustee recruitment, training and induction, ensure the fundraising plan and resources complement the strategic plan and investment plan, and engaging professional and experienced fundraisers to support the work of the trust.
51. There is a risk that the strategy is not financially sustainable. Way of managing: close attention has been paid to financial sustainability (Outcome 1) and a commercial strategy is being commissioned in February 2022 to create an action plan.
52. Finally, there is a risk in terms of the capacity of support services within the Council, principally legal and procurement, in order to execute in the timelines stated. We are already working closely with colleagues in those teams to map out resource needs to mitigate this risk. Since the trust's website will be standalone, we do not envisage any risks with colleagues in Integrated Digital Services.

### **What are the legal implications?**

53. The development trust will be set up as a Charitable Incorporated Organisation (CIO) which will be registered with the Charities Commission and regulated by charity law.
54. Further legal advice will be required on the detail of the CIO structure and governing documents, as well as due diligence on tax and finance matters. Given the independent nature of the CIO (Trust) it will be required to seek its own legal and finance advice in order to form a separate legal entity which would operate in line with its charitable objects and governing document, and act entirely independent of the Council.
55. The Council will retain ownership and management of properties and assets and it is not currently envisaged that any properties would be transferred to the CIO. Advice will be required to ensure that routes are available to maximise CIO's access to capital grants for buildings. Should the Council decide in the future to transfer/licence or lease properties to the CIO, its governing document would be drafted widely enough to permit this.

### **Options, timescales and measuring success**

#### **What other options were considered?**

56. The option of continuing to deliver the strategy given current budgets was considered but dismissed because it rules out other sources of funding of a scale needed for the level of ambition in the strategy and the forthcoming 10-year investment plan.
57. There has been a full assessment of advantages and disadvantages of a charitable trust, please see Appendix 1.

#### **How will success be measured?**

58. Success will be measured by the levels of investment achieved by the development trust relative to the level of investment needed, as well as qualitative evaluation of the impacts of any new investment.

## **What is the timetable and who will be responsible for implementation?**

59. The planned timetable is outlined below:

14 Dec 2022: Executive Board decision

14 Dec 2022 – 14 Jan 2023: terms of reference drafted, registration with Charity Commission

14 Dec 2022 – 28 Feb 2023: Marketing, brand, website, literature development and campaigns

14 Jan 2023 – 28 Feb 2023: board recruitment

1 Mar 2023 – 31 Mar 2023: board induction and training

Apr 2023: first meeting of board, first accounts

The LMG Head of Service, will be responsible for its implementation, working with colleagues in Legal Services, Procurement, and Finance.

## **Appendices**

60. Appendix 1: Leeds Museums & Galleries, Fundraising Review Report, Catherine Longley, Good Fundraising Co. Ltd. Nov 2022.

61. Appendix 2: Equality, Diversity, Cohesion and Integration Screening Form.

## **Background papers**

62. None.