

## **NMDC response Core Cities Group Cultural Cities Enquiry**

June 2018

The National Museum Directors' Council (NMDC) represents the leaders of the UK's national collections and major regional museums. Our members are the national and major regional museums in England, Northern Ireland and Scotland, the British Library, the National Library of Scotland, the National Archives and Royal Botanic Gardens Kew. NMDC acts as an advocate on behalf of members and their collective priorities and provides them with a valuable forum for discussion and debate and an opportunity to share information and work collaboratively. While our members are funded by government, the NMDC is an independent, non-governmental organisation. For more information about NMDC and our activity see our website: [www.nationalmuseums.org.uk](http://www.nationalmuseums.org.uk)

Museums are critical to place-making and developing regional prosperity. They generate much greater economic value than the sum of their public investment – £3 for every £1 provided by the public purse – something very few public services can demonstrate. Museums make places attractive to visit, to do business and to live in, and can be the catalyst for long-term economic revival. Tourism is the UK's fifth largest industry and museums are the country's most popular visitor attractions.

### **Tax and Public Finance**

1.1 Public investment in museums takes two broad forms: direct revenue investment in museums and their core business; and project support, capital investment, tax relief and investment in local infrastructure. Museums need the former to take advantage of the latter. Maintaining the collections and the viability of the museums is a significant responsibility for those who work in them; a responsibility shared with central and local government who ultimately hold the collections in trust for the public.

1.2 Between 2010 and 2017 public investment in national museums reduced by 30% and investment by local authorities has reduced markedly, in some cases as much as 60%. These significant reductions have been compounded by the short notice with which they have had to be implemented, with many cuts made within the present or forthcoming financial year. Museums have adapted to become cultural enterprises. Catering, retail and venue hire have been expanded, membership schemes set up, and admission fees introduced for special exhibitions, historic sites and events. Independent charitable trusts have been established to maximise fundraising, touring exhibitions created for commercial revenue, content licensed, and staffing restructured. Although museums now earn a greater proportion of their own income, such changes in operation take time to be effective and are rarely sufficient to cover all of a museum's costs.

1.3 Since 2010, museums have prioritised keeping the doors open, and national and many civic museums have maintained free admission. To do this they have had to reduce some of the less visible curatorial and conservation functions. This is not sustainable. Long-term erosion of expertise and inability to invest in maintaining the basic fabric of buildings will cause long-term damage to the vitality of the whole museum sector. If there are further significant and swift cuts to the public investment in museums, short term solutions will be the only ones available. Opening hours will be cut, charges introduced and programming and partnership work, including loans, markedly reduced. The access the public has to their collections and

their heritage will be much diminished. Collections need constant maintenance, or they irrevocably deteriorate. In the wider context of local and central government spending the amount allocated to museums is very small. Cutting this will have only a minimal bearing on deficit reduction, but the value of what is lost will be much greater. If museums reduce the extent to which they curate, acquire, conserve and engage with the public, the collections and cumulative knowledge wither and the many positive impacts museums have disappear. Future generations will not forgive this generation should it be the one which fails in its duty to protect the nation's heritage.

1.4 Government should work closely with museums to understand the specifics of their operation and their public purpose and consider mechanisms which ensure that the tax system recognises their unique characteristics. The tax system should be one which encourages philanthropy and corporate investment, as well as ensuring that museums can most effectively use the income they earn for their charitable purposes.

#### *Business Rates*

1.5 Business rates are an increasingly substantial cost facing the museum sector. Rates are calculated from the Rateable Value and a nationally set multiplier. The Rateable Values for museums have increased between the 2010 and 2017 Rating Lists leading to increased liabilities despite the slight fall in the national multiplier. The valuations being applied are widely variable depending upon the method of valuation being adopted by the Valuation Office. Independent and national museums run by charitable trusts benefit from 80% mandatory Charitable Relief. Historically around 50% of independent museums also received additional Discretionary Relief up to 20% thereby removing any liability for business rates entirely for some museums. Due to cut backs in local government funding the availability of Discretionary Relief has been reduced. Local authority and County Council museums receive no relief from business rates.

1.6 The creation of separate trading companies by charities, including museums, in line with best practice guidance from the Charity Commission means that some museum assessments are being split with the valuable shops, cafes, and other income generating portions of the building becoming liable for business rates without the benefit of Charitable Relief. Potentially the mixed use of buildings with substantial income being generated from non-charitable activities in order to fund the charitable operation could, based on an interpretation of use being applied by some local authorities, threaten the removal of Charitable Relief for the whole museum. All of this is set against a background of reduced funding and an increased drive from Government to increase museums' entrepreneurial activity.

#### *Brexit and potential loss of European funding*

1.7 European funding has made a substantial contribution to the UK museum sector, either match-funded with central or local Government funding, private investment or combination. The European Regional Development Fund (ERDF) has been a unique and substantial source of funding for many UK museums; many major developments such as Imperial War Museum North in Salford would not have been possible without ERDF funding. As with other funding streams, the specificity and amounts of funding mean it cannot be easily replaced by other public sources or private sponsorship.

1.8 Research shows that museums benefited from over £32million of EU funding between 2007 and 2016, most significantly from over £13m in European Regional Development Funds and over £10m for Research. European funding has also contributed to regional prosperity through schemes such as European City of Culture; analysis of Liverpool's tenure as City of Culture concluded that visitors to the city increased by 34% and generated £753.8m for the

economy.<sup>1</sup> The Government has suggested that European funding may be replaced in part by a 'UK Shared Prosperity Fund' – whatever form this takes, it must cater to a wide variety of needs across different geographies to ensure regions are supported with sufficient and appropriate funding in order to prosper. Funding should be flexible enough to meet these needs, as well as supporting museums as they deliver on a range of key public policy priorities, including health and well-being, raising aspirations, reconciliation, and the development of peaceful and prosperous communities.

1.9 As ERDF is aimed specifically at areas of deprivation and historic underinvestment, the loss of access to these funds will exacerbate existing economic challenges for some museums unless a viable successor scheme is implemented. In many cases these are areas already suffering from drastic declines in local authority funding, where the devolution of business rates – which will disproportionately affect poorer areas – will be most strongly felt, and where raising income from philanthropic and corporate sources is more of a challenge and cannot replace such substantial amounts of public funding. A recent reduction in available Heritage Lottery Funding, and the halting of the major grants scheme (over £5million) for 2019 means museums and heritage organisations will face further challenges in the coming years.

1.10 Museums will prosper in the future through investment in making existing buildings fit for enterprise, the provision of upfront capital to develop locally appropriate business models, and assistance to establish endowments. As organisations that require long-term planning because of the fixed overheads inherent in the core business of caring for collections and buildings and ensuring public access, museums could more effectively and efficiently manage their public investment if funding was agreed for at least a three-year period (at present it is usually agreed on a year-by-year basis by local authorities).

### *Partnerships*

1.11 By working in partnership with specialist organisations such as charities, care providers and community groups museums are able to use their collections and devise specific programmes to draw people back into society and tackle loneliness and isolation. The significant impact of this work – using comparatively small amounts of public funding to make a major difference to the lives of vulnerable people – should be championed and supported by national and local Government. For example, National Museums Liverpool receives funding from local Health Trusts and Care Commissioning Groups<sup>2</sup> to run the award-winning *House of Memories*, which targets carers and health and social care providers and helps them to deliver a positive quality of life experience for people living with dementia. House of Memories provides health, social care and housing professionals and family carers with a training programme to increase dementia awareness and understanding based on the museum's collection and role at the heart of the city's life. To date more than 11,000 people have undertaken the training. The programme demonstrates how a museum can provide the health and social care sector with practical skills and knowledge to facilitate access to untapped cultural resources, often within their locality.

1.12 A recent Museums Association survey<sup>3</sup> found that 74% of museums in the UK work directly with local community groups, more than half work with youth groups (55%) and large percentages work with health and wellbeing providers (46%) and disability groups (47%). Smaller but significant proportions of respondents said they had worked with black, Asian and ethnic minority communities (23%), environmental groups or campaigns (18%), LGBTQ+ groups (19%), refugees or asylum seekers (15%) and gender equality groups (12%).

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<sup>1</sup> Creating an Impact: Liverpool's experience as European Capital of Culture, [https://www.liverpool.ac.uk/media/livacuk/impacts08/pdf/pdf/Creating\\_an\\_Impact\\_-\\_web.pdf](https://www.liverpool.ac.uk/media/livacuk/impacts08/pdf/pdf/Creating_an_Impact_-_web.pdf)

<sup>2</sup> <http://www.liverpoolmuseums.org.uk/learning/projects/house-of-memories/>

<sup>3</sup> <https://www.museumsassociation.org/download?id=1244881>

1.13 Strategic funds to support partnership working across government agencies and local authorities in order to deliver on specific policy goals (such as the Prime Minister's Challenge on Dementia) would be an effective and targeted use of public investment. The DCMS/DfE Strategic Commissioning model to invest in museum education programmes could be replicated across other public policy priorities. This sort of finance is important to museums which by nature have high fixed costs and budgets, thus making it difficult to find capacity to begin this sort of work. It is also important that museums and the wider culture sector should be given due consideration in health and wellbeing planning, including through local authorities' Joint Strategic Needs Assessments. There is still scope for greater information sharing amongst services about how the cultural sector can work effectively with NHS and local authority services.

## **Property and Development**

### *LEPs*

2.1 The contribution that museums make to place-making was recognised in the recent Mendoza Review of museums in England, however, given how large a part museums play in local place-making, it is frustrating that there is so little representation of museums on the boards of Local Enterprise Partnerships (LEPs) and so few examples of where museums specifically – or culture more generally – has been prioritised and thus benefited from the work and resources of LEPs. Where museums have been part of LEPs they have seen significant benefits. Cornwall Museums Partnership is represented on the board of the Cornwall and Isles of Scilly LEP in recognition of the significant role museums play in attracting tourists to a county whose economy is heavily reliant on tourism. The structure of the New Anglia LEP – which includes a Cultural Board – allows both business and civic leaders to take advantage of the economic impact culture can have in Norfolk and Suffolk. It also enables cultural bodies to benefit from the Local Growth Fund to further boost their role in regional cultural tourism.

2.2 A more coherent approach to cultural tourism – nationally and regionally – would be welcome. There should be greater consideration of cultural infrastructure and long-term sustainability of cultural heritage institutions during planning and development of localities. This would support the long-term sustainability of regional and national cultural infrastructure. HM Government, LEPs and local authorities could broker and champion partnerships between national and regional developers and cultural organisations to help provide a more co-ordinated and strategic approach to cultural provision within planning and development. In 2005, DCMS-produced *Culture at the Heart of Regeneration*, a paper which illustrated the transformative effect culture could have on a place and made recommendations. Championing policies in this way can be helpful.

### *Section 106*

2.3 To encourage further cultural investment, DCMS could encourage the Ministry of Housing, Communities and Local Government and local authorities to deploy more strategically the funds generated through Section 106 planning Requirements for supporting cultural and leisure provision. This would allow for the development of regional – and even national – cultural infrastructure, including publicly accessible storage, partnerships between national and non - national museums, museum re-developments, or a contribution to city or region-wide endowments. The development of the Challenger Tank Plaza at the Discovery Museum in Newcastle was made possible because of a strategic use of the cultural requirements in planning regulation Section 106. Other museum projects funded through Section 106 include the relocation of the Musical Museum in West London and the re-development of the education spaces at the ss Great Britain in Bristol.

### *City-based collaboration*

2.4 Given the centrality and significance of museums within cities, museum services often play a key role in the development of the public realm. The major capital redevelopment of York Castle Museum planned by York Museums Trust is part of the city's ambition to transform the Castle Gateway. The scheme will sit alongside wider development and together significantly enhance the surroundings and sightlines across the area. The redevelopment will see York Museums Trust work closely with the City of York Council on their vision for the whole Castle Gateway area. This includes the transformation of the exterior areas around the museum – improving the attractiveness of the public spaces and creating new visitor routes, such as a riverside walk.

2.5 There are many examples of both formal and informal partnerships between museums across a geographical location. The Humber Museums Partnership was formed in 2014 for a project called 'Joining Up the Humber' and was a huge success – the Partnership was then awarded Major Partner Museum status in 2015 by Arts Council England and its members now work together on a series of joint projects. The partnership comprises of Hull, North Lincolnshire and East Riding Museums services working closely together to celebrate and share local heritage. Working collaboratively allows for the sharing of ideas and shared topics exploiting historical links between sites, shared resource, shared projects and exhibitions, all of which enhance and enrich the visitor experience. City devolution and the introduction of combined authorities presents the opportunity to realise the sorts of economies of scale and strategic planning long enjoyed by the Norfolk Museums Service (a collaboration between district councils and county councils) and the neighbouring Colchester and Ipswich Museum Services. The opportunity presented by city devolution is to place museums at the heart of city-wide planning and demonstrate how they are delivering the priorities for the city.

### *Universities*

2.6 Universities represent one of the most important catalysts for economic and social development in a place or region. There are many examples of museums and universities working strategically together – on programmes, research, shared services, shared staffing – as well as examples of universities playing a greater part in ensuring the viability of local museum infrastructure. Universities are placing much greater emphasis on public engagement and on ensuring their locality is attractive to prospective students and staff. The Royal Albert Memorial Museum in Exeter enjoys a multi-faceted relationship with the University of Exeter, and Birmingham Museums Trust is developing a Research Framework with Birmingham City University and the University of Birmingham to support its redisplay programme.

## **Sponsorship and Giving**

3.1 Local demographics, the local economic context, the nature of the collection and the degree of local political stability are all beyond the control of a museum but determine a museum's ability to fundraise. Beyond central London, it has proved challenging to raise significant sums of money through philanthropy. Research has demonstrated that it is much more challenging to raise income through philanthropy and private investment outside of London. Many national organisations have their headquarters in London, whilst regional offices often have limits on their ability to offer corporate support or partnerships locally. Arts Council England and Museums Galleries Scotland have both invested in developing fundraising skills in the museums sector. However, if museums were integrated into local or regional economic planning it would greatly assist them in developing partnerships with business and local philanthropists.

3.2 Many of the UK's civic collections were built on a foundation of philanthropy, public "subscription" and investment by local businesses and public corporations. Founders led the

establishment of the great civic collections and wished to leave an indelible mark on their city by investing their personal wealth into improving the place that had supported their own development. Fundraising campaigns for local museum provision which revive this spirit and emphasise the importance of the museum to the future vitality of its locality – to serve the public yet to be born - could re-invigorate the public realm in the same way communities have come together to secure the future of other community assets.

3.3 Government needs to incentivise and actively foster philanthropy outside of central London to secure a future for civic museums which is more sustainable than year-on-year revenue funding from increasingly pressed local authorities. The particular characteristics of each locality will determine what model of philanthropic investment could be possible, but these could include a combination of city or region-wide endowments for culture, local small-scale giving campaigns, long term corporate investment and match-funding of public investment.

3.4 National and local government should have a decisive influence on business to illustrate the importance of cultural infrastructure to the economic and social vitality of an area. DCMS needs to champion the value business receives from the continued presence of an excellent museum and encourage them, alongside local authorities, to contribute to long term revenue funding to ensure they continue to reap the benefit.

3.5 HM Treasury acknowledged the unique operating model of museums with its announcement of a tax relief on touring and temporary exhibitions, which is welcomed by the sector. The Cultural Gifts Scheme and Acceptance in Lieu continue to be significant mechanisms to encourage giving and Gift Aid recognises museums' charitable purpose. One way in which Government can best support museums – regional, national and independent – is through ensuring that the tax system acknowledges the unique characteristics of museums.

## **Commercialisation**

4.1 Museums work in partnership to deliver almost every aspect of their operation. They share back office functions, tour exhibitions, lend objects, provide training and run community projects. Partnerships are formed between the largest national and the smallest volunteer-run museums, and every sort and size of organisation in-between. The whole museum sector is intrinsically connected, and the strengthening or weakening of one element has a long-term impact on the whole.

4.2 The recent 'Strategic Review of DCMS-sponsored Museums' called for further measures to innovations and efficiencies across the national museums, such as a 'shared solutions project' focusing on collections management, business models, back office functions and collaboration and funding options, including joint and / or co-financing models.

4.3 Following the success of the freedoms and flexibilities offered to the national museums, Government – as part of considering the future sustainability of local and regional museums – should consider where it might be able to celebrate this success and, where appropriate, encourage local authorities to work with museums to ensure the sponsorship arrangement places neither unnecessary barriers to enterprise, nor reduces the public value of the investment they make.

In case of any queries regarding this response or if you require any further information please contact Kathryn Simpson, Policy and Projects Manager, National Museum Directors' Council: [kathryn.simpson@nationalmuseums.org.uk](mailto:kathryn.simpson@nationalmuseums.org.uk) / 020 7942 4076.