

Delegated Decision

24th February 2020

Science Museum Group – Revenue Contribution

Ordinary Decision



Report of Culture, Sport & Tourism

Geoff Paul, Interim Corporate Director, Regeneration and Local Services

Electoral division(s) affected:

Shildon & Dene Valley

Purpose of the Report

- 1 To agree, the provision of an ongoing financial contribution, by delegated decision to the Science Museum Group (SMG) which shall be recorded in a funding agreement.

Executive summary

- 2 In September 2017, Cabinet approved a new funding arrangement with SMG for the management and future development of the museum.
- 3 Corporate Management Team received an update report in April 2019 which provided an overview on the work of the new partnership as well as setting an outline for future commitments in order for the museum to grow and meet its potential.
- 4 Part of this was the requirement to enter into a new funding agreement which would provide greater flexibility over operational expenditure and would be, in essence, a contribution towards the operation of the museum. This will ensure Durham County Council (DCC) achieves value for money from its continued investment.

Recommendation

- 5 That the Interim Corporate Director of Regeneration and Local Services in consultation with the Portfolio Holder for Transformation, Culture & Tourism be granted, under delegated decision, permission to enter into a funding agreement with SMG.

Background

- 6 A report 'Locomotion' was approved by Cabinet on 13th September 2017. The purpose of the report was to seek approval to enter into new management arrangements at the Locomotion Museum. These arrangements would see the transfer of operational responsibility from Durham County Council to SMG.
- 7 A further report was presented to Corporate Management Team (CMT) on the 17th April 2019, setting out future funding commitments.
- 8 This funding agreement will provide SMG with greater flexibility over operational expenditure and is in essence, a contribution towards the operation of the museum. The proposal is to enter into a 25 year funding agreement, which will be reviewed every 5 years, in order to ensure the museum has sufficient finance to operate and DCC are achieving value from its continued investment.
- 9 The operational management of the museum was transferred to SMG on the 1st December 2017. As the agreed level of funding had already been set in the Cabinet report it has been paid to SMG. The agreement has taken some time to negotiate with legal representatives from both parties. The terms are now agreed, and we wish to enter into the agreement, prior to negotiating the second five years of funding.
- 10 The 16/17 & 17/18 contribution (pre-transfer and year of transfer) from DCC to the running of the museum was £234,161 for each year. The table below shows the agreed grant payment schedule for the first five years. It provides an initial uplift which was requested for maintenance and then reduces by 2% year on year, which is intended to reflect the improved commercial performance of the museum as well as ensuring SMG continue to offer long-term efficiencies.

| Year | 18/19 | 19/20 | 20/21 | 21/22 | 22/23 |
|--------------|----------|----------|----------|----------|----------|
| Contribution | £259,161 | £253,978 | £248,898 | £243,920 | £239,041 |

Main implications

- 11 Legal representatives from both parties have drafted a funding agreement which provides the joint commitment as well as the process for drawing down funds. Delegated authority is required for the signing of the agreement.

Conclusion

- 12 The new management arrangement for the Locomotion remains a strong partnership between DCC and SMG. The authorisation of this funding agreement is part of a number of commitments identified within both the

Cabinet and CMT report which will enable the museum to grow and meet its full potential under the new partnership arrangements.

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Appendix 1: Implications

Legal Implications

In terms of State Aid, Article 53 of the block exemptions allows for operating aid to be passed to SMG for culture and heritage conservation which includes museums.

The existing management agreement terminated on 31 March 2018. The funding agreement will remain in force for a period of 25 years from 1 April 2018 unless terminated by mutual consent. The agreement also provides that the parties give due consideration to a further extension of the term at its expiry. Regular financial contributions are payable in the agreement as identified in the report.

Finance

The governance arrangements and transparency within the financial management systems will allow the Council to review the financial performance of the museum and manage reserves via the funding agreement, i.e. the grant will be increased or reduced in accordance with performance and future investment from the Council will also take into consideration the reserves created by the museum.

Consultation

Portfolio Holder for Transformation, Culture and Tourism.

Equality and Diversity / Public Sector Equality Duty

Not applicable.

Human Rights

Not applicable

Crime and Disorder

Not applicable

Staffing

Staff already transferred.

Accommodation

Not applicable

Risk

Not applicable

Procurement

Not applicable