



Association of
Independent
Museums

The Next Horizon? The practicalities of turnaround and closure

Ruth Lesirge and Hilary Barnard, HBRL Consulting

Contents

- ▶ Introduction
- ▶ Turnaround as an alternative to closure
- ▶ Deciding to close
- ▶ Insolvency
- ▶ Resources
- ▶ Case studies

Introduction

AIM recognises that times continue to be particularly tough for many museums since surviving the pandemic - with staff, trustees and other volunteers managing the consequences. This guide has been written for Trustees and senior staff facing hard decisions over whether their museum survives or closes, and how to plan for either eventuality. The publication sets out to help you address these challenges on a practical basis and in a timely manner.

We recognise that much investment of time, effort and energy has gone into establishing and sustaining your museum. The realistic options available may raise difficult issues particularly for trustees and senior staff. AIM understands that closure or turnaround is being discussed in several museums: in such cases what it requires is not only rational well-planned decision making, but also engaging with the emotions of key stakeholders, not least staff and volunteers.

We use the term 'turnaround' often in this guide. Turnaround is a promptly executed significant improvement in the way your museum operates that enables it to continue delivering public benefit. It embraces short term survival but should be more than that. Turnaround is concerned to put your museum on a sustainable basis for the medium and long term. For that reason, turnaround includes merger and different forms of collaboration that offers a real possibility of a secure future.

Of course, it is possible that your museum may have reached the end of its viable life, and that orderly closure is the best option. However, in most cases, closure is undesirable involving a significant loss of public access to heritage and culture. Closure is also a time-consuming, complex and expensive process, which will inevitably divert energy from enhancing the visitors' experience and enjoyment of your museum. This guide has been written in the belief that Trustees should only ever embark on closing a museum after all other options have been thoroughly investigated and considered and as a last resort.

Our approach in this guide is to:

Encourage you to explore first how the future of your museum's purpose might be secured through turnaround whilst understanding that this may involve uncomfortable change.

- Set out a second broad approach to closing well, where turnaround is not possible.
- Offer practical support and guidance in the processes of turnaround or closure for those who have leadership and/or governance responsibility.
- Recognise that each museum will have particular timescales in addressing the threat of closure; we therefore identify where processes can be streamlined.
- Signpost you to other resources that can help you determine and take the best course of action for your museum.

This guide has been written for independent charitable museums but there is much that is relevant and applicable for local authority museums and museums which are a constituent part of larger organisations.

If you are an Accredited Museum you will already have in place policies, plans and procedures, particularly around collections, that will need to be referred to in the event of museum closure. Where these are relevant they are referenced in this guide. The UK wide Museum Accreditation scheme, managed as a UK Partnership between Arts Council England, the Welsh Government, Museums Galleries Scotland and Northern Ireland Museums Council, sets expectation for how Accredited Museums should be managed and governed. It helps everyone involved with a museum to do the right things, helping people to access and engage with collections, and protect them for future generations.

Arts Council England also co-ordinates a joint response from 16 museum funders and sector bodies about heritage, museums and collections at risk. This outlines a co-ordinated response to helping organisations at real risk of long-term closure or insolvency.

You can read more about this here

arts council.org.uk/supporting-arts-museums-and-libraries/supporting-museums



**Turnaround
as an alternative
to closure**



Testing the ground for turnaround

Turnaround is fundamentally about identifying ways to resolve a significant crisis facing the museum. That crisis might be:

- Substantial deficits in successive financial years that cannot be sustained in future.
- Cashflow problems that require loans from increasingly reluctant banks.
- Expenditure significantly outstripping income as staff costs rise, for example with increases in the National Minimum Wage rates.
- Insufficient visitor numbers to ensure sustainable level of income.
- Vulnerability through over-dependence on one funding source that is declining or ending.
- Reducing volunteer numbers impacting on the capacity of the museum to maintain regular opening and meet visitor expectations.
- Weak public reputation due to poor visitor experience, lacklustre exhibitions, activities and events.

These are just some of the most common causes of crises threatening survival of a museum. These causes have a nasty habit of becoming interlinked. The most successful Boards recognise in good time if and when their museum is heading for a crisis. Naming that crisis in good time can be hard but is essential as a first step in turnaround.

In the face of pessimism or gloom of others it is helpful if, where possible, the Board should take an optimistic outlook in the belief that there is a reasonable and well-grounded prospect of securing a future for the museum.

At an early stage, there are several further steps that will prepare the ground for turnaround:

- Clear thinking about the purpose of the museum for the present day and the next phase of its existence.
- Sufficient reliable financial and operational data and information to create a turnaround plan.

- A willingness and ability to consider – in good time – a core of potential options and business models, including merger or a new or enhanced partnership.
- Willingness of the Board to commit to a turnaround action plan that replaces existing planning documents.
- A commitment to engage consistently with staff, volunteers and external stakeholders, including funders, to help secure wider ‘ownership’ of a turnaround plan.
- Identified professional advice (e.g. HR, legal, financial, property) to assure best practice, ensuring the legalities as well as drawing on outside skills and experience.
- A commitment to review plans in the light of experience and changing circumstances, learning together as the process develops.
- Realistic succession plans covering the loss of key trustees, staff and volunteers that may occur.

Creating a strategy for survival will be demanding. Turnaround presumes that following ‘business as usual’ is not enough or will not resolve the crisis. You have to be realistic about the choices for your museum, and the timescale within which a turnaround can be achieved. An early understanding of the estimated costs of turnaround and its implications is also required.

Evidence suggests that many funders are willing to consider realistic, data-based requests to enable a museum to remain open. For example, their help can or may include re-purposing an existing grant; however, their explicit permission with a clear rationale is essential. It is also possible that funders might agree to offer an additional grant; however, this is highly unlikely if the museum is proposing to continue without turnaround implementation plan in place. Your funder will be concerned to protect their ‘sunk investment’ from grants they have previously given the museum. This can work to your advantage if the Board can evidence good forward planning.

Forming an objective picture of the museum's assets

In pursuing turnaround, the Board needs an objective picture of the charity and museum's assets, both its tangible and intangible assets. There is a legal duty on the Board to ensure 'good decision making' particularly where survival of the museum is at stake.

The following chart is designed to help you gather the necessary data and information that must inform the decisions about the museum's future.

Assets	What you are likely to need
<p>Advisers</p>	<ul style="list-style-type: none"> • Access to legal, financial, property and HR advice at an early stage; this is the moment for an objective assessment of the help provided by your existing advisers • Advice from financial advisers regarding where actions might trigger significant hidden costs (for example in pensions) and how to avoid trading whilst insolvent • Advice from a museum professional, particularly regarding the future of the museum collection
<p>Archives</p>	<ul style="list-style-type: none"> • The museum may hold archival material of statutory importance • That asset is a powerful reason to keep your museum afloat – to meet statutory obligations
<p>Building(s) and land</p>	<p>Answers to:</p> <ul style="list-style-type: none"> • Does the museum own the land and buildings from which it operates? • Are all the museum's buildings or spaces needed for the future? Is selling part or all of the land and 'lease back' an option? • Is there scope for long term lets of parts of the property by the museum? • Is the museum a lease holder? This may have advantages, as the landlord may want to avoid the disruption of finding a new tenant. • Is there an opportunity to renegotiate the terms of the lease to make them less onerous? What obligations for repairs does the museum have? • Are your buildings energy efficient and insulated? • Could the museum derive more income from letting rooms or out-door spaces, making them available for family celebrations or other events? • Though unlikely, do you have storage space to offer to other parties?

<p>Collections</p>	<p>The points below apply where the collections are owned by the museum charity:</p> <p>Accredited Museums should refer to the Accreditation standard and guidance sections 4 Hold and develop collections and Section 5 Hold useful and useable information on collections.</p> <ul style="list-style-type: none"> • The collections are ‘held in trust’ for public benefit and are a major reason for public support of the museum. • Establish a full picture of the collections – on display and in storage and how they support the core purpose of the museum • Can storage or conservation costs for the collection be reduced? • Is there any scope for ethical sale of items from the collection? Accredited museums will have a Collections Development Policy which sets out their approach to disposals and sale of items from the collection. This will cover themes and priorities for rationalisation and disposal. Collection sales need particular care and are likely only to be an option in restricted circumstances for museums with sufficient time to through a turnaround <p>NB: Where there is a separate collections charity, early discussions between the two Boards are advised to consider how turnaround might be pursued.</p>
<p>Communications</p>	<ul style="list-style-type: none"> • Is the museum’s brand helping to communicate the attractiveness of the museum to potential audiences, particularly younger audiences? • Do museum communications celebrate and encourage a sense of local pride and ownership?
<p>Director</p>	<ul style="list-style-type: none"> • Is the Director motivated to ‘sell’ the turnaround? • Does the Director have the knowledge, skills and experience to provide leadership for the turnaround? • Can any gaps in the Director’s skillset be filled by mentoring, coaching, training or leadership development? • Will the Board need to take a fresh look at the leadership of the museum?
<p>Finance</p>	<ul style="list-style-type: none"> • What assets are shown on the balance sheet? • What cash does the charity hold in the bank (and any investments)? How long will those funds sustain the museum in its turnaround journey? • What funds are already committed to meeting specific contractual terms? And what would be the cost of withdrawing from those contracts? • What funds are restricted or designated and what are unrestricted monies? • What steps can be taken to ensure value for money and full cost recovery in all the museum’s work and activities?
<p>Funders and donors</p>	<ul style="list-style-type: none"> • Donors will want to be regularly updated, certainly with headline messages; follow the practice of minimum surprises in your communications • Major donors need particular attention to ensure they are up to date and on side with significant changes involved in turnaround • Donors should be approached for extra financial and non-financial support; but only as part of a clear turnaround plan

<p>Fundraising and income generation</p>	<ul style="list-style-type: none"> • Pursuing turnaround must become a critical focus for fundraising, from diverse sources and including seeking emergency, short-term funding • Progress with new income generation may be incremental; recognise that income generation activities are only likely to be an asset if they can be developed in the next few weeks or months • Income generation that is not charitable needs to be managed carefully to limit tax liability; if non- charitable income generation exceeds £80,000 you will need to establish a wholly-owned trading subsidiary
<p>Local authority and other public service bodies</p>	<ul style="list-style-type: none"> • Local authorities and other public bodies may see the importance of the museum to the local economy • Local authorities can be a source of non-financial help, discretionary rate relief and even some funding • If the local authority or another public body is the landlord for the museum, there may be scope to renegotiate the tenancy agreement • Local councillors can be powerful advocates in keeping open the doors of your museum. Many have strong contacts and networks that can assist
<p>Partners and networks</p>	<ul style="list-style-type: none"> • Partners, particularly larger partners, have assets that you will want to lever and draw on in planning and delivering turnaround – these can include professional knowledge and expertise as well as funds that you cannot otherwise access • Part of the turnaround process involves an appraisal of all the individual and organisation networks, whether formal or informal, of which the museum is a part. • Networks may include some that have an ‘enlightened self-interest’ in seeing the museum survive; it is very important to understand the priorities, ambitions and plans of existing and potential partners and how these align with your turnaround plan
<p>Patrons and champions</p>	<ul style="list-style-type: none"> • Patrons and champions should come into their own in helping to ‘open doors’ for the museum and mobilise support, influence and where appropriate campaigning from external sources
<p>Reputation/ history/track record</p>	<ul style="list-style-type: none"> • A positive reputation is a vital intangible asset. • The museum’s reputation and track record will be central to the case for support that the museum presents to external funders and donors, including for emergency funding • The museum may be trusted by external bodies such as schools and colleges - particularly where it contributes to the educational curriculum
<p>Staff</p>	<ul style="list-style-type: none"> • Staff are commonly the major asset of the museum as well as being a significant continuing cost • Staff often have skills, knowledge and networks that can be accessed in planning and delivering a turnaround • What can the museum stop doing temporarily or permanently to release resources for turnaround?

<p>Trustees and Board</p>	<p>Turnaround involves a step change of the role for and contribution by the trustees:</p> <ul style="list-style-type: none"> • Does the current governance arrangements (e.g. Board, Sub Committees, Board agendas etc) support timely and effective decision making? • Trustees needs to be clear whether they have the right expertise to oversee turnaround and whether the Board should be refreshed • During turnaround, trustees will often need to take on operational responsibilities, whilst retaining ultimate governance responsibility for the museum charity. The Board will need to hold the boundary between these roles and evidence good governance oversight in their planning and decision-making processes • This may be the point at which some Trustees step down to support the museum from outside the Board
<p>Visitors</p>	<ul style="list-style-type: none"> • Visitors can be powerful advocates for a museum • Has the museum surveyed visitors recently to learn about their views and experience of the museum? • Can some visitors be encouraged to become volunteers, at least for the period of turnaround?
<p>Volunteers</p>	<ul style="list-style-type: none"> • Volunteers are the life blood of many museums and make a huge contribution keeping museums open and accessible to the public • Some volunteers may well be prepared to take on new roles and seize new opportunities that turnaround offers and the museum requires • Volunteers often have contacts and networks that can be productively used to support the museum's future • There may be people who are not daunted, but enjoy the challenge of 'saving' the museum

Assets, both tangible and intangible, are critical in turnaround in so far as they enable the museum to attract resources, make changes, engage and influence others to secure a future and avoid closure. The museum may have additional assets not mentioned above; a shared understanding of these will be encouraging and helpful. Ensure Trustees are satisfied that the role of all assets has been understood in a museum/heritage context and they have been considered and mobilised for their role in turnaround.



Merger and partnership development

Mergers are worth considering in turnarounds.

They can:

- Give a more stable financial base for the museum.
- Access greater expertise, skills and capacity (both staff and volunteers) to sustain the museum.
- Provide additional space for display of the collection, exhibition or storage.
- Develop the offer to visitors across several sites and raise the quality of visitor experience.
- Bring stronger governance with greater diversity of skills and experience.
- Help to tap new sources of funding.

Mergers are not a magic bullet and can take several months to realise. They can provide respite from financial and organisational pressures, but the merged organisation still needs an effective business model that benefits the partners if it is to survive.

Museums seeking mergers must be proactive and use clear criteria in finding the most suitable merger partner. Successful charity mergers usually require:

- A phased process often externally facilitated moving step by step to full merger.
- Trust and respect between the partners, building on joint working and shared internal data and information through due diligence.
- Agreements on the implications of merger for identity and brand, staff leadership, Board membership and organisational policies.
- Well informed staff and volunteers who are encouraged to buy into the merged organisation as a good way of sustaining the museum's purpose.
- Clarity on transfer of staff to the merged organisation, including TUPE arrangements where applicable.
- A plan for the future as to how the synergies of merger are to be realised in practice.

Collaborations and partnerships can deliver some of the benefits of merger including:

- Shared back-office functions (finance, human resources, IT) reducing core costs.
- Better deals with landlords and suppliers, making more effective use of resources and generating more retail/commercial income.
- Shared leaner staffing and access to fresh expertise.
- A stronger appeal to funders and key stakeholders, such as local authorities.
- Visibility to a larger potential range of audiences.

By their nature, such collaborations and partnerships are usually more fragile and may be less effective in a long-term sustaining strategy. Collaborations are often strengthened by written agreements, such as a Memorandum of Understanding.



Understanding the pressures of making turnaround work

Turnaround means that changes in the current way the museum operates are inescapable. This sub section aims to help you identify what challenges you may encounter in making the necessary changes. The scope for those often very hard decisions has to be broad with your options remaining unconstrained by specific sub-sets of interests.

All change agents – Boards, senior staff and/or external consultants – will need to reconsider long-established working patterns of staff, trustees and volunteers. This could trigger defensiveness, passive obstruction and denial of the urgency and the need to act. While listening carefully to what is said, the Board must hold its resolution in the knowledge that delaying or failing to take specific action is a pathway to negative unintended consequences, including an increasing possibility of closure.

Initiating and sustaining coherent and consistent internal and external messaging is essential. Lack of communication is likely to breed unhelpful rumours and a loss of trust. Staff and volunteers should expect to receive reliable information and to be consulted; make sure you are clear about what is a consultation i.e. ‘we will take your views in to account in making our decisions’ as opposed to a negotiation!

It is necessary to engage those who feel they have little or no power so fear and imagined worst scenarios do not build in the absence of regular updates! Fatalism about the museum’s future has to be challenged and minimised at each stage. Creating opportunities for listening to the views of internal stakeholders (staff, volunteers, Board members) will help you surface those committed to the turnaround journey.

It will probably become necessary to convince external key stakeholders that saving the museum is central to the cultural life and wellbeing of local people and communities, not just an optional nice-to-have. Each Board and museum will have different ways of operating. Nevertheless, they will all benefit from:

- Commissioning or carrying out the research into potential options within their turnaround strategy and plan.
- Brainstorming and reflective consideration of the pros and cons of each of those options with clear criteria for assessing the balance of risk and opportunity they provide.
- Deciding between those options on the basis of what will work best for the museum.
- Ensuring the process of deciding on a course of action is recorded for future reflection, learning and evidence that decisions made were well-informed and reasonable.

Moving decisions forward requires the Board to find someone, or more likely a small group of trustees and/or staff or volunteers, who can steer and co-ordinate the process of implementing the turnaround plan. The Board has to be vigilant ensuring that the turnaround plan remains central to all work that the museum is undertaking.

The capability of the museum’s Director/lead officer to advise on and then implement change on a timely basis will be tested in both design and implementation of turnaround. Such staff leadership will need to combine everyday competence with the vision to look to the ‘next horizon’ in considering the best options for the museum.



Implementing turnaround

The chart below underlines key steps to be taken in implementation of the turnaround plan.

1	Patrons and champions should come into their own in helping to 'open doors' for the museum and mobilise support, influence and where appropriate campaigning from external sources
2	Establish a working group with the authority of the Board and the breadth of expertise and networks to steer and co-ordinate the development of the turnaround plan. This group has the task of creating an implementation plan for turnaround including a description of activities, clear targets, assigned responsibilities and measures of success. This group has a critical role in engaging staff and volunteers in the process of turnaround.
3	Ensure that there is up-to-date and reliable financial and organisational data and information.
4	Focus on how the business model of the museum could be modified to create better chances of survival; consider for example how it might be necessary to increase admissions or other prices.
5	Identify external professional advice to draw on as needed in cost reduction, renegotiating terms of the lease, establishing a leaner staff structure or even moving the collection.
6	Review merger, partnership and collaboration possibilities at an early stage, and put in place necessary arrangements as required.
7	Sign off a turnaround plan, ensuring confidentiality of discussions leading up to final decision making; estimate a generous amount of time to ensure well-informed decision-making; the plan should contain realistic and stretching targets for what needs to be achieved.
8	Ensure effective messaging, in particular keeping staff and volunteers informed and motivated in order to maintain morale. For the senior team careful preparation of explanations about difficult decisions will be needed.
9	Ensure consolidation of any cuts needed (staff, programmes, opening hours etc) understanding the implications of these for how the museum will operate in future.
10	Plan for early inclusion of fundraising and income generation activities in planning, such as letting space and events' sponsorship and a lead person or working group responsible for realising them.
11	Ask key funders to repurpose multi-year grants, negotiating use of existing grants or requesting emergency funding; test how public sector partners, including local authorities, can assist financially and non-financially.

12	Mobilise patrons and champions to influence decision makers and opinion formers regarding the future of the museum; this is an opportunity to underline the historical value of the museum's story, location and collection, and its emotional appeal.
13	Put in place well thought-out communication plans for each of your key external stakeholders.
14	Build in time to review and learn and be prepared, in the light of experience, to make changes in the plan and the process of implementation.
15	Never lose sight of the emotional attachment of many to the museum and its collections; understand which of these may be an asset or an impediment and plan accordingly.
16	Identify 'quick wins', for example in raising the museum's profile in the eyes of those who have power or influence with regard to your turnaround ambitions.



Deciding to close



Deciding to close

This section of the guide has been written to support the planning of museums that are not able to pursue a path of turnaround and need to close.

The reasons for the closure may include:

- The financial deficit of the museum is intractable and is not capable of being bridged through increasing admission charges, fundraising, retail/income generation, partnership or merger or any combination. It may also be necessary because the museum may be risking 'trading whilst insolvent' in the near future.
- It has not been possible to recruit essential Trustees, staff or volunteers who can give the museum the leadership and capacity to maintain its operations and execute a turnaround.
- The museum is losing its home and it is not possible for it to continue elsewhere.
- The museum's reputation has been seriously damaged and is commonly regarded as irrecoverable, undermining its core purpose.
- The museum's purpose has run its course and there is agreement that there is no further compelling reason for it to exist; other museums may be better fulfilling the purposes that the museum has had.

The Museum Association defines closure as:

"The ceasing of operations at an entire museum site.

This is likely to include:

- the closure of a museum site to the public, with no regular opening hours
- limited or no public access to the collections and museum building
- disposal, mothballing or transfer of the museum collection
- staff redundancies and the loss of volunteers."

You and your Board should not regard the decision to close as an indication of failure. No charitable entity has an inalienable right to exist, and the context and external circumstances may mean that the public interest is best served by closure.

The decision to close should be taken after having considered whether there is a realistic prospect of turnaround. That decision should be rooted in the best interests of the local or regional and/or national communities and/or communities of interest and with care for the collections as well as staff and volunteers who have supported the museum.

Preparing the decision

A decision to close a museum is momentous and needs careful collective Board consideration before it reaches a definitive decision. The chart below provides considerations and questions to guide that preparation.

Issues for attention	Considerations and questions
<p>Advisers</p>	<ul style="list-style-type: none"> • Identify which professional advisers may be needed in the closure process and their familiarity in working with charities. • What advice is needed from those professional advisers to inform Board decision making on closure? • What professional advice can be afforded?
<p>Building(s) and land</p>	<ul style="list-style-type: none"> • If the museum owns the land and buildings from which it operates, what is the market value of those assets? Are there any restricted covenants on their sale? • Which estate agents are best placed to assist with the sale of the building or land? Are any remedial works needed on the building to make it more saleable? • When should the landlord be told about closure? • If the museum is a lease holder, what discussions need to be held with the landlord? • What are the obligations to the landlord in early termination of the lease? • Is there any opportunity to renegotiate the terms of the lease to make them less onerous in the process of closure? What obligations for repairs does the museum have under the lease? • What are the obligations to any tenants or sub tenants regarding notice for events or activities they are undertaking?
<p>Collections</p>	<p>The following questions apply where the Collections are directly owned by the museum and not by a separate charity:</p> <p>Accredited Museums should refer to the Accreditation standard and guidance sections 4 Hold and develop collections and Section 5 Hold useful and useable information on collections.</p> <ul style="list-style-type: none"> • Is there an up-to-date inventory of the collection? • What will be required to handle return of loans to and from the museum? • What other museums or heritage organisations might be willing to take all or part of the collection? • What obligations does the museum have with other parties regarding storage of parts or the collection? <p>NB: If the Collections are owned by a separate charity, discussions with that charity will need to be planned regarding closure of the museum.</p>

<p>Communications</p>	<ul style="list-style-type: none"> • What explanation for closure will be offered internally and externally, including to visitors, staff and volunteers, funders, patrons and champions? • What communications should be sent to any members of the charity or 'Friends' groups, if there is such membership beyond the Board? • What messages should the museum send to significant external stakeholders, including local authorities and other public bodies? • What can the museum usefully say about future arrangements, including care and conservation of the collection?
<p>Director</p>	<ul style="list-style-type: none"> • Does the Director have the knowledge, skills and experience to provide leadership for the closure process? • How could that knowledge, skills and experience be supplemented?
<p>Finance</p>	<ul style="list-style-type: none"> • Care should be taken to check that turnaround (including any realistic prospect of merger or collaboration) is not a serious option at this stage. • What assets are shown on the balance sheet? • What cash does the charity hold in the bank (and any investments)? How long will those funds sustain the museum? • What cost controls can be introduced? • What are the existing obligations to creditors? • How can any debts owed to the museum be recovered? • What funds are already committed to meeting specific contractual terms and what would be the cost of withdrawing from those contracts? • What funds are unrestricted and can be used to facilitate a smoother closure process? • Are there any extra sources of income that could be tapped to ensure an orderly and timely closure process?
<p>Funders and donors</p>	<ul style="list-style-type: none"> • When can funders and donors be told about closure? • What are the key messages in such communications? • What are the potential obligations to funders and donors to return their grants and donations? • What are the obligations for the museum in early termination of contracts or service level agreements?
<p>Partners</p>	<ul style="list-style-type: none"> • What are the implications of closure for joint projects with partners?
<p>Staff</p>	<ul style="list-style-type: none"> • Staff have rights to information and consultation throughout the closure process – they will need more regular and up to date communications. • If there is a union recognition agreement, the union(s) will need to be informed and consulted throughout the closure process – they will need more detailed communications. • An orderly closure is likely to involve retaining staff well into the closure process; the goodwill of staff will be essential to manage a smooth process. • The museum should be flexible in enabling staff to prepare for new roles outside the museum. • Is there a need and the capacity to offer an incentive for key staff to stay until closure is completed?

<p>Trustees and Board</p>	<ul style="list-style-type: none"> • The Board should agree the establishment of a Working Group to devise a closure plan and lead and coordinate implementation between Board members. This Working Group will need terms of reference, and a suitable membership including Trustees. • More frequent Board meetings may be needed to dovetail with the findings and recommendations emerging from the Working Group. • It is important to establish whether there are any Board members who do not wish to remain as Trustees as the governance workload increases in this period. This may generate the need for additional capacity on the Board. • The Board will need to agree a timetable of its meetings and arrangements for calling urgent meetings. • The Board should consider whether existing Sub Committees and Working Groups should continue to meet and if so, whether a change to their focus is necessary e.g. co-ordination with the Closure Working Group. • The Board will need advice on the formal steps required for closing the charity.
<p>Volunteers</p>	<ul style="list-style-type: none"> • Volunteers should be informed and consulted throughout the closure process – they will need communications tailored to their role. • An orderly closure is likely to involve retaining volunteers well into the closure process – the goodwill of volunteers will be essential to manage this difficult process.

Board members may pose several of these questions and others too, as the closure process is planned. Answers at this stage may be of a summary or headline character, but they should be sufficient to give Board members the confidence that they can take a decision to close on a timely basis, and without the need to unnecessarily defer or postpone that decision.



The decision to close

It will be for the Board to take the decision that closure is unavoidable. This decision and the reasons must be formally recorded in Minutes of the relevant Board meeting.

This will not be an easy decision for Board members and is likely to involve a significant feeling of loss. This will equally be true for staff and volunteers. These feelings are not trivial and need to be taken into account at every stage of the process. It will require a well-planned set of communications that is based on sincere active listening on the part of the museum leadership. At each stage there needs to be regular (plain English!) communication with key stakeholders.

The Board should carefully establish that there is no realistic alternative to closure and then set in train the steps to an orderly closure of the museum. This involves clarity on:

- Messaging as to why closure is the only option and the reasons for this.
- Intention to do the best for staff, volunteers and members/supporters of the museum that is possible in these circumstances.
- Commitment to work closely with external partners, including funders, throughout this process.
- Securing a future for the collection if at all possible.
- Applying the values and ethos of the museum.
- The responsibility, terms and membership of the Closure Working Group.

The Closure Working Group and the plan

The composition of the Closure Working Group is critical. It should include at least a couple of Trustees and the most senior member of staff. In the event that the museum does not have any paid staff, include at least one experienced volunteer. The final membership of this group should be agreed by the Board.

The mandate for the Working Group should be to create a 'road map' for the entire process with estimated timescales and recommendations about costs and those to be involved. The Working Group should develop an implementation plan that will steer the museum through the process of closure, taking into account the perspective of museum visitors, funders and other stakeholders and where appropriate, the use and disposal of assets. It is likely that it will need to take 'deeper dives' into complex issues arising from the decision to close.

The terms of reference of a Closure Working Group should include:

- A mandate to produce a closure plan based on evidence and research with clear milestones and timelines.
- Planning the future of the collections (if part of the museum charity) in line with ethical practice and for Accredited Museums, the requirements of the Museum Accreditation standard.
- Overseeing effective communications internally and externally, including messaging on the museum website.
- Ensure compliance throughout with relevant law and regulation.
- Report regularly to the Board with timely recommendations on decisions and actions to ensure a smooth closure process.

In the closure process, you will need to manage the holding of confidentiality. Having a clear agreement about what needs to remain confidential for legal, commercial or other legitimate reasons can help to avoid unnecessary secrecy that breeds resentment. At the start, it may not be immediately evident as to who-needs-to-know-what and when. It is therefore important to anticipate what your stakeholders may choose to do on learning of the plan to close. Opposition to closure could be triggered by Board members fearing or resenting a loss of status, the loss of identity for operational volunteers, and/or by staff who are losing their income or vocation.

The experience of many leaders is that where there is a vacuum in effective communications, unhelpful and frequently inaccurate rumours will spread. Angry trustees or volunteers may go to the press; social media may start to generate inaccurate, alarmist rumours; there may be unwanted word of mouth leaks. Aim to minimise stakeholder opposition, understand sectional interests, and foster at least acquiescence to the closure.

Your closure plan should define clearly the differing and complementary roles of the Board, the staff and any lead volunteers, with all major decisions being taken collectively by trustees. Be explicit about the need to identify and take into account the possibility of any significant conflicts of interest or loyalty. These can apply to Board members, senior staff, lead volunteers or professional advisers. Such conflicts of interest or loyalty will need to be managed in a consistent and transparent way, with the prime focus being on the best interests of your museum and the public benefit.



Step change for the Board in the closure process

The Closure Working Group will need to do the ‘spade work’ on the details of closure and assign responsibilities for action. While the Board delegates, it remains ultimately accountable. The Board (and those supporting it) should ensure that:

1. The whole Board is kept well informed and involved in any major decision about the closure: it is a collective responsibility that cannot be delegated.
2. The Closure Working Group’s plan is for the whole process and includes indicative timescales and milestones.
3. Effective discussions are held with any separate Collections charity (where this applies).
4. Skilled professional advice is taken – even though it might add to the cost of closure. It is a sound investment, as failure to comply with and meet all necessary requirements can be far more costly.
5. How best to retain essential confidentiality that has been carefully thought through.
6. There is a shared awareness of reputational risks to the museum’s purpose and its staff during the process and an agreed approach to mitigate this risk.
7. Consideration is given to whether additional Trustees should be recruited with experience of a) closing an organisation, b) insolvency in a not-for-profit organisation or commercial SME; and c) collections management.
8. Resistance and opposition to the decision to close is anticipated, respected, and responded to whether it surfaces within the Board, from some staff or amongst volunteers, or externally.
9. The Board lists and ensures completion of all the legal requirements for closing the charity and the company and any related trading subsidiaries.

Beyond this, the governing documents should be checked to ensure you have the right powers to, for example, make decisions, co-opt specialist advisers or make payments as needed. Extraordinary Meetings of the Board may also be necessary to deal with stumbling blocks or unexpected opportunities. An agreed process for calling extraordinary Board meetings will help you to proceed as planned.

The speedy writing and circulation of Minutes of meetings with clear responsibilities for action will be crucial to maintaining momentum and ensuring all Board members are kept up to date. Be aware, that there will be important and more frequent documents for Board members to read and absorb; it is particularly helpful in these circumstances to use a consistent format for all reports.

Throughout the closure process, the Board retains a duty of care for its most senior officer (paid or unpaid). Your Board should also bear in mind the demands a closure process makes on the physical and emotional energy of all staff, including clarity on which meetings are essential. Your values should be to the fore, offering the best support possible under the circumstances, such as giving staff advance notice of changes when you can, and taking action where needed to mitigate stress, depression or other mental health issues that may surface.



Technical areas for the Working Group's consideration: Finance, Buildings and Land

The template below indicates finance, buildings and land issues that should form part of the Working Group's considerations (see the section below on the museum collection). It is intended as a tool that you can tailor to your specific circumstances. Space on the right is provided to help the Working Group develop an effective action list.

	Considerations and questions	Y/N	Action required
1	Setting up a matrix of communications to ensure regular and consistent messaging to all internal and external stakeholders		
2	Negotiating termination of leases with landlord(s), including managing obligations under leases to landlords, such as full repairing leases		
3	Handling buildings, property and land issues, taking account of any listing or scheduling, and the powers of the planning authority		
4	Addressing the future of any leasing and sub-leasing undertaken by the museum		
5	Understanding what and how to ensure the needs of any buildings for continuing protection, upkeep, and insurance cover		
6	Setting up any process for the sale of assets (including investments) consistent with museum ethics		
7	Terminating contractual obligations with suppliers and other third parties – for programmes, website, technical support, equipment or/and supplies		
8	Making arrangements with creditors		
9	When to use such reserves as remain		

10	Identifying grants which are 'restricted funding' and the obligations to discuss with funders		
11	Estimating staff redundancy costs		
12	Reviewing costs of insurance and storage for the collection		
13	Addressing how to deal with bookings made and tickets already paid for		
14	Establishing when professional advice is needed in the closure process and from whom		
15	Is there any intellectual property that the museum owns that has value for the future?		
16	Disposing of 'non-collection' assets (e.g. display cases, IT equipment) and any value that might attach to them One route to give away items is by Museum Freecycle – www.freecycle.org/town/MuseumUK		
17	Will closure crystallise any pension liability for the charity?		
18	Permanent endowment. Trustees must make arrangements to transfer this to another charity		

The checklist above is designed to help you identify main areas that will need your attention and enable your Working Group and then the Board to achieve well-grounded decisions. For each item, consider:

- What should the Working Group prioritise?
- What advice and operational input is needed?
- On what issues should professional expertise be sought?
- Which individual will take lead responsibility for implementation?

We encourage you to add and adapt the list above to suit the circumstances of your museum and/or site.



The future of the Collection

This sub section applies to Collections which are owned by the museum charity and not part of a separate collections charity.

One of the most complex areas for the Working Group to tackle will be what happens to the collection of the museum. Our assumption is that for stand-alone museum charities the closure of the museum will coincide with the transfer of the collection and the closure of the museum charity. Therefore, one of the most important tasks of the Working Group prior to closure is to secure the future of the collection.

Accredited Museums should have policies, plans and procedures in place that will help them address issues around the future of the collection. Accredited Museums should refer to the Accreditation standard and guidance sections 4 Hold and develop collections and Section 5 Hold useful and useable information on collections. Non-accredited museums may also find this standard useful to refer to, and may find it helpful to seek advice from a collections specialist to resolve any gaps in the information listed below.

Several key issues present themselves for the Working Group:

- Is there an up-to-date inventory that can be shared with a museum interested in taking on the collections, detailing the items in the collection and any specific terms on which items were donated?
- Which museums might be willing to take on the collection as a whole? On what terms would they consider doing so?
The Working Group task is to:
 - research and talk with those organisations about their interest in the collection
 - understand how those museums might use and care for those collections
 - check their approach and ethos matches that of the museum
- identify the costs and likely timescale of such a transfer
- appreciate whether there are any challenges in their terms
- examine whether there is any restriction in the governing documents as to whether the collection must be passed over to another charitable entity with similar purpose and interests
- reflect on Museums Association guidance in what order the collection might be offered to other museums.
- Is the museum willing to see the collection transferred in part to more than one museum or heritage organisation? If it is, the Working Group will need to consider whether:
 - this increases the number of museums to whom the collection might be transferred
 - the impact of the same considerations of interest, use, ethos, cost and terms as for whole transfer of the collection
 - the museum might be left after part transfer with some remaining less attractive items and what the future would be for such items?
- How loans to and by the museum are best managed? The Working Group will need to consider:
 - Is there an up to date list of loans made to and from the collection, indicating ownership, location and condition?
 - What is the nature of the museum's agreements regarding loans and returns, including early return?
 - What needs to be done to get such items returned, reallocated or donated?
- What will happen to purely digital parts of the collection?



Resourcing implementation of closure and staffing

Completing the closure-related tasks are likely to involve a significant volume of staff time; they may alternatively make a major demand on specialist volunteers.

The staff of your museum are amongst your greatest assets; they may constitute the largest annually recurring cost. There are also costs to having museum volunteers including their recruitment, training, management, support and supervision.

In both cases, Trustees have a duty of care and will want to be fair and considerate. Staff have additional rights under employment law. Trustees will need to bear in mind that the museum is a charity with a primary duty to ensure public benefit.

The Board could take the advice of independent human resources professionals regarding its duties as an employer and its compliance with employment law and regulation. It may look to data protection specialists to understand and operate within the requirements of data protection legislation and regulation covering staff, volunteers, visitors, donors and supporters of your museum.

The questions below are designed to guide the Board and Working Group in the advice it seeks and the decisions on staffing that are taken:

- How will we manage redundancies fairly? What equality implications must be considered?
- What help can be given to staff to access relevant training and development and find suitable alternative employment?
- What references will we provide for staff who leave? Who should write those references?
- What steps need to be taken to ensure compliance with data protection legislation and regulation?
- During the closure process, what will be required to retain particular staff to complete current projects that the museum is contractually committed to deliver?
- What contingency planning is necessary to cover the position where some staff might leave well before closure?

Communications

The museum will need a programme of communications for the entire process of closure. This will be a central task for the Working Group. Implementation will be a joint enterprise between the Board and the lead operational officers (paid or unpaid).

A detailed communications plan should identify internal and external recipients, with a schedule of the frequency and nature of communications to each category of recipient. Consistency and frequency of messaging is important and can contribute to reassuring both the Board and the operational team. Wherever possible address recipients personally. The most effective museums know who their key external stakeholders are and their particular interests. These may include local authorities, academics and researchers as well as funders and patrons. They need succinct but relatively frequent communication and an opportunity to ask for more detail.

The public statement on the website can outline:

- The contribution the museum has made to local communities and communities of interest.
- That all other options have been explored and exhausted.
- The reasons why closure is now the only possible option.
- The timing of the closure and how this will impact on visitors and the wider public.
- What will happen to the museum's programme of activities.
- Assurance about how the museum will deal with the collection.
- Thanks to supporters for all they have done for the museum.

In the absence of a staff or volunteer already leading on communications and public affairs, consider appointing a spokesperson who can deal with matters concerning closure once the public statement has been circulated. This should be someone who is, or becomes, a member of the Working Group; a script of responses to 'frequently asked questions' may help consistency of messaging. The Working Group will wish to consider the future of the website and the Museum and Collection's presence on the internet. Remember that where a public organisation is involved in a museum's closure, the museum documents and correspondence may remain subject to freedom of information requests.



The Regulators

Depending on where the museum is based, the museum's charity regulator will be the Charity Commission for England & Wales, the Office of the Scottish Charity Regulator or the Charity Commission for Northern Ireland.

As your organisation is a charity, it will have a charity registration number. Charity registration comes with specific duties and powers: you can check what these are by referring to your governing document, whether called Articles of Association or a Constitution.

It is worth checking whether the governing documents allow the charity to "dissolve", or to use/spend all and any monies and other assets held by the museum. If this is not the case, you will need to ask for the permission of the charity regulator or to amend its governing document to insert a dissolution clause.

There may also be particular requirements where a charitably registered museum has a permanent endowment. In this case, you will need to check whether or not that too can be spent in closing the museum. In addition, the regulator will expect your Board to arrange for the accounts and other records to be kept (and available). A charitable company will need to retain those documents for several years.

Whatever route to closure your Board undertakes, former charity Trustees remain responsible for the decisions they made while they were in office. If your museum is not incorporated and on closure does not have the resources to cover all its debts, your Trustees may be personally liable for meeting the shortfall. Seek specific legal advice on such matters.

Many museums are also registered as limited companies. Where that is the case, your Board will need to ensure that the requirements of company law are also met. Companies House need to be notified first of the closure, enabling the company to be formally wound up before the charity is closed.

Closing well

When you are working to close your museum, it can be difficult to be positive and remember what has been achieved. The Board and senior team have a duty to all the museum's supporters to mark the achievements and contribution made, despite the closure.

Consider:

- How to acknowledge all your supporters and celebrate the legacy.
- Whether and how to recognise, and wherever possible reward, the loyalty of staff to the museum and recognise the contribution of volunteers over the period of its closure. This is particularly the case where the process has been a lengthy one.
- Publicly thanking staff and volunteers for seeing the closure through to its end - and for their work in achieving a dignified process.
- Crafting a positive closing statement for both internal and external stakeholders. This should highlight the achievements of the museum and contributions that have made this possible.

Insolvency





Insolvency

Section 3 has assumed that while your museum has to close that it has some time to put its affairs in good order. Section 4 considers where this might not be the case and where the charity may be facing insolvency.

Trading whilst insolvent

When a charity becomes insolvent, it means that it cannot pay its bills as they fall due. Trading whilst insolvent means that the charity continues to operate and incur further debts despite being unable to pay its debts as and when they fall due. Wrongful trading is for the charity to continue trading whilst being aware that there is no reasonable prospect of the charity avoiding insolvent liquidation.

Trading whilst insolvent is a serious offence and should be avoided under all circumstances. Trading whilst insolvent is not a criminal offence as such but can lead to personal liability of the Director/Trustee for debts incurred whilst the charity was insolvent and/or being at risk of a disqualification from being a Director/Trustee for a set period.

Indicators of imminent insolvency of a museum charity include:

- Cash flow showing refusal of credit, threatened legal action and consistent harassment for payment by creditors; the strongest indicator will be that the charity is no longer able to keep up with its day-to-day payments.

- Significant debts outstanding to creditors, such as banks or HMRC, with little or no likelihood of being repaid.
- Inability to pay staff salaries on time.
- Delayed financial decisions made by the Board or responsible senior staff member.

If these indicators apply to the charity's financial position, the advice of the charity's auditor/independent examiner and accountants should be sought to establish whether the charity is becoming insolvent.

Insolvency

It may be that, despite your best efforts, the charity does not have the resources to settle its outstanding debts and other liabilities. You will have entered the land of insolvency and administration. A guiding principle in dealing with insolvency is that the Board must ensure that all creditors are treated equally, with no one creditor preferred.

If the charity is initiating the process of winding up, it should seek a licensed insolvency practitioner with an experience of winding up charities (and thus of the social value of the charity's work). It is more important that the insolvency practitioner understands the business/activity of the museum/charity than the insolvency practitioner operates geographically close to the museum.

Insolvency

There are a number of possible approaches under insolvency law that museums could consider to give themselves more time and space for action:

- Under the Corporate Insolvency and Governance Act 2020 there is a provision that offers incorporated charities breathing space from debt enforcement action (a moratorium) by certain types of creditors so they have the chance to explore options for rescue or restructure.
- Viable charitable companies facing financial difficulties may be able to make use of a restructuring procedure with the approval of its creditors or members. A restructuring plan aims to strengthen the charitable company's ability to carry on business as a going concern by addressing any financial difficulties. This not an option for CIOs.

If the charity is initiating the process of winding up, it should seriously consider seeking administration rather than liquidation from the courts. When an incorporated charity goes into administration, an administrator, who must be an insolvency practitioner, is appointed to act in the interests of all the creditors of the incorporated charity and attempt to rescue it as a going concern.

The advantages of going into administration are that it gives the insolvency practitioner potentially 2 to 3 months to undertake their work, which could include finding another home for whole or part of the collection. If another party, say a bank or other creditor, is initiating the wind up of the charity, then the charity should seek to persuade them that administration is the best option rather than liquidation. This would give time to the charity, particularly to address questions of the future of the collection.

If there is no serious alternative to closing the charity, it should prioritise:

- Selecting the most suitable licensed insolvency practitioner.
- The agreement of the courts to administration and the appointment of that practitioner, so that maximum time is secured for disposal of the collection in whole or part to other museums.
- Early communication with the creditors. This should help to get their understanding and hopefully agreement to the disposal of the collections to other museums.

Once it is clear that a charity is in serious financial difficulties, and expects its debts to force it to close, the Board/Working Group should not make final decisions on disposal of items in the collection without reference to the creditors.

Essentially, the approach to the creditors should be to get their agreement (referred to as a Company Voluntary Agreement) to the transfer of items to other collections. The key element of this is an understanding that while the collection has cultural value, it has little or no monetary value and thus it is reasonable to pass those items to other collections. The Board may wish to take independent valuation advice to bolster its case. The path would then be to follow the actions of transfer of collection set out in Section 3.

What the charity would be saying to creditors is that there is little to be gained by trying to sell the collection to meet their claims. It is important for readers to note that passing over ownership of part of the collection without the understanding of creditors could render Directors/Trustees of the charity personally liable for recovery of the value of the collection passed over.

For the most part, incorporated charities (charitable companies or CIOs) provide protection from personal liability for Directors/Trustees. However, Directors/Trustees can become liable if they have failed to maximise creditor interests due to negligence or wrongful behaviour including transactions at an undervalue, wrongful trading, breach of trust or fraud.

Most museum charities are incorporated. Indeed, incorporation is a requirement for Museum Accreditation. There are still some museums that are not incorporated. Unincorporated trusts and charitable trusts are not regarded as separate legal entities. Their Trustees are personally liable for any debts incurred by the charity that cannot be repaid.



Resources



Resources

The AIM website contains many resources that are of practical help in turnaround and closure. The following selective list of further reading may also be helpful to museum Trustees and leaders: aim-museums.co.uk

Turnaround

Rosabeth Moss Kanter – Leadership and the Psychology of Turnarounds (Harvard Business Review, June 2003) [Leadership and the Psychology of Turnarounds \(hbr.org\)](http://hbr.org/Leadership-and-the-Psychology-of-Turnarounds)

Stuart Slatter and David Lovett – Corporate Turnaround (Penquin 1999)

Chris Wajzer, Oliver Ilott, Will Lord and Emma Norris – Failing Well: Insights on dealing with failure and turnaround (Institute for Government 2016) [IFGJ4331_Failing-Well_25.07.16_WEBc.pdf \(instituteforgovernment.org.uk\)](http://instituteforgovernment.org.uk/IFGJ4331_Failing-Well_25.07.16_WEBc.pdf)

Mergers and Collaboration

Eliza Buckley, Romaine Hutchison and Lawrence Simanowitz – [Thinking About Merger \(IVAR 2012\)](http://www.ivar.com/Thinking-About-Merger)

Charity Commission for England & Wales – [Collaborative Working and Mergers Collaborative working and mergers: an introduction \(CC34\) - GOV.UK \(www.gov.uk\)](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/244443/CC34-Working-and-Mergers-Collaborative-working-and-mergers-an-introduction-CC34-GOV.UK.pdf)

Richard Gutch – [The Good Merger Guide \(Prospectus/Eastside 2014\)](http://www.prospectus.com/The-Good-Merger-Guide)

Governance

Ruth Lesirge and Hilary Barnard – Successful Museum Governance (AIM 2020) [Successful Governance for Museums 2020 \(aim-museums.co.uk\)](http://aim-museums.co.uk/Successful-Governance-for-Museums-2020)

Ruth Lesirge and Rosalind Oakley – A Chair's Compass (Association of Chairs 2014) www.associationofchairs.org.uk

Ruth Lesirge and Rosalind Oakley – A Question of Balance (Association of Chairs 2015) www.associationofchairs.org.uk

Fundraising

Judy Niner – Successful Fundraising for Museums (AIM 2022) [AIM-Success-Guide-Successful-Fundraising-at-Museums-FINAL.pdf \(aim-museums.co.uk\)](http://aim-museums.co.uk/AIM-Success-Guide-Successful-Fundraising-at-Museums-FINAL.pdf)

Closure

Museums Association – [Museums Facing Closure \(2017\) 20092017-museums-facing-closure-2.pdf \(museumsassociation.org\)](http://museumsassociation.org/Museums-Facing-Closure-2017)

Museum guidance affecting closure:

The Museums Association - Code of Ethics for Museums (2019): [Code of Ethics for Museums - Museums Association](http://museumsassociation.org/Code-of-Ethics-for-Museums)

Accreditation Standard and supporting guidance (2018): [UK Museum Accreditation Scheme | Arts Council England](http://www.artscouncil.org.uk/UK-Museum-Accreditation-Scheme)

Collections Trust: Disposing of Objects You May Not Own (2019): [Disposing of objects you may not own - Collections Trust](http://collections-trust.org.uk/Disposing-of-objects-you-may-not-own)

The Museum Association - [Disposal toolkit disposal toolkit.pdf \(museumsassociation.org\)](http://museumsassociation.org/Disposal-toolkit-disposal-toolkit.pdf)

Collections

Collections Trust: Spectrum collectionstrust.org.uk/spectrum

Collections Trust: Accreditation Resources – Managing Collections collectionstrust.org.uk/accreditation/managing-collections

Collections Trust: Accountability for Collections collectionstrust.org.uk/accountability

Collections Trust: Disposing of Objects You May Not Own (2019): [Disposing of objects you may not own - Collections Trust](http://collections-trust.org.uk/Disposing-of-objects-you-may-not-own)

The Museum Association - [Disposal toolkit disposal toolkit.pdf \(museumsassociation.org\)](http://museumsassociation.org/Disposal-toolkit-disposal-toolkit.pdf)



Resources

Charity regulators guidance on closure:

Charity Commission for England & Wales -
[Managing a charity's finances \(2023\)](#)

Charity Commission for England & Wales -
[How to close a charity \(2024\) How to close a charity - GOV.UK \(www.gov.uk\)](#)

The Charity Commission for Northern Ireland:
[Mergers and Closures Guidance \(2021\)](#)

Office of the Scottish Charity Regulator: Wind up or
dissolve your charity (2018) [OSCR | Wind up or dissolve
the charity](#)

Closing a company:

Closing a limited company:
[Closing a limited company - GOV.UK \(www.gov.uk\)](#)

Liquidation and insolvency (2022):
[Liquidation and insolvency - GOV.UK \(www.gov.uk\)](#)

Liquidation and insolvency: companies in Northern
Ireland (2022): [Liquidation and insolvency: companies in
Northern Ireland - GOV.UK \(www.gov.uk\)](#)

Liquidation and insolvency: companies in Scotland
(2022): [Liquidation and insolvency: companies in
Scotland - GOV.UK \(www.gov.uk\)](#)

Case Studies





Coffin Works Case Study

Context

The Coffin Works Museum is a 'Heritage at Risk' success story, preserving the unique contents of the former Newman Brothers' Coffin Fittings business in Birmingham. The building is Grade 2* listed. It is the only surviving example of a purpose-built Victorian coffin furniture manufactory in the UK and was in operation until 1998. The owner, on closing the business had the foresight to sell the building and its contents to Advantage West Midlands; the only condition was that it should become a charity and a museum. It opened in its new form in 2014 and extensive refurbishment of the building has been achieved. The income of Coffin Works is largely generated from admission fees, rental of meeting rooms and events, and grant income.

The business plan from 2013 had anticipated 20,000 visitors a year, but in its opening years it attracted 8,250. This was a problematic deficit and a risk to the viability of the museum. Creating diversified income streams was therefore an absolute necessity for survival and has driven the development of the hybrid model of Coffin Works Museum, with creative commercial tenants and the letting of events spaces. Half of the building is currently rented out to tenants which accounts for about 40% of the museum's income.

Grant income, including Lottery, Garfield Weston, Esmee Fairbairn, and Arts Council and other forms of fundraising have enabled a steadily improving visitor experience. Seeking such funding remains an important part of the resilience plan.

Governance

Coffin Works has a small and effective Board, committed to its aims and activities. The museum is run and owned by Birmingham Conservation Trust, (BCT) a building preservation trust and charitable company since 1997. Its charitable Objects reflect a core mission to promote the enjoyment of Birmingham's, and the UK's cultural heritage through access to the building and its unique contents/collection. It does this through guided tours, self-guided visits, bespoke events, partnering with local artists, heritage organisations and local universities to create a diverse cultural offering.

All of the Trust's charitable activities focus on being a catalyst and instigator for the conservation of at risk buildings in Birmingham, to preserve buildings of historical and architectural interest for the people of Birmingham and the West Midlands and to educate the general public as regards the occupation and use of such buildings throughout their history.



Coffin Works Case Study

Planning for turnaround

Coffin Works was essentially a new business, so needed to be creative and proactive in addressing the 'start up' issues alongside the everyday challenges of a heritage site, including the pandemic and energy price hikes. It is only recently that income from admissions to Coffin Works has exceeded its rental income. The new cafe space opened in Spring 2022 with a grant from Birmingham City Council for refurbishment and is increasingly proving an asset. The Museum is now receiving MEND funds for additions such as secondary glazing and UV filtering film to improve energy efficiency as well as caring for the accredited collection. An initial staffing structure proved top heavy and understated the need for more capacity in the operational demands of keeping the museum open. When the Director left in 2016, the museum failed to recruit a successor on the salary it was able to offer. It had to improvise and work on the basis of a small team of skilled staff and a cohort of invaluable volunteers. In 2018 there was a restructure to better reflect the needs of delivering the operational requirements. A new Museum Manager and two Volunteer and Operations Co-ordinator posts were created to meet those demands and grow the operation further.

A strategic commitment was made to take the path of investment in staff posts although Coffin Works was making an annual deficit. The extra capacity has enabled marketing activities to generate more visits, recruitment of more volunteers and bid writing to increase the underlying financial resilience of Coffin Works. The judgement was made that reducing the deficit would have been at the expense of the operations, key staff would not have been retained, and the firefighting would have proved longer term. Looking back, Coffin Works attributes a significant part of its turnaround to the willingness to invest in staff resource to develop the visitor experience, grow the volunteer team and develop the working model strategically.

The pandemic provided important opportunities to look at ways of changing the visitor experience. A Museum Association grant helped Coffin Works implement a hybrid model offering both guided and self-guided tours and create a digital museum guide. The self-guided visits not only complied with Covid regulations but made Coffin Works more inclusive to both visitors and volunteers. Volunteers feel less pressure to be a tour guide as they now have the opportunity to room guide during set guided visits.

Coffin Works has had an investment led approach to strengthen its volunteering, understanding that volunteers need support, training and development from paid staff roles. Coffin Works now has three Volunteer & Operations Co-ordinator roles (2 FTE). Volunteers now number 75, with a core group of 35 to 40 people volunteering on a regular weekly basis at the museum. Museum volunteers range from 18 to 74 in age and are evidence of the museum's commitment to diversity. One in six of its volunteers have a disability; one in eight identify as LGBTQ+, and nearly one in seven of people are from a non-British white background or non-British. One in ten are unemployed and seeking work. The hybrid model adopted during the pandemic has helped recruit an increasingly diverse volunteer group.

Progress has been marked by the Queen's Award for Voluntary Service, the 'Small Visitor Attraction of the Year' in the 2022 West Midlands Tourism Awards, and in 2023 the Museum was awarded the TripAdvisor 'Hidden Gem' Accolade, and highly commended in the Team of the Year category at the Museum & Heritage Show. In 2022, Lonely Planet named Coffin Works as the Best Unusual Museum in the UK.

The Judge's Lodging Case Study

Context

The Judge's Lodging in Presteigne exists to interpret and preserve the history of the Shire Hall and to provide visitors with a portrayal of a working Victorian house. It also houses Presteigne Community Collection. A Grade 2* early 1800s building, it is a restored Victorian courthouse with accommodation for visiting judges. An independent charitable structure was established in 1997 alongside Council ownership of the building and collection, when the building opened as a museum. This governance structure was established in order to access additional grant funding and charitable support for the museum.

Powys County Council provided funds for the salary of a senior staff member who remained a Council employee. This operating model continued until 2015, although over that period the Council reduced its financial support year on year. In 2015, the Council finally announced that it was withdrawing its financial support of the building and that the salary of senior staff member would be eliminated in successive budget rounds.

As part of the process of total withdrawal by the Council, it (and a small contribution from the charities limited reserves) paid for an architectural survey. This indicated a huge and costly volume of work that needed to be undertaken.

Governance

Despite the total withdrawal of financial support by Powys County Council, it became clear that the Trustee body of 12 was struggling with the challenges facing the museum and were unable to offer a way forward.

The Director commissioned a first consultancy exercise to establish the skillsets Board members and volunteers based on the needs of the museum; it was informed by examples of good practice of commitment offered by active Trustees in comparable museums. Despite the self-assessment of skills by trustees it became clear that their skills and knowledge did not match with the museum current needs.. One trustee resigned. (AIM was helpful throughout in initiating contacts for the Director and consultant).

A further consultancy exercise reviewed the existing governing documents and how they might be redrafted to enable a smaller group of Board members to undertake a turnaround. The Articles were successfully amended, requiring fewer Board members and no representation by the Council on the Board.

This second exercise also involved interviews with existing Board members testing their willingness and commitment to being part of a much more active Board. All but two indicated that they would stand down. As a consequence, a significant recruitment exercise was undertaken, including advertising through the AIM website. Interviews for Board members were conducted by three of the outgoing trustees and the consultant. Of the ten existing trustees, two applied, eight did not.

There were several successful external applicants and two pre-existing trustees were also re-appointed. One of the external candidates not from a heritage background, stepped into the role of Chair.

In the months that followed, a number of challenging objections were raised by long-standing Board members, that the new less experienced Chair felt made it difficult to function in the role. Eventually, it was necessary to resolve the situation on the basis of legal advice which resulted in both that individual and the new Chair relinquishing their roles. A new Chair with a strong background in collections and museums was subsequently recruited.



The Judge's Lodging Case Study

Planning for turnaround

It was clear to the new Board that the museum's finances led to a hand to mouth existence and were not sustainable. Keeping the building open was costing £80 - 90,000 a year. The Director made a successful application to the Heritage Lottery grant for a Volunteer Coordinator; this kick-started a process of transformational change.

For a period of over two years, the charity negotiated with Powys County Council for a community asset transfer of the building. Eventually, the building was transferred as a freehold property to the charity, with the proviso that should the charity ever wish to sell the building, the County Council would have first option. With its ownership of the building, the museum was able to attract Welsh Government support to improve the building (e.g. audio system, shop fit, leadwork). Interestingly, the Council opted to keep the original furnishings (furniture and other items) from the building in its ownership.

The long-serving Director is supported by 3/4 additional staff, mainly part time or seasonal. The museum has been able to nurture a committed group of 25-30 volunteers, who form a strong and effective team.

What next?

Over the years, the charity has worked to address a wide range of long-standing building issues. As a key part of its strategy to stabilise and assure its future financial wellbeing, The Judge's Lodging is pursuing a plan to turn part of the building into flats in order to provide a regular rental income. Funds from the Architectural Heritage Fund have enabled work to progress to planning stage. Further support from Heritage Lottery and Levelling Up funds have made possible the further development of the project. The Board and Director understand that a stable funding stream that covers core costs of the museum is the essential foundation for the further development of its aims and community engagement.





Cogges Manor Farm Case Study: Phoenix from the ashes

Context

Cogges Manor Farm opened in the late 1970s and was run by Oxfordshire County Council. It was known to generations of school children as a popular farm museum set in Victorian times with volunteers in period costume and including a range of animals. A critical issue was that from c2000 the Council failed to make the subsequent investment needed in the property to maintain its position as a successful visitor attraction. In addition, on two occasions, the Council seriously considered closing the farm, but public pressure kept it open; eventually it was closed at the end of 2010 as annual losses rose to c£250k. The museum was closed to the public for 18 months and mothballed with only a part time groundsman to stop further deterioration of the buildings, walled garden and 20 acres of land.

A consultancy review identified various options for management of the site. Commercial operators, national heritage charities and community groups were invited by the Council to make proposals. Proposals received all required an element of continuing public funding, but aside from a one-off sum of £100,000 for immediate operational costs, there was to be no further revenue funding from the Council. Rather than accepting any particular proposal, the Council supported the establishment of a new charitable company, Cogges Heritage Trust. With regard to ownership of the site, this remained with the Council until a transfer of the freehold to the Trust was completed at the end of March 2020. Oxfordshire County Council paid the Trust £1 million towards building repairs to discharge its responsibilities as part of the transfer.

The Farm had a modest collection, whose items were by no means unique to Cogges. The Council retained ownership of this collection which was subsequently stored. Over time, the Trust has built its own collection of items which are essentially a handling collection.

Governance

Cogges Manor Farm aims to be a place whose past is recorded, understood, valued and enjoyed by everyone who visits; to make a positive contribution to all its communities; to protect and enhance the natural environment and buildings; and to be a place where people can relax, participate, learn new things and have fun.

Trustee places were publicly advertised. The Board brought together members with direct knowledge of the museum sector, those with useful professional skillsets (e.g. financial management and control), nominees of the Council and local people with experience of cultural activities and organisations. The Trustees established four committees reporting directly to the Trust Board: Finance and Property Committee, People and Legal Committee, Business Development Group and Development Committee.

Recognising the scale of what needed to be done, the Board made an early decision to recruit a Director and Operations Manager as paid posts.

The new governing body made a critical strategic decision about the immediate future operation of the museum. The focus was entirely on creating a sustainable business model, built on earned income.

Initial decisions were to:

- Generate income from admissions (initially by donation), especially focussing on the family market and season tickets.
- Hire out the venue for weddings.
- Employ a small team of staff and make considerable use of volunteers to add capacity and contain costs.
- Open to the public as quickly as possible from July 2011 (1 week after the lease was signed) up to half term in October (Year 1).
- Be a farm through the ages rather than exclusively Victorian.

In addition, it was decided that the Trust would not renew museum accreditation. The Trustees felt the process of renewal would distract focus and resources away from income generation.

With regard to grants the Board preferred to focus on earned income, believing this would improve the case for support from grantmakers for developmental purposes once core sustainability could be proved. The Board also took the view that being accountable for the use of grants could distract from the museum's focus on strategic and core operational needs.

Cogges Manor Farm Case Study: Phoenix from the ashes

Planning for turnaround

Trustees set themselves the target of reaching 'break even' in 5 years. Visitor numbers in the first summer were 5,000 and rose progressively over the years, achieving around 50,000 visitors annually. In common with many museums, numbers varied widely during the pandemic and immediate post pandemic periods. The charity returned its first annual surplus after 3 years of trading.

Trustees found that they were more hands-on than they had expected but needed to support the Director whose role encompassed great breadth of responsibility. However, they were keen to avoid stepping over into the Director's role and weighed carefully when to support and when to intervene.

There were choices and decisions made about priorities, and all available funds (£100k start-up transitional funding from OCC) were targeted on support of the business model e.g. a children's play area was created to support the family audience. The decision to redefine Cogges' proposition meant relinquishing the Victorian theme and positioning the site as telling 1,000 years of stories. Animals were always going to be a point of attraction and were gradually reintroduced (sheep, ducks, goats, chickens, rabbits, guinea pigs). After an initial experiment it was decided to have handling pets as well as farm animals on the site.

Once the museum was returning annual surpluses reliably, and having attracted grants from trusts to

support expansion of the learning programme, the decision was taken to embark on a c £1.7m project, with NLHF support, of interpretation and capital work to improve the overall visitor experience; it has also enabled a wider spread of audiences, with particular focus on improving facilities for volunteers, attracting school visits, community engagement programmes and an improved heritage experience for all visitors.

Catering on site proved to be a challenge. Trustees outsourced catering, but contracted businesses struggled with the ebb and flow of demand and income. Eventually, catering was brought back in house and has made a significantly higher contribution to annual income. Barns on the estate were used for wedding hire and the entire site has been a successful filming location.

A subsidiary trading company (Cogges Heritage Enterprises) was established to hold income from weddings, shop, cafe and other retail activities. The Directors of the Trading Company have been reliant on the administrative support work of the museum Director.

Volunteering has been a successful area of Cogges' activities and numbers have grown to reach 200. The volunteering programme has helped NEETS (Not in Education, Employment or Training) into work and there has been some therapeutic volunteering. In 2022, the Trust received the Queen's Award for Voluntary Service.





Crochet & Tatting Museum Case Study

This is an anonymised case study based on the experience of several independent museums.

The Crochet and Tatting Museum is dedicated to understanding the social context of this activity, as well as celebrating and preserving the best of international crochet and tatting arts from both Western and Eastern Europe. Given that tatting was used both domestically, its collection includes household (bedspreads, chair covers etc), clothing and purely decorative items.

The museum houses a collection of over 3000 original pieces including bedspreads as well as an archive of books, printed and handwritten crochet and tatting patterns that chart the history of the art over many centuries from the 16th century to the present day. The archives also include tatting being made and used; also, tools (notably hooks and shuttles) and yarns.

Established as an independent charity in 1999 by a consortium of women's crochet collectives, the museum has a board of 7 trustees, including crochet specialists, craft academics and two 'lay' members. This accredited museum is situated in the centre of Nottingham. It employs 5 full-time equivalent staff, two of whom are experienced voluntary sector people; it also has 5 volunteers. The museum has exhibition galleries and a small meeting room, but no space that can easily be let for private lets or celebrations. It is open Wednesdays to Sundays and runs a range of events for all age groups. The museum has a scheme for people and organisations to become Friends: it also has a patrons' scheme for high-net-worth individuals and an Associates discount scheme.

The Crochet and Tatting Museum was initially a 'kitchen table' start up and funded by the founding collectives. In 2021 it won a three-year grant from a supportive artist; this was then used to successfully apply for additional smaller grants. The museum now has an annual turnover of £153,000, two thirds of which comes from

entrance fees of its visitors, a fifth of income is from its shop, a number of events and a few special exhibitions mounted each year.

This small museum 'punches well above its weight' but struggles each year to find the remaining 15% (£20,250) of the core income it needs. The Director is largely responsible for the fundraising but has little time to give to this part of the work. However, the current President of the museum is a successful artist and well connected to individually wealthy people who have an interest in the promotion and celebration of domestic crafts – and in particular crochet and tatting.

One of the key strategic aims is to attract new audiences by foregrounding the social context of tatting beyond the domain of women's work i.e. domestic or personal adornment, and explore its role in the work of sailors and fishermen netting (tatting is a form of knotting). This is an area that could generate some interesting personal stories to which new audiences might relate and generate an oral history strand the existing activities.

The Board and Director had been concerned to build a business model based on full cost recovery and a 'mixed economy' strategy that included raising visitor numbers by a quarter. This ambition was severely undermined for 18 months by Covid in 2020-21 - although support from the Arts Council helped to mitigate a financial crisis. Post Covid the museum re-opened but struggled to re-balance its financial position or restore pre-Covid visitor numbers. With the cost-of-living crisis in evidence, entrance fees were increased by £1.25; this was negatively offset by a drop in spending in the shop. In addition, staff observed that the museum increasingly attracted largely local rather than regional or national or international visitors and the use of the National Art Pass also disproportionately increased, resulting in a fall of full-cost entrance fees.





Crochet & Tatting Museum Case Study

As the museum receives no grant funding, the Board and the museum Director are very concerned to change the museum's financial cycle of annual cliff-edge deficits of c.£45,000. An application for National Portfolio Organisation (NPO) status is possible, but not in the immediate future. Some radical action that goes beyond cost-cutting is needed and there is an agreed view that the museum needs to change its approach and take more risks with its residual reserves.

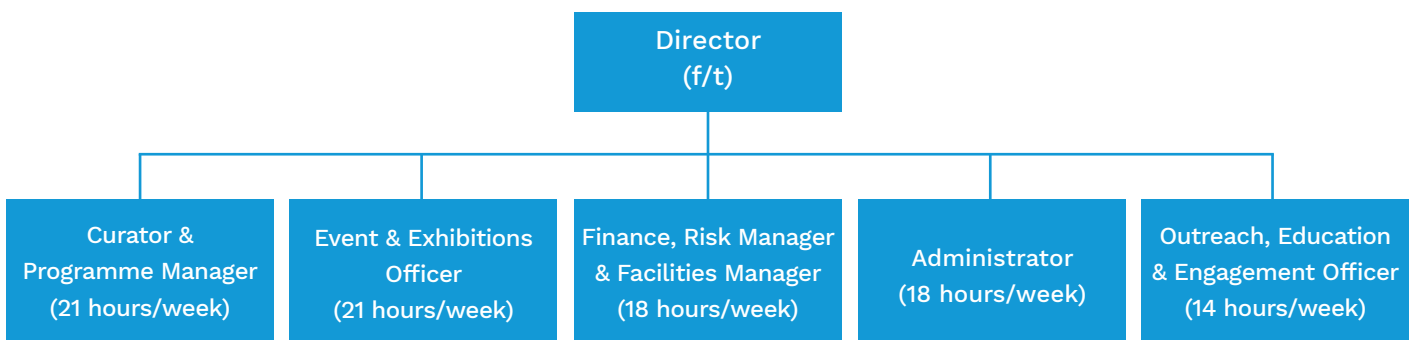
Trustees are clear that reducing the staff numbers is not the right approach for the museum, since it creates a downward spiral of capacity and falling morale. The

approach in the emerging plan is more entrepreneurial with a willingness to experiment with more innovative projects that might attract audiences beyond those of the crochet practitioners and academics.

One of the key strategic aims is to attract new audiences by foregrounding the social context of tatting beyond the domain of women's work i.e. domestic or personal adornment, and explore its role in the work of sailors and fishermen netting (tatting is a form of knotting). The Board also recognises the need to reach new younger and school-age audiences, building future generations of visitors and supporters.

Whilst there is concern about the current position, there is also a belief that the Crochet and Tatting Museum can survive and generate pleasure and new understanding for future generations to enjoy.

Staff structure of the Crochet and Tatting Museum



Questions:

1. What is the museum doing well?
2. Does the museum have sufficient distinctive elements that it can exploit?
3. What would you focus on in creating the new strategic approach and business plan?
4. Are there any quick financial wins it can achieve?
5. Is it possible to reduce opening hours in a way that does not impact substantially on visitor numbers or loyalty?
6. Who should lead the fundraising?
7. What additional skills, knowledge and life experience do you think is needed on the Board?

This is an anonymised case study built on the experience of several independent museums.



Yorkshire Waterways Museum Case Study

This case study is based on an interview with a former trustee of the museum and is a personal account of the insolvency process that the museum went through.

Yorkshire Waterways Museum was established as a subset of the Sobriety Project, a charitable company set up in 1973. The Sobriety Project used the museum's vessels, nature trails and allotments to help disadvantaged people in the community. It also hosted art exhibitions, workshops and classes. The Sobriety Project thought that all parts of its activities would prosper together. It was ambitious and committed to a path of development. In the year of its closure, the Project had an income of £335,000.

The museum's mission was to 'use the heritage, arts and environment of the Yorkshire waterways as a resource for learning and regeneration'. The museum told the story of Goole Docks and the Aire and Calder Navigation. Goole was built by the canal company as its inland port. Near the museum's location, coal from South and West Yorkshire was transhipped from canal-based tugs and Tom pudding barges onto sea-going ships using the boat hoists, which became industrial icons.

The charity offered boat trips, barge and canal holidays, skippered boat hire for family or friends' groups for day trips or weeklong holidays and themed boat evenings.

The charity's building was usually described as a museum building. It contained and curated displays relating to photography, trade and commerce, industry, social history, maritime, inland waterways, science and technology and archives, as well as visitor facilities. The building was open all year round except for the Christmas period and from November until Easter was closed at weekends.

Due to this structure the museum did not have an independent existence throughout its life, although in line with accreditation requirements, it did have its own Committee, whose membership included some Project Trustees. Its Committee reported to the main Board of the Sobriety Project. In 2015/16, the Committee persuaded the Project to give the Museum its own budget lines. The museum hosted school trips and provided workshops for people who needed additional support: its volunteers were knowledgeable, and enthusiastically relayed information and stories about everything the Museum contained.

During the 2010s as austerity hit, the Project found its income streams steadily diminished. The Project had annual deficits, struggled with debt, and ran into difficulties with the bank. At this stage, if the museum had been an independent charitable entity, it is possible that it could have continued to exist, as it was managing to work within budget and had proved that it could remain solvent. However, it was legally a part of the Sobriety Project, with no ability to focus on the future of the museum as a separate entity to that of the Project.

An Insolvency Practitioner was called in. Those working with the museum understood that the Practitioner had limited previous experience of working with charities before, and appeared to some unfamiliar with the work of a museum or of a heritage site. The Practitioner recommended selling some of the Project's boats, which were likely to raise the most money. These boats were not part of the museum collection.

The closure of both the Project and the Museum aroused very strong emotional reactions on the part of longstanding volunteers and the Trustees, as well as Project staff. Initially, there was some denial that

Yorkshire Waterways Museum Case Study

closure would happen. Once the shock of the need to close had been diminished and the inevitable accepted, the Waterways Museum returned its loans to the owners of the artefacts. (This only proved possible because the museum had good documentation on what items in its collection belonged to whom.)

The Practitioner announced that the appointed liquidator would deal with the charity's assets "appropriately in accordance with the guidance of the Museums Association [MA] and the Insolvency Act and Laws". The Sobriety Project was advised on the difficulty of giving threatened collections to other museums. In cases of bankruptcy, the Project was told by the Insolvency Practitioner that all the assets that the charity owned (including those museum collections which were not loaned-in) would have to be sold to reduce the charity's debts. They were told that these assets could not be given to other museums, only sold. If the Trustees were to gift these assets to other museums with bankruptcy looming, this would be viewed as deliberately 'hiding' assets that might have a financial value. If they were to gift these assets to other museums, the Trustees could be taken to court and held to be personally liable for the value of those assets gifted.

The Revive Business Recovery firm finally announced that..." members of the public who had loaned exhibits to the museum would be contacted to collect them." It added that the firm's appointed liquidator, would deal with the charity's assets "appropriately in accordance with the guidance of the Museums Association [MA] and the Insolvency Act and Laws".

In early May 2019 the museum announced it would have to close. The building remained empty; once closed it was vandalised and eventually sold. It subsequently re-opened as an auction house.





About the Authors

Ruth Lesirge and Hilary Barnard are the founders of HBRL Consulting. They are the co-authors of Successful Museum Governance (AIM 2020) and the AIM guide to the 2022 Charities Act. They specialise in governance, strategy, and leadership and organisational development, including mergers and partnerships, for museums and heritage organisations, charities and not for profit organisations.

Further details of their consultancy work can be found at www.hilarybarnard.com

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