

TITLE OF REPORT: Tyne and Wear Archives and Museums: Joint Agreement and New Governance Arrangements

REPORT OF: Mike Barker, Strategic Director, Corporate Services and Governance
Paul Dowling, Strategic Director, Communities and Environment

Purpose of the Report

1. The report outlines a revised proposal for the current Tyne and Wear Archives and Museums (TWAM) Joint Agreement for the 2016/17 municipal year. It seeks the approval for the establishment of a Strategic Board to replace the Joint Committee from 1 June 2017, along with new terms of reference and a new governance structure.

Overview

2. The withdrawal of Sunderland from Tyne & Wear Archives & Museums (TWAM) in 2013 and challenging reductions in investment by the other local authority partners mean that TWAM needs to generate more income from other sources to balance its budget.
3. The continued collaboration and commitment of existing local authority partners, and changes to the governance of TWAM, will facilitate that increased self-reliance; will enable businesses to become active stakeholders and support enhanced entrepreneurialism; will position the organisation to secure substantial investment from Arts Council England in 2018 -22; and will improve the long-term security of the service.
4. A further agreement is now required for the period 1 April 2016 – 31 May 2017, when it is proposed that the Joint Committee should transfer its responsibilities to a new Strategic Board and then be dissolved. In the absence of a signed agreement covering the first half of this financial year, the partners have continued to operate under the terms of the previous agreement.

Proposal

5. Financial pressures mean that TWAM has to generate additional earned income to balance its budgets and maintain the quality of its service.

6. It has responded to the challenge with considerable success but the organisation is now at a pivotal point in its history. If it is to meet the challenges it is likely to face in future and is to maintain the confidence and support of Arts Council England (ACE), its single biggest funder, it needs to:
 - make radical changes to its governance; and
 - effect the transition from the current to the proposed new arrangements in a measured, coordinated and timely manner.
7. The timetable for change is determined in part by the need to increase self-generated income, as soon as possible, but also to reassure Arts Council England (ACE) that the organisation has a secure, long-term and planned future, in preparation for the submission by TWAM of an application to ACE for grant aid to cover the period 2018-22. This funding is a significant element of TWAM's business plan and it is essential it is secured.
8. That application is likely to be for a sum in the region of £16m. The window for applications opens in October 2016. The deadline for submissions is February 2017. ACE will announce its funding decisions in the late summer/early autumn of 2017.
9. In preparation for a successful bid, it is necessary:
 - to secure the agreement of the four local authority stakeholders to the proposed changes (October / November 2016);
 - to agree a renewed Joint Agreement, which lays out the roles, rights and responsibilities of each authority in the Joint Committee, and the way in which they operate together, and which covers the period 1 April 2016 – 31 May 2017 (October 2016);
 - to establish a new Strategic Board, which includes representatives of the four existing local authorities but also welcomes representation from Newcastle University and the private sector;
 - establishing the new Strategic Board signals a new way of working which will give TWAM the flexibility it will need to survive and thrive, delivering high quality museums and archive services for all the partners. The functions of the Strategic Board will normally be determined by a consensus process. When the Strategic Board is discharging local authority functions such as budgets, finance, ownership of collections etc. only elected members on the Strategic Board will have the right to vote.
 - ensure that the new arrangements are appraised on an ongoing basis in the first year of implementation. A review of the effectiveness of the arrangements can be given at the end of the first year to ensure that the governance structures are fit for purpose.
 - to identify and appoint an independent Chair and Board members (between December 2016 and April 2017) and a Vice Chair (who is an elected member of the constituent local authorities);
 - to establish a new, wholly-owned, Trading Company, which allows TWAM to diversify the sources, and increase the volume of its earned income (by June 2017);
 - to dissolve the Joint Committee on 31 May 2017, the end of the municipal year;

- to transfer responsibility for governing the organisation to the new Strategic Board on 1 June 2017.

10. All the proposed changes will then be in place and operational by the time ACE makes its funding decisions and announcements.

Recommendations:

11. Cabinet is asked to approve:

- (i) the adoption of a renewed TWAM Joint Agreement for the 2016/7 municipal year;
- (ii) the dissolution of the TWAM Joint Committee on 31 May 2017;
- (iii) the formation of a Strategic Board to replace the Joint Committee from 1 June 2017;
- (iv) the terms of reference for the Strategic Board (Appendix 1, paragraph 17) and constituent local authorities
- (v) the principle of the appointment of an independent Chair and members to the Strategic Board and a Vice Chair who is an elected member of the constituent local authorities;
- (vi) the establishment of a wholly-owned Trading Company; and
- (vii) the delegation of authority to the Director of TWAM and the Service Director, Legal, Democratic and Property Services to prepare and negotiate the required legal agreements for the proposals set out above and to agree any appropriate changes, in consultation with the Cabinet Member for Culture and Leisure and the Cabinet Member for Communities and Volunteering. The delegation of authority outlined above is recommended on the basis that it will report back to Cabinet on the detail as and when this process has been concluded, and before the Council enters into any binding legal agreements relating to the new TWAM governance arrangements.
- (viii) A review of the effectiveness of the arrangements at the end of the first year to ensure that the governance structures are fit for purpose.

CONTACT: Lindsay Murray, ext. 2794

Policy Context

1. The proposal will help deliver Vision 2030's ambitions for a Creative Gateshead as well as the Council Plan priorities of Live Love Gateshead and Live Well Gateshead. Finally, it addresses the ambitions and helps deliver the 5 big ambitions of the Creative Gateshead Culture Strategy.

Background

2. Financial pressures mean that TWAM has to generate additional earned income to balance its budgets and maintain the quality of its service.
3. Following the withdrawal of Sunderland City Council from the TWAM Joint Committee on 1 April 2013, the four remaining local authorities considered it expedient to retain a Joint Service and drew up a new one-year Agreement which reflected the change and allowed them sufficient time to assess the implications of their new circumstances. That Agreement expired at the end of March 2014. It was renewed for a further two years and expired at the end of March 2016.
4. A further agreement is now required for the period 1 April 2016 – 31 May 2017, when the Joint Committee it is proposed that it should transfer its responsibilities to a new Strategic Board and then be dissolved. In the absence of a signed Agreement covering the first half of this financial year, the partners have continued to operate under the terms of the previous agreement.

The need for new Governance Arrangements

5. Following the withdrawal of Sunderland, the Joint Committee decided that a review of its governance would be beneficial. It commissioned Bond Dickinson to lead the review.
6. It is proposed that a new Strategic Board, on which local authority stakeholders will continue to be represented but which also admits membership from Newcastle University and the private sector, should be established and should take up its responsibilities at the start of the new municipal year. A Trading Company which enables the organisation to take advantage of the new commercial expertise on the Board should be formed at the same time. The Joint Committee should be dissolved at the end of this municipal year and its responsibilities transferred to the new Strategic Board and Trading Company from 1 June 2017. A 'Shadow' Board should operate alongside the Joint Committee between 1 April and 31 May 2017.

Strategic Board

7. The terms of reference and proposals for membership for the Board will be based on the following 'heads of terms':

- the purpose of the board is to provide scrutiny and leadership, democratic accountability, and enterprise support and challenge;
- the board should include at least one representative from each partner local authority and this should be a cabinet member in that authority;
- the Board should provide for representation by Newcastle University, now TWAM's second largest 'funding client';
- as at present, ACE will require observer status;
- it is suggested that there should be 4-6 independent members who will each serve for a fixed term; Elected members will form the majority of the Strategic Board.
- all members of the Strategic Board should act within a 'Nolan' type framework, representing the best interests of TWAM and no outside interest.
- The Chair will be independent and recruited to a specific job description
- The Vice Chair of the Strategic Board will be reserved for an elected member of one of the constituent local authorities
- Establishing the new Strategic Board signals a new way of working which will give TWAM the flexibility it will need to survive and thrive, delivering high quality museums and archive services for all the partners. The functions of the Strategic Board will normally be determined by a consensus process. When the Strategic Board is discharging Local Authority functions such as budgets, finance, ownership of collections etc. only elected members on the Strategic Board will have the right to vote.
- Ensure that the new arrangements are appraised on an ongoing basis in the first year of implementation. A review of the effectiveness of the arrangements can be given at the end of the first year to ensure that the governance structures are fit for purpose.

8. Discussion at the Joint Committee suggested that consideration should be given to the involvement of non-cabinet members. This proposal has yet to be formally adopted or agreed but could be achieved if two non-cabinet members joined the board on a rotating basis by authority

Executive decisions

9. The Bond Dickinson report noted that there are some powers and rights that elected members may wish to reserve to themselves, particularly those which have significant financial implications for the constituent local authorities or a bearing on the use of assets. Such issues will be identified and reserved to the elected members on the Board.

Trading Company

10. The proposed new trading company would be wholly-owned by TWAM partner authorities and Newcastle University, which is responsible for Great North Museum: Hancock and the Hatton Gallery and their collections, all of which are managed by TWAM. A shareholders' agreement will be required.

11. A business plan showing the trading company's viability has been completed. TWAM, Newcastle City Council's Legal Services Department and Bond Dickinson have developed framework for the establishment of the company. In the first instance, a relatively small number of local authority staff will TUPE transfer to the trading company on the basis that their existing terms and conditions of employment will be maintained and that they will retain the right to continued membership of the LGPS. Formal consultation with employee representatives will begin once approval has been given to establish the Trading Company.
12. It is proposed that the company's non-executive board would consist of:
 - Director of TWAM
 - Head of Finance, TWAM
 - Representative(s) of Strategic Board – possibly 1 elected, 1 independent
 - Senior external retail expert
 - 1 or more other business experts

Consultation

13. All Cabinet members have been consulted on this proposal.

Alternative Options

14. The alternative option is to continue with the current agreement and structures, however this would present significant financial risk to TWAM and potentially compromise £16m of Arts Council England funding.

Impact of Recommended Options

15. Approval will confirm for ACE that TWAM has appropriate governance arrangements in place for the period 2018-22 and will demonstrate positive change as TWAM applies for grant aid of up to £16m.

Implications of Recommended Option

16. Resource Implications

- a. **Financial Implications** - The Strategic Director, Corporate Resources confirms that there is no direct financial implication from the content of this report. The Council's contribution for 2016/17 to TWAM is £227,770; future years' contributions will be determined as part of the Council's normal budget setting process.
- b. **Human Resources Implications** - The Director of Corporate Services and Governance has been consulted. It has been confirmed there are no direct HR implications associated with Gateshead Council
- c. **Property Implications** - There are no property implications from this recommendation.

17. Risk Management Implications

There are two principal risks to TWAM associated with the proposals in this report. These will come in 2017/8 and the years that follow:

1. if any of the four constituent authorities is unable to maintain its financial commitment. This would jeopardise the ACE funding which supports the services. Mitigation is provided by the strong engagement of all partners.
2. If TWAM does not achieve National Portfolio Organisation funding for the period 2018-22. The measures included in this report provide significant mitigation against this risk.

18. Equality and Diversity Implications

There are no equality and diversity implications from this recommendation.

19. Crime and Disorder Implications

There are no crime and disorder implications from this recommendation.

20. Health Implications -

There are no health implications from this recommendation.

21. Sustainability Implications – As outlined under point 28, there are risks to the future sustainability of TWAM if these recommendations are not supported.

22. Human Rights Implications - There are no human rights implications from this recommendation.

23. Area and Ward Implications - All wards are impacted by this proposal.

24. Background Information - None
