



Association of
Independent
Museums

Fragile to Flourishing

Museum operating models
in an uncertain world

Full Report

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Table of abbreviations

ACE	Arts Council England
AI	Artificial Intelligence
AGI	Artificial General Intelligence
AIM	Association for Independent Museums
ALB	Arms Length Body
AMA	Arts Marketing Association
B2B	Business to business
B2C	Business to customer
DCMS	Department for Digital, Culture, Media & Sport
FM	Flourishing Museums
ICOM	International Council of Museums
KPI	Key Performance Indicator
LATC	Local Authority Trading Company
MOM	Museums Operating Models
NHS	National Health Service
PSM	Public Service Mutual
R&D	Research and development
R&R	Repairs and renewals
USPs	Unique Selling Points
XR	Extended Reality
VOCA	Volatility, Uncertainty, Complexity and Ambiguity

Table 1. Table of Abbreviations

The following table lists the abbreviations and acronyms used throughout this report. Each term is defined for clarity and ease of reference.

List of credits

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1. Oxford Castle and Prison (Susan Boyce)
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3. Towner (Cameron Brown)

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Executive summary

Report overview and summary of findings



Image1. Bowes Museum, Pippa Hale Pet Project, 2025



Summary of findings

1. Traditional operating models for museums are increasingly difficult to sustain and are no longer fit for purpose.
2. There is evidence in the sector of museums that are developing flourishing characteristics including adopting growth mindsets, systemic thinking, community engagement and re-purposing their assets to generate commercial income.
3. Given the ongoing complexities of the operating context for museums it would be unrealistic to suggest a museum can be completely future proof. Museums are encouraged to think in terms of future readiness instead, and to move to a place of preparedness for what might come in the years ahead.
4. A flourishing continuum is identified covering characteristics from fragility to flourishing. It is intended to provide prompts for discussion and it is recognised that a museum might have functions that are at different stages across the continuum.
5. A range of enabling factors to support museums in the future is identified including policy alignment, diverse funding models, digital skills development, and strong inter/transdisciplinary networks.
6. Museums need to build on existing assets, adapt operating models, enhance financial skills, and embrace social enterprise and partnerships to flourish.

Executive summary

This research explores the current and future operating models of accredited museums in the UK, focusing on their capacity to flourish in an uncertain environment. It draws on contextual and financial analysis (30 museums), case studies (eight museums) and sector wide research to identify the characteristics of flourishing museums. Commissioned by AIM, and jointly supported by ACE and DCMS, the research has addressed four overarching questions:

1. What indicators are there in the present that museums can exploit future opportunities?
2. What are the characteristics of a future thriving museum likely to be?
3. How can independent museums and trusts develop business models that are future ready?
4. How might an enabling environment be developed for museums to flourish in future?

The research conclusions and accompanying case, studies and toolkit, are designed to enable museums to examine their operating models in the light of what works for others, being mindful of the heterogeneity of the sector. It is also intended that the findings will aid funders and other decision makers to understand where museums might have opportunities to become more sustainable and how they might be supported.



Traditional museum operating models are increasingly difficult to sustain in a volatile, uncertain, complex, and ambiguous world. As a result, museums are transitioning towards more flexible, cross-disciplinary, and entrepreneurial models that balance preservation with access and social relevance.

The past five years, marked by the global pandemic and other significant disruptions, have accelerated change in the sector. Visitor behaviours have altered, staffing levels have remained relatively stable although employment costs have increased across the sample reviewed by 32%, and volunteer numbers have slightly declined, especially in multi-site museums. This current context, as reported by the research participants, has left many museums feeling problem-saturated and unable to plan positively for the future. The consequences of which are museum leaders feeling increasingly uncertain, overwhelmed and struggling to motivate their teams while they navigate the white waters of an everchanging operating environment.

Museums typically operate a portfolio of micro-businesses with limited financial visibility or specialist skills. Their business models often combine hidden revenue (core, project, capital funding, philanthropy, volunteers, endowments) and direct/experience selling (admissions, exhibitions, events, retail, hospitality, venue hire, licensing). High fixed costs related to staff and premises are common, the essential role often played by volunteers is not usually measured and can therefore be undervalued. Most museums' reserve levels are insufficient to absorb major shocks or close solvently without external support.

The accompanying case studies illustrate that the featured museums are embracing risk and innovation by adopting growth mindsets, systemic thinking beyond physical buildings, and community engagement. Museums are also creatively reviewing and repurposing their assets for commercial income. Museums should embrace futures thinking, and be ready to invest in research and development.

Future readiness may involve some or all of addressing less public funding, more competition for private funding, spin-offs from local authorities, consolidation, deeper partnerships, enterprise models, and demographic and technological shifts.

This report proposes a flourishing continuum framework, representing stages from firefighting for survival to game-changing sector influence, irrespective of scale. Flourishing museums exhibit inspirational leadership, have sustainable finances with surpluses and reserves (and ideally endowments), visionary governance, adaptive operations, transformative programming, fully activated collections, strong community roles, and sector-influencing innovation.

A literature review and participants in the research have identified seven enabling factors that would support flourishing museums:

1. Policy and governance: Alignment of policies and legal frameworks
2. Resourcing: Diverse funding models with a focus on innovation
3. Capacity and skills: workforce development



4. Technology and infrastructure: affordable access to technologies and infrastructures
5. Networks and collaboration: Expanded partnerships across sectors
6. Visitors and audiences: Shared insights on visitor trends, support for co-creation
7. Monitoring and foresight: Horizon scanning and trend anticipation.

Museums face constrained public funding and rising costs, necessitating strategically building on existing assets, considering deaccessioning, re-wiring operating models, enhancing financial and commercial skills, and adapting funding behaviours. Clarity on business and operating models, flexibility, modular planning, and embedding reflection and research are vital.

Key strategies already being developed include expanding entrepreneurialism, deepening partnerships, and leveraging technology. Museums adopting growth mindsets, embracing social enterprise, and managing risk creatively are better positioned to flourish.

The report concludes with suggestions for areas of further research.

Recommendations

Detailed recommendations are presented in the recommendations section. They are set out in three tiers from incremental to bold.

Recommendations are given for:

Policymakers/stakeholders: covering:

- › New funding models
- › Advocacy and communications
- › Legislative frameworks
- › Sustainability
- › Building new alliances.

Funders

- › Reviewing impact of current funding models
- › Workforce development
- › Sharing sector experiences
- › Supporting innovation and experimentation
- › Brokering and networking.

Museums

- › Workforce development
- › Knowledge exchange
- › Diversifying leadership
- › Redesigning governance structures
- › Creating cultures that support innovation
- › Wealth building.

Background and context

Aims of the research, traditional operating models and the current operating context



Image2. The Story Museum (Alchemy)



The overarching aim of this research is to gain a better understanding of the operating models of independent museums of different sizes and structures and identify what, if anything, sustainable museums have in common. Commissioned by AIM and jointly supported by ACE and DCMS, the research has focused on independent accredited museum operating models to explore the range of factors that museums doing relatively well might share. In order to address these aims four questions have guided the development of the research:

- › What indicators are there in the present that museums can exploit future opportunities?
- › What are the characteristics of a future thriving museum likely to be?
- › How can independent museums and trusts develop business models that are future ready?
- › How might an enabling environment be developed for museums to flourish in future?

The research has investigated whether it is possible to identify distinguishing features, or combinations of features, which appear to correlate most frequently with flourishing museums (Appendix One: definitions). The findings are intended to enable museums to examine their operating models in the light of what works for others, recognising that one size will not fit all. It is also anticipated that the research will aid funders and other decision makers to understand where museums might have opportunities to become more sustainable and how they might be supported.

Report structure

The report is set out in six sections (Appendix Two gives details on the research scope and approach):

1. Background: an overview of the sector and traditional operating models
2. Towards flourishing - Museum operating models: setting out the present context
3. Flourishing museum characteristics: outlining what might constitute flourishing operating models arising from current practices
4. The next five years: exploring possible context changes over the next five years and their implications
5. Findings: Overview of the key issues arising from the research
6. Conclusions and recommendations: Responses to the core research questions and suggested actions.

This report contains the main research findings and is part of a suite of three documents that are designed to be read independently or as a set. The other documents include:

1. Case studies: eight detailed case studies
2. Flourishing toolkit: a selection of pragmatic tools to support the development of flourishing museums.

Museums operating models: context and overview

A diverse sector

The UK museum sector is very diverse ranging from small, volunteer run unincorporated associations to national museums incorporated by Royal Charter. Given the complexity of the sector this research has focused on accredited independent museums in the UK. As of June 2025, these numbered approximately 1,742. (Arts Council England). This has included consideration of ex local authority independent museums. This latter group is fluid and takes different constitutional forms from fully independent to independent with assets (such as buildings and collections) being retained by the local authority. In many cases they are still reliant on local authority funding. The museums sector in the UK grew significantly in the second half of the 20th century; the growth rate overall has been slowing since 2000, but the rate varies in different parts of the sector. In 1960 there were 1,043 museums open to the public in the UK. The Mapping Museums report found that there were 3,289 museums in the UK in 2017; the ONS count of museums across local authority districts in May 2024 stood at 3,349. A growth in independent museums is considered to have masked a contraction in the number of local authority museums. There is no publicly available up to date data on the scale of the sector at the time of writing, but as expressed by Birkbeck University (Candlin, 2025), there is an expectation that 'the combined effects of austerity measures, the pandemic, and the cost of living crisis, make it likely that many more museums will close.'

Partnership/multi-site configurations are also a feature of the sectoral landscape. Within this group there are a range of models: Leisure Trusts operating a mix of venues across culture, sport and other leisure (e.g. Rossendale Leisure Trust, including the Whitaker Museum and Hull Culture and Leisure, both are community benefit societies (BenComms) , local authorities with multiple venues (Colchester and Ipswich Museums Service, Barnsley Museums), culture trusts (Hampshire Culture Trust, The Culture Trust Luton), or museum and heritage trusts (Barnsley Museum and Heritage Trust set up to fundraise for the Barnsley Museums, The Royal Pavilion and Museums Trust).

Traditional operating models

In understanding the operating models for museums in the present and future there is a value in considering where many have evolved from in the late 20th and early 21st centuries; this gives some insight into the operating models some museums have adopted. Features of traditional models include:

- › Hierarchical governance and leadership: a command/control leadership model with a clearly tiered workforce. Often operating as a Company Limited by Guarantee and Registered Charity where formal responsibility sits with a board of Trustee Directors who meet quarterly
- › Publicly funded: A small number of income streams with one or



two central pillars, often subsidy and/or admissions related income (tickets, food and beverage, retail) that could be effectively managed through a straightforward finance function. Staffing, overheads and asset management costs (building maintenance, collections conservation) were the primary fixed cost areas

- › Expenditure on fundraising and marketing varied according to the key income streams and education, engagement and outreach expenditure depended on individual contexts but with hidden subsidy (restricted project funding) playing a significant role in underpinning this work.

In some, but not all cases a three to five year business plan, subject to annual review, set out the direction and workplan, with budgets indicating an annual break-even position or modest surplus (to contribute to reserves). These models were:

- › Collection centred: artefact rather than visitor or community oriented
- › Curator/expertise led: specific teams organised by domain/specialism
- › Physical-first: A museum may have invested in static exhibition and interpretation for longevity (with project funding also playing a key role here) and imagined a visitor experience primarily based on a physical visit
- › Attendance driven programming: outputs measured primarily by attendance figures
- › Neutral repositories: not taking a position socially or culturally.

This model has become more and more difficult to manage and sustain especially in the last five years.

In a world that has proven to be increasingly volatile and uncertain, fixed governance cycles and long term business plans, regarded as set in stone, have become challenges rather than supportive mechanisms for survival. Carefully designed structures and specialist teams have had to give way to more flexible and cross-disciplinary project oriented teams that can work across analogue and digital realms with ease.

New leadership models have emerged including co-leadership, whilst societal expectations from the paid and voluntary workforce have changed (e.g. 4-day weeks¹, flexible hours, homeworking) and diversified. As financial models have shifted to defend against risk from multiple directions, business models and the associated operational and transactional management have become more complex, requiring adept and widely versed finance functions and a much keener eye on consumer behaviour trends, customer needs and distinctiveness.

Asset and supplier management has had to become more fleet of foot and adept at managing overheads (particularly energy use). As mechanisms for gathering and making sense of real-time data improve and develop, the quarterly (often analogue) governance cycle has had to evolve especially where earned income is a key component of the income mix. Conservative attitudes to risk that were constructive in the past become problematic in a complex and changeable environment, where risk velocity and scale has increased and managing risks in a way that balances the needs of wide-ranging stakeholders and partners has become more complex.

An ever-changing world

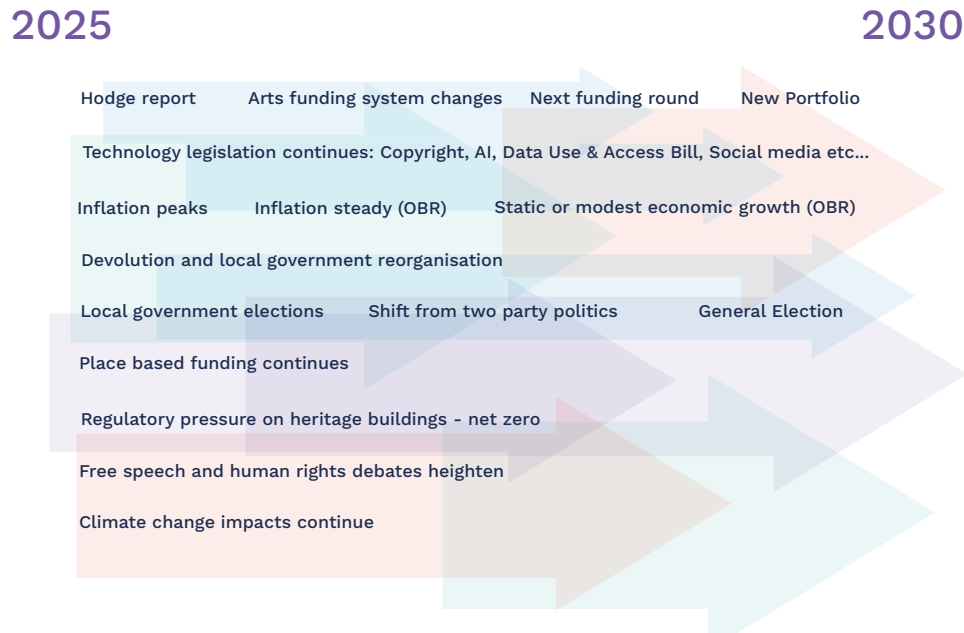


Figure 1. Changing operating environmental factors 2019, intervening period and 2024

With a greater reliance on enterprise within the income mix, restrained risk appetite can itself become problematic where opportunities need to be examined and tested at speed (i.e. cannot wait for a cycle of quarterly board meetings for a decision). In short, we are seeing a shift from museums that were ‘vaults’ i.e. expert keepers of collections concerned with preservation and authoritative presentation to ‘vessels’ providing greater access and acting as fora for dialogue and becoming change agents.

The last five years have seen extraordinary shifts and disruptions.



Figure 2. Snapshot of operating environment factors 2025

The above snapshot (figure one) gives just a small sample of some of the significant events that have occurred across the period, the impacts of which have been far reaching and unpredictable. This research has taken this five year period as its timeline because it sets 2019 as the baseline, starting just prior to the seismic impact of the global pandemic.

The operating factors in 2025 to date (figure two) show that if anything the change is accelerating, creating the potential for further very significant global and national shifts.



Sector snapshot

The Annual Museums Surevy 2025 (Museum Development South West on behalf of Museum Development England) highlights a number of characteristics of the current contextt:

- › 29% of respondents have seen a significant increase in on site visitors over the last year however 24% have seen a significant decrease
- › Annual visitor numbers have increased year on year since 2020/21
- › 38% of respondents are still down on their volunteer numbers from 2019/20, while 35% are up
- › Income and expenditure continue to rise with expenditure still higher overall than income. Respondents highlight the challenges of fluctuating income and funding year to year alongside rising costs
- › 57% of respondents reported an increase in expenditure over the last year
- › 23% of respondents stated they have expenditure which is at least 25% higher than income
- › 51% of respondents do not collect any equality or diversity information about their staff or regular volunteers
- › 44% of respondents saw their website visit numbers increase, 24% were around the same and 32% saw a decrease
- › 80% of respondents provided educational sessions in 2024/25.

The current operating environment has a range of implications, both positive and negative.

Digital transformations continue to support expanded reach and accessibility to collections and programmes. Museums are seen as having become more socially relevant with increasingly strengthened community roots. This has opened the way to more ‘cross sector initiatives and has seen culture linked to well-being, education and placemaking/place guarding’*. There has also been an increasing focus on partnerships and collaboration to endeavour to both expand programming and find opportunities for sharing resources. As demonstrated by the case studies there has been an increasing focus on how museums can adapt their operating models.

On the less positive side many museums are finding themselves financially vulnerable and exposed to economic shocks. The cost of living crisis has retained a strong hold creating budget pressures for communities and museums. While digital capacity has increased connections, the spread is uneven with some museums lacking the skills and infrastructure needed. The sector is facing a variety of struggles in the light of a changing funding infrastructure, as well as core funding models that have not kept pace with inflation. The complexities of reputational management have become much harder, whether in relation to corporate sponsors, restitution, or decolonising collections through new interpretation. The current context presents a range of both opportunities and challenges (figure three) for museums as they contemplate their future operating models. Not every museum will be able to, or should be expected to respond to every opportunity, the list is merely indicative of the breadth of possibilities available.

* There has been growing critique of notions of ‘placemaking’ which can imply there is a blank canvas to start with. The notion of ‘place guarding’ is being proposed as a counterpoint



Opportunities	Challenges
<ol style="list-style-type: none"> 1. Cultural policy targeted to place ^{1,2,3} 2. Recognition of the value of creative industries ⁴ 3. Growing focus on well-being and health ^{5,6,7} 4. Increasing importance attached to access to and preservation of nature ^{8,9} 5. Better recognition of the value of creativity ^{10,11} 6. Growth of the experience economy and cultural tourism ^{12,13,14,15} 7. Growth in social impact investing ¹⁶ 	<ol style="list-style-type: none"> 1. Multiple crises in a multi-polar and unpredictable world ^{17,18,19} 2. Continuing political uncertainty and fracturing of the two party system ^{20,21} 3. Low economic growth and entrenched economic inequalities ^{22,23} 4. Structural pressures on government funding ^{24,25} 5. Unpredictable impact of technological change including AI/AGI ^{26,27} 6. Declining trust in public institutions ²⁸ 7. Intergenerational divisions ²⁹ 8. Changing nature of work ³⁰ 9. Growth in societal divisions ³¹ 10. Visitor expectations driven by quality and value for money ³² 11. Climate change and its impact on heritage buildings and landscapes ³³

This current context, as reported by the research participants, has given rise to an increasing negativity bias (Rozin & Royzman, 2001) with many museums feeling problem-saturated and unable to plan positively for the future. The consequences of which are museum leaders feeling increasingly uncertain, overwhelmed and struggling to motivate their teams while they navigate the white waters of an everchanging operating environment.

Implications of context

To survive and develop in this context museums, as demonstrated by the case studies, have needed to:

1. Be adaptable and support change and learning
2. Move fast and spot opportunities
3. Share insights and resources to a greater extent
4. Encourage input from multiple perspectives
5. Build trust with stakeholders and visitors
6. Attract resources from different sources including outside their locale and independent of public funding
7. Collect and use data intelligently
8. Be prepared to dispassionately review all activity, analyse the taken for granted and make changes.

Figure 3. Operating challenges and opportunities 2025

Towards flourishing: current museum operating models

Overview of operating models



Image3. Towner Eastbourne, Top: Black Robin Farm Approach Bottom: Gallery from General Store (both Feilden Fowles)

Towards flourishing: current museum operating models

Operating models

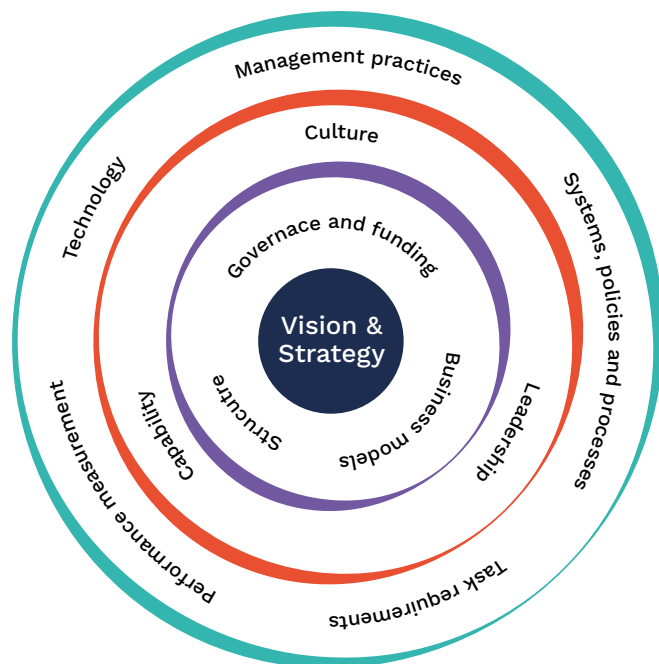


Figure 4. Elements of an organisational operating model

This section outlines prevailing business models and key features identified as part of the financial analysis of a sample of 30 museums. The particular concerns and features of museums spun out of local authorities is also examined, with suggestions for assessing the best fit delivery model.

This research draws a distinction between operating models and business models. An operating model determines how the key elements of an organisation work together to help realise its strategy and business models (figure four).

Concerned with the why, what and how of an organisation, the operating model spans the strategic to the tactical. This is regarded as distinct from a business model that describes how an organisation creates, delivers and captures value in economic, social, cultural or other contexts.

Business models

Museum business models have had a tendency to evolve rather than be specifically designed, this has been a result of a number of factors and should not necessarily be regarded as ambivalence or unwillingness. In many cases it is as a result of working with inherited assets (place, buildings, collections, narratives and endowments) and liabilities (buildings, collections and pensions), leaders have not had a clean slate to start from often making it difficult to know where to begin.

It has also partly been as a result of funding priorities and sectoral concerns; it has been difficult for museums to have complete freedom to act given their dependence on public subsidy. The priorities of funders have played a part in driving some of the direction of museums.

There has also been a need to adapt to external events, the starkest example being that of the pandemic. However sophisticated the business model might have been before the first lock down there was an immediate need to respond holistically and quickly given the momentous shifts the external world was undergoing.



Hidden revenue	Direct (and experience) selling both B2C and B2B
<ol style="list-style-type: none"> 1. Core funding 2. Project funding 3. Capital funding 4. Philanthropy 5. Volunteers (donation of time) 6. Endowments (investment income from past donations) 	<ol style="list-style-type: none"> 1. Exhibitions learning 2. Events 3. Retail – admissions etc. 4. Hospitality 5. Venue hire 6. Property management 7. Friends and memberships 8. Licensing

Figure 5. Business models in use 2025

Most museum operations are based around a combination of two core business models: hidden revenue and direct selling (figure five, Appendix three). Within these two models there is a common portfolio of offers (figure six) reflecting a closely networked sector and a focus on income generation rather than profitability. The scale of the offers varies greatly (e.g. venue hire varies from passive advertising on a website to a committed commercial style business unit). Many museums are operating a portfolio of micro-businesses with limited understanding of their real financial return beyond the income generated and without sufficient access to specialist financial and commercial skills.

These models feature high fixed costs related to assets and reliance on staff to deliver (average 50% of total costs). Whilst most museums have volunteer programmes, the visibility of the financial impact of the scale of volunteering is limited in most cases.

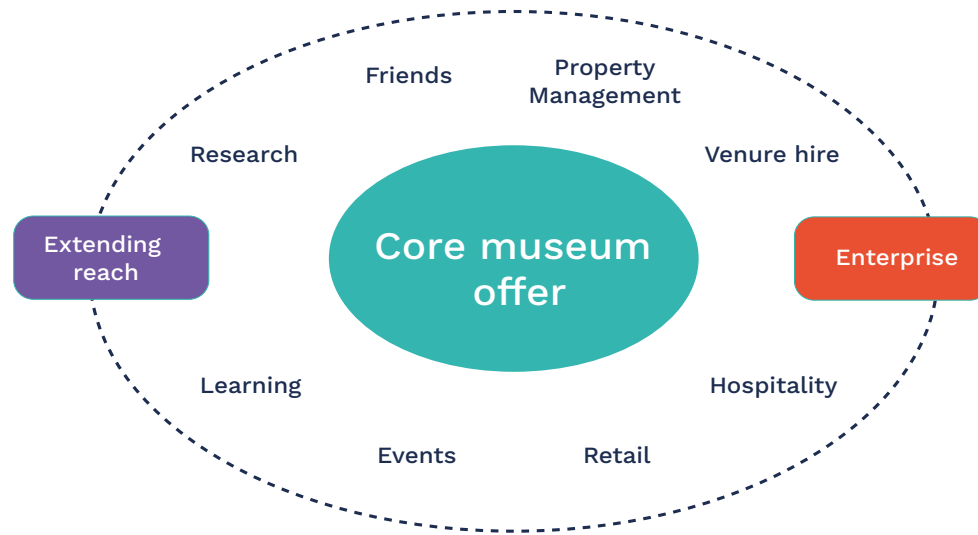


Figure 6. Museum business model elements (Royce, 2025)

Most reserve levels would not enable the organisation to absorb a major external shock or to close down solvently without external support.

To support delivery of these offers in a museum context requires a relatively high investment in fixed costs (staff and premises costs). Investment in direct, variable programme costs is considerably lower. Within this overarching business model framework however every museum’s model is different, as the analysis shows there is no one size fits all. The uniqueness of each model will be unsurprising to anyone connected with the sector.

Museums are creatures of history, including their own. Current teams are likely to have inherited buildings, collections, funding relationships, leases, pension liabilities, governance arrangements and other systems that shape the possible for them. Museums are organisations of place, their collection/s and their context.



Factors such as the health of the local/regional cultural sector and civic society, the health of local government and its priorities, levels of wealth, transportation links and demography will all shape what is possible.

Almost all museums exist for the benefit of the public. The decisions that past and present trustees and staff have made about how to deliver public benefit and fulfil their mission, about what they have chosen to prioritise and invest in, have shaped their current business model.

Challenges

Most of the group of museums reviewed were created to work primarily within the hidden revenue business model and in some cases, with modest income generation. A model replicated across the sector. This worked well for mission driven museums when subsidy was readily available. That context has now changed with funding failing to keep up with inflation, the original assumptions are no longer valid but adapting the model requires substantial and, in some cases, unwelcome change. The case study museums illustrate that finding resources to invest in change is hard, if not impossible, leaving organisations in a position where they are generating new ideas with little capacity to test or scale them. Unlike other industries there is a lack of external investment/transition funding and both funders and trustees are often concerned about the nature of risk involved. In terms of the wider sample and professional experience of working with a range of museums many financial and business models have been shaped by a focus on the need to generate income through sales rather than on developing products and services that are capable

of generating a contribution to overheads, profits to support other work or wealth building more widely. This can often be seen in the traditional presentation of management accounts as a list of income followed by a list of expenditures with little to connect the two for the reader. A strong focus on income generation, often in response to funder pressure, has encouraged museums to focus on top line turnover rather than bottom line profitability and consequently on developing a range of different, small offers rather than focusing on a few, potentially more financially rewarding offers. This focus has combined unhelpfully with a wider cultural reluctance to be seen to plan for and deliver financial surpluses, especially among former local authority museums. A greater strategic focus would help museums to overcome in part the shortage of commercial and skills and appropriate sales systems beyond the larger, mainly national museums.

Operating models: Finance

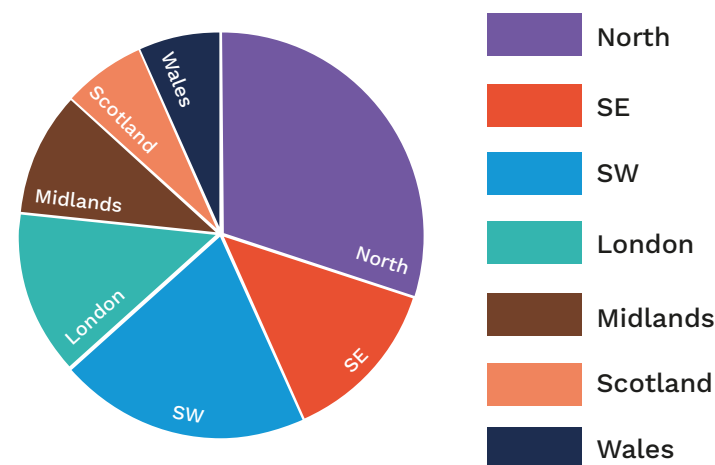


Figure 7. Analysed museums by Location: ACE region or devolved nation



Thirty UK independent accredited museums were chosen for the review using a combination of random selection and maximum variation, excluding nationals (Appendix Four).

Sample museums in overview

- › Location (figure seven): Wide socio-economic spread (measured by indices of multiple deprivation and mix of urban and rural (roughly split between six categories))
- › Financial:
 - › Wide variation in turnover and salary costs
 - › All included museums have reserves
 - › Turnover: £100k - £1m
- › Visitor numbers: 6,500– 1m
- › Staffing: all volunteer to over 400 employees (average 53 staff)
- › ACE NPO: Nine
- › Constitution: mostly charitable companies except two CIOs and one Act of Parliament
- › Trusts: 25% former local authority operated
- › Multi-site: 20%.

General trends: 2019 to 2024

- › The financial position of the majority of the group has improved:
 - › 75% have increased turnover (on average above inflation)
 - › 70% have increased net current assets (liquidity)

- › 25 have increased reserves (solvency)
- › Staffing costs have risen more than income at most museums. Headcounts have risen at two in three museums. (Pre- dates National Insurance & National Living Wage changes)
- › The quality of financial and trustee reporting improved including risk and reserve policy making e.g. Bath Preservation Trust reserves statement.

For this more in-depth analysis the 30 museums have been split into four groups on the basis of turnover (Table One).

Grouping	Turnover (2024)	Number of museums	Visitor numbers
Band A	£7.5m to £16m	4	500,000 to 1,000,000
Band B	£1m to below £7.5m	13	11,000 to 260,000
Band C	£250k to below £1m	9	13,000 to 400,000
Band D	Below £250k	4	Below 10,000

Table 2. Sample split by income size

Overall financial health

All of the museums had reserves (unrestricted, undesignated funds not invested in fixed assets) at the end of their 2023 or 2024 financial years. These ranged in value from £56k to +£1m and from between less than one month’s expenditure to nearly 18 month’s expenditure. The average reserve value is four months expenditure. Most of the larger organisations held smaller reserves in terms of months of expenditure than average, although they were obviously larger in absolute terms. Some of the smallest organisations held higher levels of reserves relative to expenditure.



Partly because of their reserves, all museums had net current assets, suggesting that their liquidity was adequate. During 2023/24 over half (17) of the organisations made an unrestricted surplus and two thirds (20) made a surplus on all funds (unrestricted, restricted and endowment). Grant funded capital works had a significant impact on the financial results of some organisations in terms of both grant receipts and ongoing depreciation against restricted fund assets.

Six organisations (one Band A, four Band B and one Band D) held endowments ranging in value from £6k to £8.5m. Income from these endowments helped these organisations to generate surpluses.

Income

An analysis of total income split over the standard SORP categories of donations, legacies and grants, charitable, other and investments reveals a relatively consistent make-up of income when comparing museums at different financial scales (Bands A to D). Much greater variation in the proportions of income attributed to each category are to be found within each Band. Donations, legacies and grants (hidden revenue) account for about a third of total income, charitable income (admission income etc) accounts for a little over 40% with other income including non-primary purpose trading, investments and tax relief accounting for around 20% (Table three).

A comparison of income breakdowns by rural/urban categories for England only reveals significant variations in income breakdown and average value but the number in each category is small and distorted by

	Donations, legacies and grants	Charitable	Other	Investments
Band A	31%	41%	24%	4%
Band B	40%	40%	19%	2%
Band C	26%	54%	18%	2%
Band D	42%	18%	24%	16%
Max	89%	81%	73%	46%
Min	3%	0%	0%	0%

Table 3. Income breakdown for 2024

	Average total income	Donations	Charitable	Other	Investments
1 Rural	2,633,341	36%	47%	12%	4%
2 Rural	6,691,889	46%	29%	24%	2%
3 Urban	1,916,391	34%	52%	11%	2%
4 Urban	3,249,615	30%	58%	11%	0%
5 Urban	1,180,460	12%	75%	14%	0%
6 Urban	957,325	35%	29%	34%	2%

Table 4. Income analysis by rural/urban status

relatively large rural museums (Beamish and Hampshire Culture Trust) and relatively small urban museums (Florence Nightingale and Cartoon Museum) in the sample (Table four).

An analysis of average turnover and income split between museums in the most and least deprived areas in England reveals wide variations within each group (Table 3).



Costs

An analysis of the split of total expenditure between the costs of raising funds and expenditure on charitable activities reveals an average investment of 15% in raising funds, 84% in charitable activities and 6% in other activities. The receipts from primary purpose trading (e.g. exhibition tickets) are included in charitable activities whilst non-primary purpose trading (e.g. fundraising events) are included in raising funds. There is little difference between the percentages invested in different categories by different scales of organisation but much more variation between organisations within each Band (Table five.) A further analysis of the breakdown of charitable expenditure between programme costs, staff costs and non-staff overheads (where available, n=15) suggests that larger organisations are more able to invest in their programmes but otherwise the patterns do not vary greatly by scale. The variation between individual organisations remains consistently high (Table six).

Caution should be used in interpreting these figures as there are material differences in the chosen splits between the costs of raising funds and charitable activities in statutory accounts as well as levels and categorisation of costs below this level.

	Raising funds	Charitable activities	Other
Band A	17%	81%	5%
Band B	13%	87%	1%
Band C	10%	88%	13%
Band D	27%	68%	21%
Average	15%	84%	6%
Max	45%	100%	21%
Min	0%	59%	0%

Table 5. Costs split in 2023/24

	Programme	Staff	Non staff overheads
Band A	22%	45%	33%
Band B	12%	45%	43%
Band C	13%	49%	39%
Band D (n=1)	3%	64%	34%
Average	12%	49%	39%
Max	23%	77%	72%
Min	1%	6%	12%

Table 6. Charitable expenditure breakdown by scale



Reserves

Reserves are essential for financial resilience as well as compliance with trustee legal duties. They provide working capital, funds for investing in unplanned opportunities and the capacity to respond strategically to adverse financial performance rather than being forced into immediate cost cutting. Thoughtful development, and adherence to, a bespoke reserves policy linked to good risk management should form a key element in a robust financial framework guiding planning and helping to develop a longer-term perspective.

Endowments

A minority of museums have endowments in both cash and non-cash forms. The role that they can play depends on their nature. Donated non-cash assets add to the organisation's stock of (heritage) assets bringing opportunities for impact and income together with a liability for the associated care. Endowments held in cash and similar investments generate both a relatively predictable unrestricted contribution to income and strengthen the balance sheet. Expendable endowments can provide a source of investment or emergency funding if needed through loans from the fund or permanent drawdowns of capital. They provide a useful component in building financial resilience, but their establishment requires a substantial upfront investment and ongoing active management by both senior staff and board. Creating an endowment in a time of austerity can feel like a luxury.

Operating models: people

Flourishing museums do not achieve impact solely through strategy, finance, collections, or programmes, they flourish through the people who drive these ambitions and the structures that support them. Understanding how staffing, skills, leadership models, and organisational culture are configured provides crucial insight into whether a museum is equipped to sustain high impact, adapt to change, and lead sector innovation. Operating models are impacted by whether the museum has the right capacity, skills mix, and governance support to activate collections, invest in R&D, and generate sustainable surpluses.

Leadership capacity

All the museums reviewed had a single leadership role (most commonly a Director or Chief Executive). They also tend towards a traditional hierarchical structure, while this has the benefit of clear lines of accountability and can support progression and specialisation, it has its weaknesses in the current operating environment. All the museum leaders that contributed to the review spoke of the growing demands of their roles, the challenges of shifting business models and maintaining the motivation and well-being of their teams.

Organisational culture

The case study and roundtable participants all spoke about the importance of paying attention to organisational culture.



This ranged from ‘myth busting’ and challenging the taken for granted to creating new task and finish teams that gave team members not usually in leadership roles the opportunity to lead. The changing expectations of intergenerational teams and the need for cross functional working were highlighted and may require more flexible structures in future.

Organisational structure and design

The sample of museums reviewed shows a range of organisational designs, including volunteer run. Senior management roles were an average of three people, ranging from seven at Beamish Museum to one at Jane Austen’s House. Where the museums have a management team the most common functions represented are finance, curatorial/programming, marketing and engagement.

The case study museums have all engaged in some form of organisational re-design, mostly commonly slimming down senior teams, reviewing roles and responsibilities and encouraging cross-functional working. This has been seen as an important factor in being able to respond to changing contexts, improving the offer and encouraging innovation.

In terms of structure and design governance has also featured as an issue, museums are looking to governing bodies that act strategically. Questions were raised by participants around the efficacy of governance structures when museums are facing the need to become more enterprising. The case study museums have given consideration to their governing bodies including succession planning, the expertise needed going forward and governance practices.

.....

... working with governance, do we need to see new governance models? They really haven't changed significantly in years. And governance now, being a trustee is high maintenance. It's a very responsible position. It's quite terrifying at times. It needs dynamism. (Research participant)

.....

Resourcing, capacity and sustainability

Of the thirty museums reviewed half pay their senior posts an annual salary in excess of £60,000 (figure eight). Five pay three or more of their senior management teams between £60,000 and £100,000+. In benchmarking terms four (13%) are paying in the region of, or above, the recommended upper quartile salary (£75, 692) for Manager/Director. Seven (23%) are paying in the region of, or above, the recommended upper quartile salary for Director/Group Director. (Museums Association, 2024).

The median charity sector Chief Executive salary was £60,000 in 2024 (Acevo Pay and Reward Survey), a 2% increase on 2023. The median salary for the largest top 100 charity Chief Executive is around £175,000, salaries in smaller charities range from £34,000 to £83,000 (PayScale 2023). Some of the museums reviewed are doing comparatively well in terms of their salary benchmarking within the sector, nonetheless it leaves the majority of the sample (64%) paying below the upper quartile.

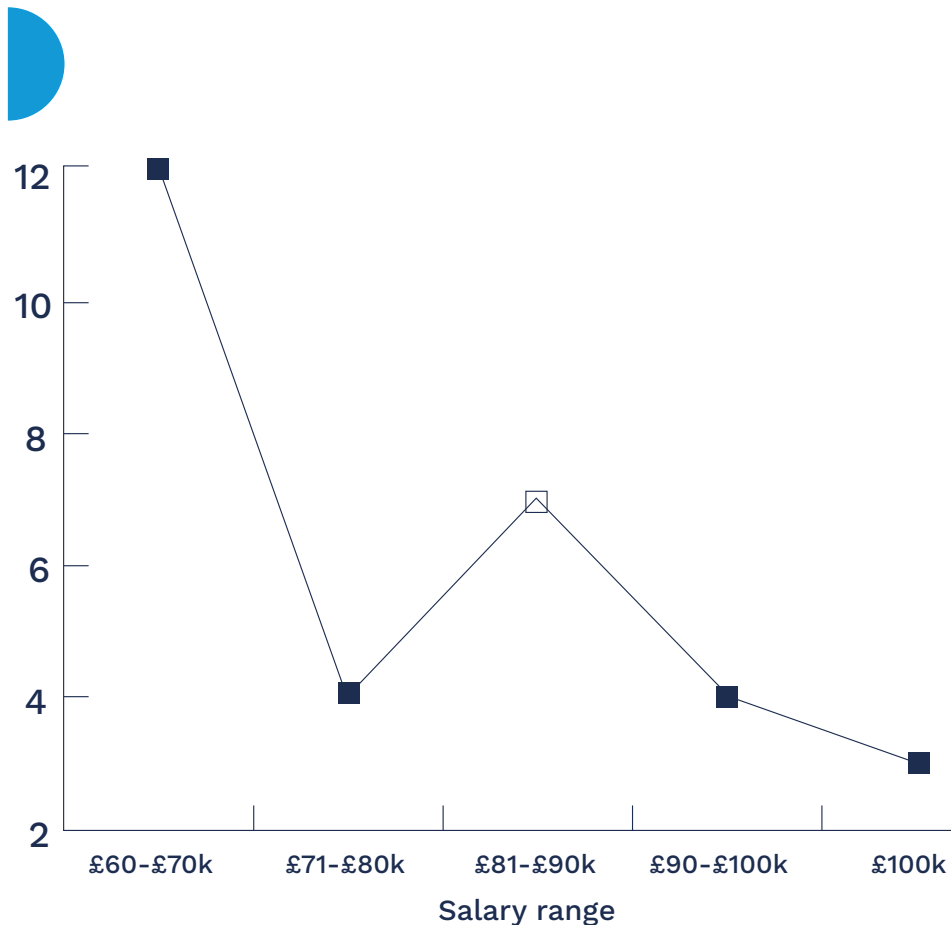


Figure 8. Senior management salary levels

The Museums Association's updated salary research (2024) highlights the 'serious issues around low pay in the museum sector' and recommends that employers and funders should use the upper quartiles to set salary ranges regardless of size, type or location of their museum.

This may have an impact on future workforce planning and/or a skills drain on the museum sector. Further benchmarking of senior salaries in museums with other sectors may be of some value in considering the future leadership pipeline.

We talked about needing to address finance, HR, and IT. In small, or midsize, or even large organisations we can't always support high levels of expertise or recruit because they can't afford the good people. So, are there ways of having shared functions? Can we influence the talent pipeline here and now so that in 15 years, you can get HR professionals who are dying to work in a museum, that kind of thing?
(Research participant)



Creating flourishing/entrepreneurial spin off organisations

A distinct and potentially growing category of museums are spun out trusts. A spun out entity is an independent legal entity created by a larger institution, for whom running a museum/s is not core business, such as a local authority, university or the NHS. Spin offs in some disciplines are often created as a means to exploit the development of an entity and enable possible commercialisation of an innovation. In the museum sector the most common form is a new entity created by a local authority. In many cases this is done to allow more operating freedom for the museum but there is an increasing concern that it has become a cost saving exercise and can leave the new entity underresourced and vulnerable in a complex operating context from the outset.

The general position for local authority museums, which are not a statutory provision, has not been positive for a while. Local authorities invested 16% less in museums and galleries in 2022-23 than they did in 2009-10 which amounts to a real terms decrease of nearly 37% (DC Research & Wavehill, 2024) taking inflation into account. There does not appear to be a definitive list of museums that have left local authority control (and it is not a static position as some also return to local authority control such as Scarborough and Nottingham Castle), 413 have been identified as local authority reliant, with 226 related governing bodies.

...‘certain types of museum’ are more vulnerable to being treated in this way. In general, local authorities are motivated to ‘renounce responsibility for museums that represent financial liabilities to the council’, feeling obliged to spend their resources instead on cultural assets that might generate economic or financial returns. (Rex, 2015a)

There are a range of formal elements in asset transfer and/or management arrangements that seem to affect a museum’s ‘freedom to operate’ most frequently (i.e. its ability to be agile and respond to changing operating circumstances)

These arrangements are often precarious: leases with complex claw-back provisions, short-term licences to operate and no commitment to long-term funding. (Rex, 2015b)

In an era of ongoing fiscal and social challenges, UK local authorities are increasingly shifting from traditional in-house service delivery to establish arms-length organisational structures. This section offers a range of considerations for UK local authorities considering the formation of spin-off entities, such as LATCs, charities, or PSMs. It presents a strategic framework for decision-making (Appendix Five), evaluates the benefits and drawbacks of each model, and offers a detailed analysis of the key regulatory landscape relating to control, subsidies, and procurement.



Responding to fiscal and social challenges

The current landscape for UK local government is defined by a confluence of fiscal pressure and evolving public expectations, necessitating a radical re-evaluation of how services are delivered. Traditional, in-house models, once the cornerstone of public service provision, are proving increasingly difficult to sustain because local authorities are under pressure to focus on statutory services. As a result, councils are exploring new operating structures, including the establishment of arms-length organisations.

This shift is not merely a reactive measure to a challenging economic environment but represents a proactive embrace of a new, more dynamic role for local government. The government's broader policy agenda actively promotes a culture of enterprise and risk-taking, extending this philosophy to the public sector. This policy context acknowledges that local authorities have an advantage as 'social investors' due to their deep understanding of community needs, their ability to access capital at low interest rates, and their direct stake in the local economy.

Spinning out a museum has three facets that need to work in tandem:

- › **Process:** ensuring the process is thoroughly designed and takes account of all aspects from asset transfer to branding, pensions to programme
- › **Structure:** creating an appropriate structure for the future entity of which there are several alternatives
- › **Culture:** The transition to an arms-length model is fundamentally

an exercise in cultural change. The objective is to imbue a new organisation with the entrepreneurial qualities of agility, innovation, and commercial discipline while retaining the core public service ethos.

PSMs, for instance, are defined by their ability to combine a passion for helping others with a 'sensible business minded way' of operating. This is often referred to as 'public service entrepreneurship.'

Evidence suggests that mutuals, by empowering employees to use their experience to tackle social problems in innovative ways, can achieve higher productivity, better quality services, and improved staff satisfaction compared to traditional models.

However, the path to fostering an entrepreneurial culture is fraught with challenges. Depending on how they are created, spun off museums can experience a range of limitations or freedoms (Appendix six), ranging from complex asset transfer agreements to more flexible organisational design and staffing expertise. The very reason for creating a spin-off, often to escape bureaucratic constraints, can be undermined if the parent council maintains an excessively controlling relationship. If an LATC is merely a rebranded in-house department, the risk of it delivering 'more of the same' is substantial. A successful spin-off requires the parent authority to cede operational control and trust the new entity's board to make commercial decisions. The council's role shifts from day-to-day management to strategic oversight and shareholder (or voting member) governance. This has an impact in terms of a potential culture shift within the relevant department and a need for different skills and expertise.



A key component of this cultural shift is the willingness to accept and manage measured risks. A truly entrepreneurial approach necessitates an environment where staff are given ‘permission to take risks’ and are not inhibited by a fear of failure. The lessons from failed ventures, such as the dissolution of Falkirk Community Trust or the closure of Brick by Brick Croydon, demonstrate that these failures are not solely financial but often stem from a breakdown in governance and a lack of a clear, documented relationship between the parent and the spin-off.

The cultivation of an entrepreneurial culture, therefore, must be paired with the development of internal commercial skills within the council and the establishment of a robust, transparent governance framework to manage risk effectively and ensure accountability. Delivery model options include:

- › The Local Authority Trading Company
- › The charitable structure
- › Joint venture model
- › Public service mutual
- › Company Limited by Guarantee
- › Community Interest Company
- › Community Benefit Company
- › Worker’s co-operatives
- › Members’ club.

The delivery model assessment framework

The selection of an organisational model must be the product of a rigorous, structured assessment, rather than a pre-determined decision. The principle that form follows function is paramount. A council must first define the core purpose of the service, its strategic objectives, and the desired outcomes before considering the optimal legal and governance structure. This process is a foundational step in ensuring the new entity is fit for purpose and positioned for long-term success.

While there is no single, codified ‘delivery model assessment tool,’ a comprehensive methodology can be synthesised from best practice guidance and the principles of good governance. This assessment must be multidimensional, moving beyond a simple financial analysis to consider the full range of strategic, operational, and cultural factors.

The process begins with a formal business case, which is a mandatory requirement for any council embarking on a trading operation. This document must not rely on optimistic revenue projections but must be a realistic appraisal of financial performance and risks. The financial analysis should focus on avoidable costs of the in-house service, those costs that would genuinely be eliminated by the new delivery model, rather than simply the full cost, which may include overheads that remain with the council. It should also incorporate a present value analysis to properly evaluate long-term cash flow and return on investment.



The assessment should also consider the council's own capacity. The decision to spin off a service transfers a significant portion of risk and responsibility, but it also creates a new management burden. The council must assess whether it has the internal management capacity and specialised skill sets to oversee a new, independent entity.

This includes the ability to manage a formal contract, as well as the capacity to serve as an effective shareholder, voting member or trustee. There are a number of criteria that should be addressed as part of a comprehensive assessment framework, providing a structured approach to inform the 'make or buy' decision (Appendix seven).

Partnerships and networks

Research over the past five years shows that partnerships have increasingly become part of museum operating models. Features of those partnerships have included:

- › Deepening community co-creation and power-sharing : moving beyond outreach toward shared design and governance
- › Forming more transdisciplinary partnerships: (universities, health providers, tech, environmental groups) to extend impact and capacity
- › Reassessing ethics and risk around corporate sponsorships and cross-sector deals, balancing income needs with reputational and mission risks
- › Struggling with sustainable resourcing, evaluation and governance: studies have identified mismatched timelines, unclear roles, and weak shared measurement.

Partnerships take a range of forms including but not limited to:

1. Intergroup – multi site museums
2. Sectoral museums and heritage e.g. NPO consortia and Wessex Museums
3. Sectoral arts and culture
4. Cross sectoral
 - a) Education – universities, schools and informal education
 - b) Civil Society
 - c) Corporate.

There are a number of illustrative examples of these types of partnerships already in practice:

Operating models research case studies group:

1. Towner and Brewers Decorators Company
2. Mary Rose and National Museum of the Royal Navy and the University of Portsmouth
3. Lightbox and the National Trust
4. Scottish Maritime Museums and Barnardos

National and international:

1. Pitt Rivers and the Living Cultures project working with Masai representatives
2. Van Gogh Museum and Vans
3. Rijksmuseum and Swatch
4. MOMA and Uniqlo
5. MoCA and Levis
6. Louvre and Airbnb
7. Field Museum (Chicago) and Off Colour brewing
8. National Railway Museum and Hornby Plc
9. V&A and Coco de Mer



10. C21 Museums Hotels

11. The Museum of Science and Industry in Manchester has partnered with the Landmark Trust to re-develop the Station Agent's House on their historic site, with the Landmark Trust leasing (and restoring) the property and running its rental.

It is notable that the museums sector also comprises of collectives that have a variety of shapes and functions:

1. **Culture Trusts:** Single bodies that are responsible for a network of entities some or all of which may be museums such as Hampshire Culture Trust and Glasgow Life. These are often either part of a local authority or spin off trusts from a local authority
2. **Partnerships:** Collectives where museums work together to share services or strategic opportunities
3. **Fundraising vehicles:** set up to cover a group of museums that are either a multi-site group or a collective of separately constituted museums based in a geographic area
4. **Discipline specific groupings:** networks that connect around a professional discipline or area of interest e.g. Museums Computer Group, Museums and Climate Change Network.

These collectives allow for sharing of resources, expertise and administrative services as well as co-programming and a multi-site offer for the public. They can also act as effective capacity and capability building vehicles and provide professional support.

They may point the way to more co-operative constitutional structures in future and provide more flexibility as enterprise hubs. Specific research on their operating models would be a valuable addition to the findings of this project.

The building of partnerships and networks contribute to museums flourishing through the development of shared resources and expertise, partnering with the University of Portsmouth has allowed the Mary Rose to undertake projects it would not have done otherwise. Partnerships provide access to diverse perspectives and are often a means to bring new visitors to the museums involved either digitally or non-digitally.

Collaboration can help museums have a societal impact and embed them in their localities. This matters as people value and are more likely to advocate and lobby for what they care about and feel connected to. The Towner Eastbourne mural created a whole new relationship with lots of residents in terms of the building. Initially a large, predominantly white, imposing modernist building, the addition of the bright and bold colour scheme painted by Lothar Gotz changed perceptions of Towner and Eastbourne.

I think that people react to the work in a specific way, or very strongly, because it's becoming something else. It's becoming part of the fabric of the town. Lothar Gotz

Joint working cross sectors can also support the development of future leaders and other museum staff.



It can help build a pipeline of development through access to formal education or through wider community connections giving the sector further potential to diversify the workforce. Common partnership benefits have been reported as:

- › Access to new audiences and increased social relevance (inclusion, health, education)
- › Access to specialised expertise (research methods, clinical knowledge, environmental science)
- › Resource sharing (staff time, facilities, funding) that improves sustainability when formalised.

Common challenges reported include:

- › Power imbalances: museums still control many decisions, which can tokenise partners.
- › Misaligned timelines and expectations: academics, practitioners and funders often work to different timeframes
- › Ethical/reputational risk: sponsorships or corporate alliances can backfire if values misalign
- › Weak evaluation: projects often cannot demonstrate long-term outcomes because evaluation was not co-designed or resourced.

Practical design patterns recommended by the literature:

- › Co-create theory of change with partners at project outset
- › Allocate funding for evaluation and relationship management (not just project/programme delivery)
- › Set governance structures that share decision rights (steering committees with community representation)
- › Agree ethical sponsorship criteria in advance and publish them for transparency
- › Build cross-sector liaisons, staff roles whose job is to translate between museum, university, health or corporate culture.

Suggested evaluation indicators (practical KPIs):

- › Shared outcomes achieved compared to outcomes agreed in the co-created theory of change
- › Partner satisfaction and perceived power (surveys of community and institutional partners)
- › Longevity index: proportion of partnerships that continue beyond initial funding period
- › Resource equity metric: proportion of project budget directly controlled/allocated by community partners
- › Public trust/ethical alignment score after sponsorship or corporate partnership announcement.

Future museums: the next five years

Future trends and their implications



Image4. Bowes Museum Hive Curiosity Gallery

The next five years

It is worth noting that there has not been a singular survey of future trends from a museum perspective. There have been studies about the broader creative industries in the UK and international articles, thought pieces and research about museums, particularly the Future Museums Project (based out of Vienna) and in America including the American Alliance of Museums who devoted their autumn 2024 issue to Museums 2040. The University of Glasgow is currently undertaking 'Museums in the Metaverse research,' although that is primarily focused on XR.

The report 'Tomorrow Comes Today' (Creative Industries Policy and Evidence Sector, 2023) discusses seven mega-trends relevant to the creative industries and these trends appear widely in many other studies, articles and reports: technological change, globalisation, demographics, environmental change, urbanisation, increasing inequality and political uncertainty. These trends are likely to have a wide range of impacts:

- › Increased transnational movement is expected to challenge the concept of national heritage, the emphasis shifting away from exclusionary notions of heritage towards greater interconnectivity and hybridity in heritage storytelling
- › Increasing adoption of new economic models based on regenerative and inclusive wealth (UNEP, 2018), such as circular, doughnut and well-being economics
- › The number of 20-69 year olds living with major illness is predicted to rise by 0.6 million by 2030 (The Health Foundation)

- › Estimates vary but by 2030, it is anticipated Gen Z and Gen Alpha will make up 60 - 75% of the global workforce
- › 60% of businesses expect broadening digital access to be the most transformative trend (WEF Future of Jobs Report 2025).

While there is a strong sense of social malaise at the moment it is possible to envisage some UK trends that present a more positive outlook (at least these are things policy and activism are striving for):

1. Dynamic cities
2. Longer healthier lives
3. Lifelong learners
4. Green leadership
5. Smart infrastructure
6. Community-driven solutions
7. Inclusive society
8. Accessible public services
9. Creativity as a civic right
10. Changes to democratic systems - PR etc.

Some opportunities ahead include:

- › Building from a place of trustworthiness, museums' credibility in this regard could be particularly important in a period of declining faith in government and institutions, the rise of 'fake news', and concerns around the ethics and developing capabilities of AI and AGI



- › Access to wide distribution networks supported by digital technology, from hyperlocal relationships and real time, to global ‘on demand,’
- › Changing demographics and preferences of younger generations at the heart of the workforce, a multi-generational workforce, lifelong/lifewide learning
- › Evolving digital landscape direction shifting from influencers to ‘creators,’ moving from endorsement to creating content (by 2027 the creator economy is forecast to be a \$480 billion industry, Goldman Sachs, 2023), something museums are well placed to respond to.

‘Tomorrow Comes Today’ (Creative Industries Policy and Evidence Sector, 2023) is clear about the implications offered by these foresight provocations:

...it is no longer sufficient for organisations to be locked in a defensive crouch. They must ask hard questions raised by structural change – to reflect on their future preparedness and on how change can be harnessed to foster a more resilient and sustainable creative economy.

To meet the future effectively the case studies have shown a number of features:

- › Actively reviewing current strategy and/or organisational culture to meet future needs
- › Expanding partnerships
- › Moving beyond the building

- › Changing the conversations and behaviours around enterprise and commerce
- › Exploring organisational mythologies and assumptions that can impede change.

Future readiness

2025

2030

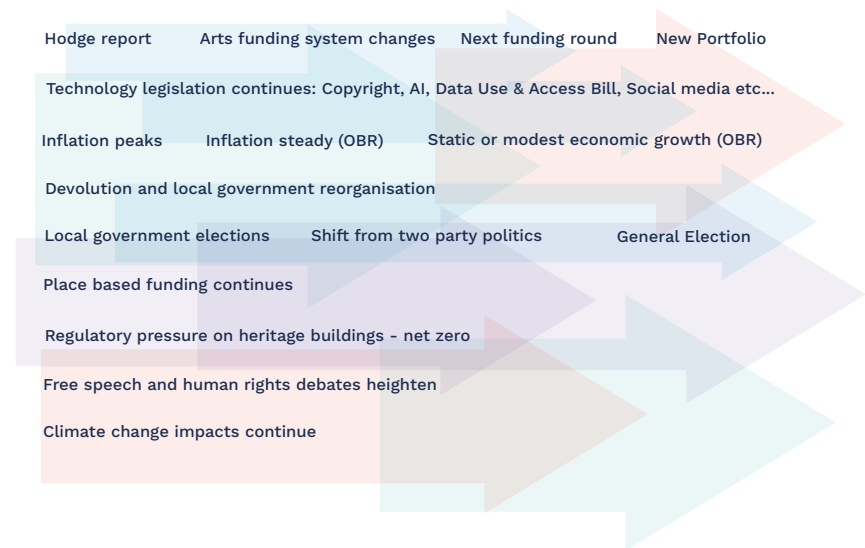


Figure 9. Indicative factors 2025 - 2030



It is likely that the operating context in the next five years will include (figure nine):

1. Less public funding and more competition for private funding
2. Potentially more local authority museums spun off to independence, as local authority budgets are increasingly squeezed, strengthening some and weakening others. As spending on demand led costs has increased, local authorities have made significant cuts to discretionary services, with more planned. In response to a survey in 2024, 31.9% said they planned cuts to parks and leisure; 30.6% planned cuts to arts and cultural services; and 21.2% planned to cut library services. (National Audit Office, 2025)
3. Deeper partnerships within and beyond the sector, sharing resources and power
4. Greater acceptance of and reliance on enterprise models: The structured approaches a museum uses to combine mission-led activities (such as curation, education, and public engagement) with income-generating activities (such as retail, venue hire, or membership schemes) to ensure long-term financial sustainability without compromising its charitable or social purpose
5. Opportunities and challenges arising from demographic and technological change, for example:
 - a) Multi-generational workforce with Millennials and Gen Z in leadership roles
 - b) 'Digital' is no longer seen as separate
 - c) AI and AGI.

In developing foresight capabilities and processes museums can move to a place of preparation, futures thinking is about possibilities not predictions.

There are various trajectories the museums sector could take over the next five years, each of which has different impacts and implications:

- › Contraction and consolidation: Many museums, especially smaller institutions, may reduce operations, shorten hours, or close. Some museums may merge to share governance, facilities, or back-office services as funding pressures intensify. Deaccessioning increases
- › Expansion of multi-institution partnerships: Instead of full mergers, museums may increasingly form alliances: shared digitisation labs, pooled conservation resources, joint ticketing, touring exhibitions are designed for networks rather than single venues
- › Shift toward community embedded models: leading to museums prioritising social relevance, equity, and public service over collection-centric models. This gives rise to more community co-governance and programmes tied to local needs
- › Diversification of financial and business models: Museums may move away from dependence on subsidy, philanthropy and admissions, expanding into subscription-based content, licensing, online learning, event programming, and hybrid commercial–nonprofit ventures
- › Digital infrastructure standardisation and professionalisation: As digital engagement becomes baseline, museums may invest in sector-wide data standards, interoperable collection platforms and shared AI tools. This could lead to more efficient operations but also a widening gap between well-resourced institutions and smaller ones.



In a best case future scenario museums will experience stabilised public funding and renewed cultural investment generating a solid growth in attendances.

Technological infrastructure will improve across institutions, with subsidised digital platforms and shared AI tools reducing costs. In the worst case there could be a prolonged economic downturn, funding cuts, and further rises in operating costs (energy, insurance, conservation). Donor giving shifts toward urgent social issues, reducing cultural philanthropy and digital platforms become expensive and competitive, making it harder for smaller institutions to access them.

The most likely scenario is somewhere in between with general economic stability but persistent pressure on operational budgets. There would be a gradual but uneven recovery in attendance and philanthropy and a steady push toward digital access, though with disparities between institutions. This could result in workforce conditions improving slowly but remaining precarious in many small museums. Exhibitions will mix immersive experiences with traditional formats; AI will be assisting back-of-house tasks (cataloguing, translation). Visitors will benefit from integration across institutions; shared passes, regional trails, and unified digital portals.

Given the ongoing complexities of the operating context for the sector it would be unrealistic to suggest museums can become completely future proof. Working towards future proofing may create a false sense of security and as museums know, what works well today may well be outdated tomorrow. This means that museums need to be thinking in terms of evolving, rather than trying to fend off external changes seeing how they can be embraced as opportunities.

The characteristics of flourishing are designed to help museums build the traits that support their future readiness.

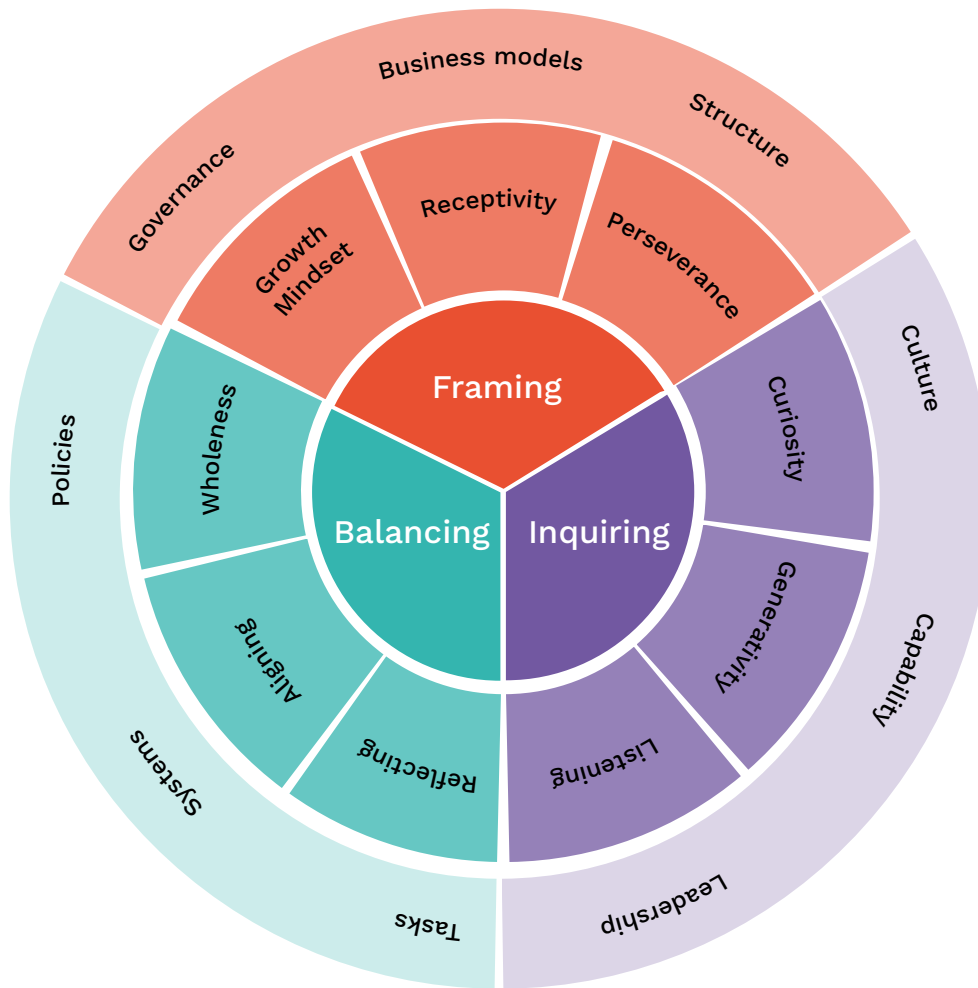
Findings

A flourishing continuum



Image5. The Cartoon Museum

Findings



The research findings suggest a framework based around the notion of flourishing (figure 10), it is close to thriving but places more of an emphasis on health and vigorous growth (in all forms). The framework is designed to support wealth building, socially, culturally and economically.

It is represented as a continuum (figure 11) as that allows museums to be at different stages of flourishing and recognises that not all aspects of the operating model may be flourishing at the same time. The continuum applies to all scales and does not intend to imply small museums are at one end and large at the other. Characteristics are given for each stage (Appendix eight) enabling it to be used as a diagnostic and an aspirational tool, an aid to determining what 'good' looks like. Ideally, it will support teams and their governing bodies in having the reflective conversations they need to have about their future operating models.

Three practices underpin the flourishing approach:

1. Framing:

Narrating the museum positively and being clear about intended outcomes. It has three facets:

- › Growth mindset: based on being flexible, adaptable and open.
- › Receptivity: being open to possibilities, seeking out and listening to new ideas.

Figure 10. A flourishing operating model (adapted from Latham & Cowan, 2023)

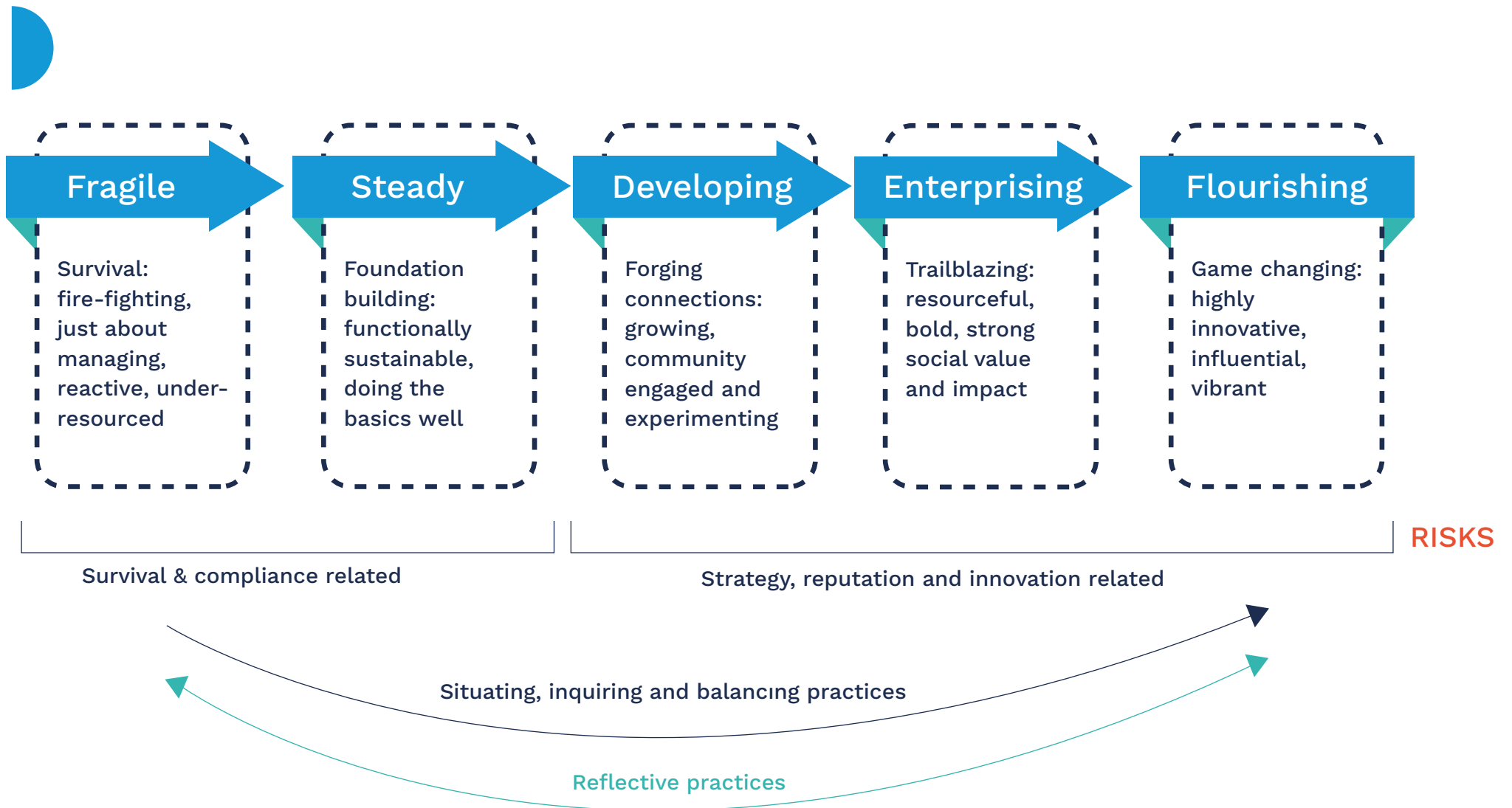


Figure 11. Fragile to flourishing Continuum (Alchemy, 2025)



- › Perseverance: ensuring you are able to persist through setbacks.

2. Inquiring

Creating fertile ground for your museum to evolve. Inquiring is underpinned by:

- › Curiosity: wanting to learn and being open to whatever emerges.
- › Generativity: helping your museum develop compelling new ideas (small or large).
- › Listening: Being present, receptive and purposeful about listening.

3. Balancing

Being sensitive to all the elements that make up the museum and ensuring they are appropriately weighted in terms of resources, attention and expertise.

Balancing is concerned with:

- › Wholeness: paying attention to the needs of whole persons – staff, board, volunteers and visitors.
- › Aligning: consideration of all parts of the museum and knowing how they relate to each other.
- › Reflecting: providing quiet spaces and time to think. Being aware of overloading team members and/or visitors.

The proposed flourishing characteristics are featured to the right of the continuum and are scalable (Appendix eight gives more detail):

- › Leadership: Inspirational leadership, seen as sector influencing, regional or national influence

- › Finance: Sustainable surpluses, strong reserves or endowment, invests in R&D (Appendix nine)
- › Governance: Visionary governance, meta level outlook, highly engaged
- › Operations: Operations are adaptive, learning focused, and support experimentation, open to change
- › Programme: Programme is transformative, co-created, recognised regionally, nationally etc
- › Collection: Collection is fully activated, and is an exemplar of stewardship and access
- › Community: Seen as a cultural and social innovation lab, well disseminated impact
- › Innovation: Is seen as sector influencing, contributes to the debates around museum practice

These characteristics are evidenced by the case study museums:

- › Operationally: engaging with local communities, strong visitor numbers reflective of place, a wide range of links and connections, made both through their collections and programme
- › Financially: diverse range of income streams, limited single funder reliance, strong reserves
- › Skills: appropriate range of staff and board in fundraising, income generation, outreach, digital and estate management.



Fragile to flourishing: indicative KPIs

Understanding direction of travel will be important for future flourishing. Setting good KPIs will help museums to have clarity which supports decision making. They also help enhance accountability and transparency as well as encouraging innovation, reflection and improvement.

It is recognised that there can also be potential for negative impacts of KPIs. It is important that any KPIs in use are not set too narrowly and do not become simply a box ticking exercise. Ill-conceived or too many KPIs can also create undue pressure on teams and boards contributing to a sense of overwhelm or burnout. There is also a danger they can distort organisational priorities leading to being driven by metrics over meaning. A final warning note around the nature of data and the possibility of having too little, too much or misinterpreted data. It is important that information leads to wisdom and does not get stuck at the level of data. There are a number of ways these challenges can be managed:

- › Balance qualitative and quantitative data collection and KPIs
- › Regularly review and adapt
- › Co-create with those involved/impacted
- › Use for insight not as an end in themselves.

A series of indicative KPIs, many of which are probably already in use in most museums are shown in Appendix ten. In addition a series of less common indicators (Table seven) are suggested relating to innovation and organisational change. This framework balances culture, process, people, and partnerships, showing how innovation can be tracked holistically, not just through metrics,

but through the museum's evolving mindset and relationships. Guidance for implementation:

- › Start small: Pilot the framework with one department or functional area (e.g. learning or exhibitions)
- › Review quarterly: Discuss insights in open innovation meetings
- › Iterate: Review KPIs six monthly. Adjust yearly (or as appropriate) to stay relevant to evolving priorities
- › Celebrate progress: Use storytelling, not just dashboards, share internal case studies of innovation wins and lessons.

Expanding data visibility and analysis can appear in tension with warning against an over-abundance of KPIs. Data visibility is about understanding what is happening across the organisation, while KPIs are about choosing the few most important measures that drive strategic decision-making. This can be achieved by adopting a three-tier metric structure:

1. Core KPIs (5–8 indicators aligned with mission and strategy)
2. Operational metrics (broader set used by teams for management)
3. Exploratory/diagnostic data (longer tail of data used for analysis).

This shows that you can have wide data visibility without bloating the KPI list. Broadening access to data (both qualitative and quantitative) enables richer insight across the organisation, but only a small subset of metrics should be elevated to KPI status to drive strategic focus. In practice, this means creating a broad and accessible data environment, while maintaining a disciplined, mission-aligned KPI framework that avoids overload and ensures clarity.



Innovation culture

KPI	Description	Measurement method	Target example
Failure visibility	Tracks how often “failures” or lessons learned are documented and shared (internally or publicly).	Count shared learning reports, team reflections, internal blog posts.	≥ 4 shared reflections per year.
Organisational story change	Measures how museum narratives (mission statements, internal messages, or media coverage) evolve to reflect innovation goals.	Text analysis of annual reports, PR, or staff communications.	20% shift in narrative language over 2 years.
Joy-to-meeting ratio	Gauges how inspiring or draining team meetings feel, as reported by staff.	Short anonymous pulse surveys.	≥ 60% of meetings rated as “energising.”

Innovation processes

KPI	Description	Measurement method	Target example
Idea-to-implementation speed	Average time from idea submission to pilot implementation.	Track innovation proposals and start dates.	≤ 90 days per idea.
Legacy-to-experiment ratio	Compares long-standing programs vs. experimental initiatives.	Audit annual program list.	At least 1 new experimental project per 3 legacy ones.
Digital curiosity	Tracks how many staff voluntarily explore new digital tools or methods.	Staff digital survey or participation records.	≥ 40% of staff each quarter.

People and organisational learning

KPI	Description	Measurement method	Target example
Cross-department collaboration	Share of projects involving at least three departments.	Project tracking system.	≥ 50% of projects cross-departmental.
Cultural agility	Staff’s adaptability to cultural and technological shifts, self-assessed or peer-rated.	Annual reflective survey.	≥ 80% “high agility” score.



Community and partnerships

KPI	Description	Measurement method	Target example
Visitor co-creation rate	Share of programs or exhibits developed with public/community input.	Project evaluation reports.	≥ 25% of new exhibitions per year.
Inclusion of disruptive voices	Percentage of advisory or creative groups that include non-traditional experts or lived-experience voices.	Board and team composition analysis.	≥ 30% of advisory panels.

Table 7. Indicative innovation and organisational change KPIs

The sector is showing signs of growing readiness for change/recognition of operating environment in coming years (Baker Richards’ Big Think (agree or strongly agree, n=131)):

- › We must diversify income streams, even if it means moving beyond our traditional mission (50%)
- › Now is the time to invest in innovation to build long-term resilience (76%)
- › Collaborating with commercial partners is a pragmatic way to stay afloat (79%)
- › The sector must embrace entrepreneurial thinking to survive (93%)
- › More funding should be available to support innovation (74%).

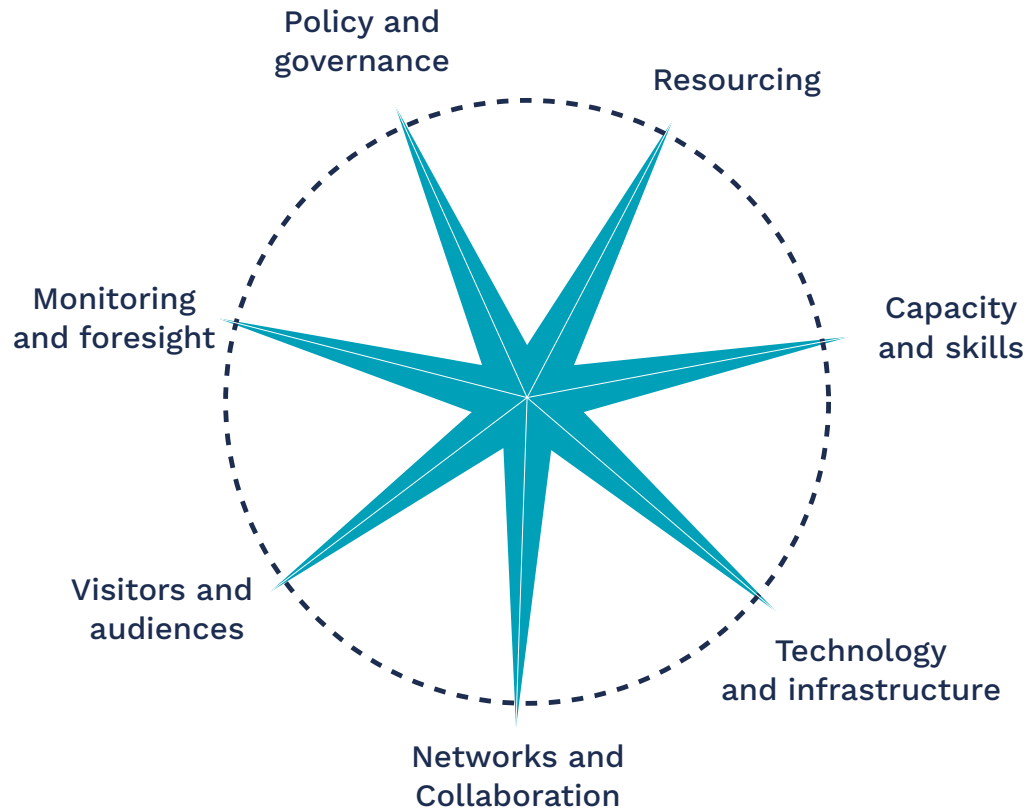


Figure 12. Museum enabling environment

Creating an enabling environment

Research participants have underlined a desire for, and recognition of the need for, an environment that can support their developmental needs. Seven enabling factors are proposed (figure 12):

- 1. Policy and governance:** Policy makers and funders need to be aware of how much their programmes and funding enable or constrain the ability of museums to adapt. Public policy needs to recognise the value of museums socially, culturally and economically. Legal frameworks need to be in place to safeguard collections as well as enabling innovation; digital reproduction rights, flexible acquisition and deaccessioning. Equally, museums need to be able to draw on their collective strength to influence policy. Governance of the sector needs to be fleet of foot, drawing on new areas of expertise as well as welcoming different voices and different structures such as community panels.
- 2. Resourcing:** new forms of resourcing from levies on the commercial sectors benefiting from the work of the arts and heritage sectors to different models of organising including more shared resourcing. Continued tax incentives for giving, innovation funds (such as the [Museum Futures programme](#) in Scotland and [Figurative](#)) and support to establish diversified financial models.
- 3. Capacity and skills:** the world of work is changing fast and new skills will be needed. Finding ways to be able to flex resourcing that is not at the detriment of artists, volunteers or freelancers will also be needed. There needs to be a particular focus on digital skills development.



There is benefit to be gained from cross sector training, including marketing, entrepreneurship and sustainability. The sector also needs to be considering the leadership pipeline, and recognising the changing cultures emerging from new generations of leadership

4. Technology and infrastructure: museums need an environment that can help them keep up to speed with changing technological infrastructure as well as managing the many social issues that technological change is creating. There may be scope for more shared digital platforms and programmes for making heritage more accessible online. Museums and their audiences also need affordable access to emerging technologies. In addition there is a need to provide an environment that enables the future needs of collections and building management.

5. Networks and collaboration: the sector is already adept at networking and building partnerships. This needs to continue and where possible to expand into more cross sector relationships including civil society and the corporate sector, like those demonstrated by the Mary Rose, Towner Eastbourne and The Scottish Maritime Museum. Increased use of consortia and alliances for sharing knowledge and resources. Exchange programmes (national and international) as well as more community engagement mechanisms. Museums that are cared for by their communities are more likely to survive

6. Visitors and audiences: widely shared insights on visitor trends and behaviour such as those collected by ALVA, ACE and Baker Richards. Support for co-creation and new forms of storytelling

7. Monitoring and foresight: in a world that is changing on so many fronts it will be important for the museum sector to keep horizon scanning and anticipating future developments. This may be challenging for individual museums so some form of wider trends monitoring will be of benefit. Review of KPIs that address qualitative as well as quantitative measures and are broader than traditional attendance numbers

The enabling environment needs to provide directed and supportive policy making. Museums need support to develop financial and business models with appropriate reserves as well as offering investment to allow them to keep adapting. Talent development, digital infrastructure and strong networks will also be enabling factors.

Risk, creativity and change

The pandemic meant that a number of museums have had to quickly reappraise their models and take risks (particularly around collaboration and joint ventures) that they might not have taken pre 2020. Boards and staff needed to be prepared to see the subsequent risks as a challenge to be managed rather than a threat to be seen off. The Mary Rose Trust, faced with options of 'grow, shrink, merge or close' has opted for elements of growth and merger, including a joint venture with the National Museum of the Royal Navy. The case studies, roundtables and wider sector research suggest that there are common expectations that there will need to be a lot more thinking of this kind in order for the sector to survive as well as flourish.



Towner Eastbourne, aware that its local authority funding is likely to be under ever more pressure, and preparing for further change under devolution, has deliberately followed a strategy of ‘beyond the building’ systemic thinking. This is tied into rethinking and revisioning the role of the museum/gallery, founded on establishing strategic relationships along the coast and across Sussex. A major new build project, Black Robin Farm, will convert a dairy farm into a significant cultural destination that will provide skills and training, opportunities for artists, and creative engagement with nature. Towner has been part of building a local arts ecology and creative hubs that range from grassroots support to transdisciplinary experimentation. A side benefit of which is that it is providing important motivators for the team as well as encouraging holistic working that maximises use of their expertise.

The Bowes Museum has reframed discussion about risk as ‘*What is the risk if we don’t do this?*’ and embedded experimentation and the ability to test (and fail if necessary) at a safe level, in order to learn and develop new approaches.

Keeping things relevant for new visitors, repeat visitors and in particular a younger generation is a cornerstone of a creative framework for programming, with an approach which is contemporary and visitor-centred, not merely artistically ambitious. The Cartoon Museum has focused on both an award scheme for young people under 18 and a residency programme for young autistic artists, which has helped drive a younger audience and been supported by targeted fundraising.

Similarly, Tullie has developed ‘a laser focus on audiences between 20 and 40’ in order to develop a younger (but spending) audience, this includes developing a new paid for immersive Roman attraction (opening 2028) which will appeal to families as part of their long-term ‘Project Tullie’ capital plans. The Mary Rose Museum has invested in developing a 4D ‘Dive the Mary Rose’ theatre experience as part of their offer.

The Judges Lodging Museum in Presteigne has taken a creative approach to its history as the Shire Hall and embraced the ghostly nature of the building. Paranormal gatherings and investigations have become part of its income streams, as well as more typical hires, filming and private events such as weddings. In terms of visitor encounter, the ability to self-guide, with freedom to open any doors, take your own route down corridors and the drama of ending up in a real Court Room, makes for an exciting and memorable experience.

Models of creative community partnerships are shown in a number of examples, including the Scottish Maritime Museum, which through its long-term partnership with Barnardos integrates young participants into its programmes and planning. Although primarily a charging model, the museum also offers free café access to all its sites and a number of regular activities for younger children in its play spaces. As the museum’s original audience of ship workers and their families is shrinking, it needs to develop new visitors from a range of local communities as well as tourists. The role of industrial museums need to change to be less about technological gatekeeping and more about telling the stories of people and place.



Technology used creatively can bring spaces to life and imbue objects with interest and meaning. Jane Austen's House in Chawton Hampshire has small spaces in which to manage lots of visitors and uses sound to bring not only the artist's novels and letters but her relatives and relationships with topics such as slave-owning, to life. They also have a monthly podcast to celebrate the 250th anniversary of the author, recorded at Chawton, by the team who work there, about both the house as it is now and the month in terms of its link to Jane's writing.

The Bowes Museum has taken a strategic approach to transformation, inaugurated by the board, and deliberately moved from being a 'hidden gem' to having a purposeful and important role for County Durham and its people. The volatile current environment and the vision and original purpose of the Bowes inspired the Executive Director and the team to look very long-term, beyond their own lives and careers, to create the 'Bowes 2092' plan, both to clearly articulate what makes the Bowes special and what it is here to do, in an authentic way, and to make it long-term sustainable and relevant. An example of this approach is the changing way the Bowes recruits: it 'has a policy of not recruiting for specific qualifications in roles other than Finance and HR. This is driven by a sense of a growing need for the museum sector not to 'sector itself off' – instead it needs to be developing lateral skills in relationship management, hospitality and technology, especially AI and digital.'

Approaches to using areas of museum sites differently is a common characteristic of the case study museums, finding ways for 'dead' spaces to become commercial assets is a positive response to the need to generate unrestricted income. The Judges Lodging Museum in Presteigne has taken a long-term approach to developing its caretaker's flat into holiday lets, building on its presence in a small town in rural Wales which is in a popular tourism area. The intention is to raise unrestricted revenue through holiday lets that will contribute to core running costs, underpinning day to day cashflow and providing a firmer platform for long term planning and growth. The Museum of Science and Industry in Manchester has partnered with the Landmark Trust to re-develop the Station Agent's House on their historic site, with the Landmark Trust leasing (and restoring) the property and running its rental.

Roundtable feedback

What will museums in 2040 have done well?

Have a real honest view of their practices and collections

Transformed the operating models, become statutory part of public health and well-being

Worked to sustainable business model through a variety of income sources and engaging wide audiences

Merged the concept of fundraising, marketing and income generation. Lost the fear of commercialisation and making money

What might need to change to achieve success?

Have a real honest view of their practices and collections

Reconfiguring collections, redefining institutional boundaries and embedding technology and lived experience to remain vital

Be prepared to do things differently/work with different partners/collaborate/take audience research seriously

Changed understandings of relevance and object purpose. Embedding diverse expertise in sector and legacy

Conclusions and recommendations

Final conclusions and recommended actions

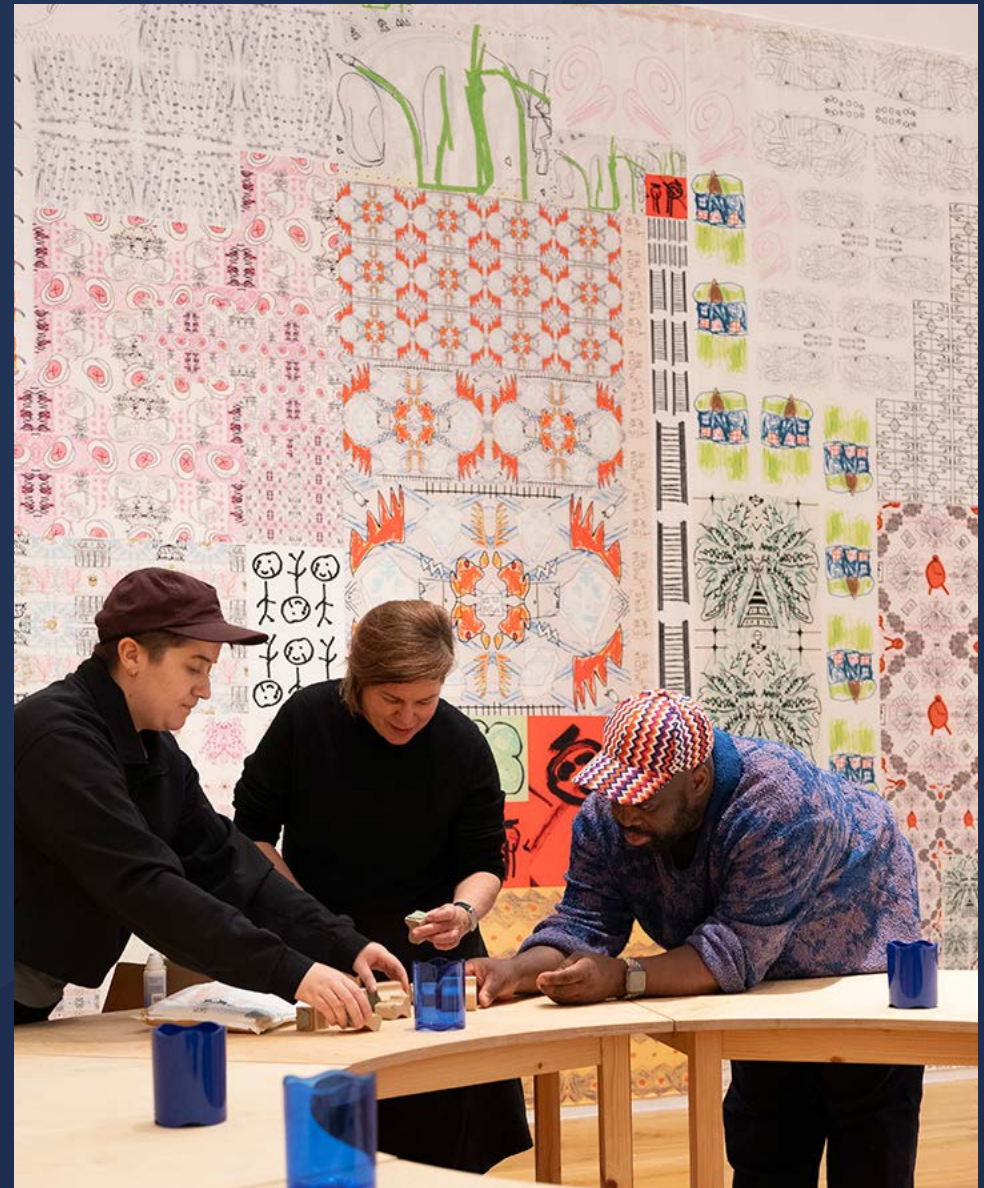


Image6. Lightbox Gallery and Museum, Harold Offeh, The Lounge: Clondon Park, National Trust & Lightbox Gallery Commission, October 2024 Installation (Hayden Wilde)

Conclusions and recommendations

Public and private funding are unlikely to increase in the medium term whilst cost pressures will not abate. The opportunity is to build strategically on what already exists, which will involve re-wiring operating models, improving financial and commercial skills and systems and changing funding behaviour, involving:

- › More (social) enterprise to support charitable activities through both contribution to core costs and profits
- › Reviewing a museum's portfolio of offers and either changing or exiting activities (which may include deaccessioning) which cannot deliver real impact and/or financial returns
- › Deeper partnerships to share resources and expertise and benefit from scale within and beyond the cultural sector. This also allows for strategic decisions about what museums do themselves, what they partner on and what they accept others do
- › Greater use of technology to improve staff effectiveness and to generate revenues to cross-subsidise activity.

The case studies and other contributors to this research illustrate that there are signals that some museums are looking to exploit future opportunities and that these are taking a variety of forms. First and foremost, museums are seeing strategy and culture as interlinked and that attention needs to be given to both in order to develop new business and financial models, in some cases this means challenging old assumptions and letting go of established ways of working.

Secondly, teams are adopting a growth mindset that in turn is building an appetite for exploring different opportunities, however small.

Thirdly, the previous points illustrate a growing willingness to embrace social enterprise while recognising this involves organisational change and spotlights governance, skills, structure and leadership factors. Lastly, the museums that are adapting are developing sophisticated approaches to working with risk and building on their creativity to spot and implement new ways of working.

The Flourishing Continuum sets out the features of flourishing built on eight characteristics. The continuum recognises that museums may be flourishing in some areas such as programme or collections while not achieving it financially. It is accepted that to a degree reaching the point of flourishing is aspirational. It is intended to set a framework for the characteristics museums should be aiming for. In addition, flourishing museums will have established their minimum viable operating model so they are clear about their baseline. Freedom to operate is a particular characteristic for spun out museums but may also be relevant to other contexts. Relationships with funders, contracts entered into, expectations of stakeholders can all have unexpected and constraining consequences.



Museums need to have clarity about their business and operating models so they understand the flex points and can keep them flexible. This may involve more modular planning, increased research and development and building in thinking and reflection time.

Building future readiness into museum business models requires action on a number of fronts:

1. **Financial model:** Building a financial model that enables experimentation and the ability to weather external shocks. This is likely to require a diversified income portfolio and embedding sensitivity analysis in building the model and having clear reserves policies
2. **Horizon scanning:** anticipating and adapting to changes in the wider operating context
3. **Strategic partnerships:** the flourishing characteristics and requirements for future readiness are likely to be challenging, particularly for smaller museums, building/expanding a partnership network will help. The Mary Rose, Towner Eastbourne and others have all found ways to deliver programmes they might not otherwise have done by working in partnership
4. **Strengthened community ties:** Museums need to continue strengthening community ties, and make this manifest within their buildings and displays, people value assets they care about. The shifting role

of museums as agents of change and spaces to raise social and cultural questions needs deep understanding of what is important to communities

5. **Agile programming:** recognising the pace of social change, being locked into long term programming and fixed exhibitions is unlikely to be sustainable. Programming will need to build in experimentation and the opportunity to be responsive
6. **Digital transformation:** the speed of technological change shows little signs of slowing presenting both a challenge and opportunity for museums. Ensuring technological adaptation has the potential to support relevance for audiences, expand access and reach, support decision making, building visibility and transforming storytelling. This may require upskilling the workforce including museum volunteers.

Indicative measures: endowment and reserves

Adequate reserves and sources of predictable unrestricted income from beyond the funding system (investment income) are both key enablers and outcomes of more sustainable models. Table eight offers an indication of the desirable levels.

Creating an enabling environment for museums to be able to flourish is complex and multifaceted. It will require adaptation by museums, funders, policy makers and other stakeholders. It needs to recognise the starting point for many museums is not ideal and that interventions are needed to support museums development. What is evident from the responses to this research and to other sector reviews is that many museum leaders recognise the need to adapt, are tired of battling on multiple fronts and need support to be able to invest in research, development and change.



Museum type	Typical annual operating budget	Operating reserves target	Endowment target	Typical annual drawdown rate	Financial characteristics and notes
1. Small / Community Museum	Under £500k	3–6 months of operating costs (£125k–£250k)	1–2× annual budget (~£0.5m–£1m)	3–5%	Often volunteer-led or local authority-supported. Limited liquidity; small endowment can stabilise core operations or conservation.
2. Regional / Growing Museum	£500k–£2m	6–12 months of costs (£250k–£1m)	2–3× annual budget (~£1m–£6m)	3–5%	Building operational independence; should maintain liquidity buffer and develop targeted endowment funds (e.g. education, maintenance).
3. Established Museum	£2m–£10m	9–15 months of costs (£1.5m–£12m)	3–6× annual budget (~£6m–£60m)	3–4%	Mature governance and diversified income. Endowment returns increasingly important for staffing and programming.
4. National / Flagship Museum	Over £10m	12–24 months of costs (£10m–£20m+)	5–10× annual budget (~£50m–£100m+)	3–4%	Fully endowment-supported core operations; highly diversified income; reserves include designated capital and innovation funds.

Table 8. Indicative reserve levels by scale



Recommendations

Stakeholder	Level 1	Level 2	Level 3
Policy makers	<ul style="list-style-type: none"> › Review the potential impact funding criteria have on characteristics of flourishing museums › Work with other policy makers to ensure alignment, e.g. devolution and cultural funds, environmental sustainability › Work with the sector to determine sustainable financial models – target levels etc 	<ul style="list-style-type: none"> › Incentivise carbon reduction in the museums infrastructure › Embed museums in social policy › Shifting the public narrative to museums as public benefit rather than costly burden 	<ul style="list-style-type: none"> › Consider enabling the creation of the Smart Fund (https://thesmartfund.co.uk/) or similar › Fund a cultural health service in partnership with the NHS › Create a cultural dividend – citizens get a cultural credit to spend on the museums/cultural sector › Review/create legislative frameworks for restitution – legal clarity and frameworks for ethical returns of collections › Establish statutory protection for collections
Funders/ stakeholders	<ul style="list-style-type: none"> › Review the potential impact funding criteria have on characteristics of flourishing museums › Move to lighter touch reporting and measure impact broadly › Support skills development and leadership pipelines › Support and amplify early adopters who are already meeting the future › Review the impact of the Museum Futures programme (Scotland) 	<ul style="list-style-type: none"> › Fund freedom not just projects › Support innovation. Create funds that reward risk taking › Funding for community co-creation projects › Shared collections scheme › Multi-year partnership funding › Partnership brokering › National skills exchange network › National knowledge sharing network (e.g. Observatory of Public Sector Innovation) › Ongoing green funding 	<ul style="list-style-type: none"> › Support nomadic museums – enable museums to leave the building › Developing intrapreneurs: funding for artists and community leaders to embed in museums › Trial community ownership funds to enable communities to become partial owners › Endowment to fund impactful partnership working, restitution research, repatriation processes › Fund a 10% wild card scheme: every museum that is supported must dedicate funds to radical experimentation



Stakeholder	Level 1	Level 2	Level 3
Museums	<ul style="list-style-type: none"> › Invest in skills and capability › Strengthen local partnerships › Build storytelling and evaluation – demonstrate value › Develop co-creation projects › Contribute to knowledge exchange 	<ul style="list-style-type: none"> › Diversify leadership › Review/redesign governance structures and adapt where necessary › Develop joint programmes and collection sharing further › Build cross sector partnerships › Introduce reflexive practice to support thinking time and breathing space › Embrace serendipity › Build a culture of intrapreneurs: artists, residencies, commissions, researchers 	<ul style="list-style-type: none"> › Research the potential for community ownership models › Become climate-resilient hubs › Establish endowments/financial resilience

Areas for further research

While the research has endeavoured to be as broad as possible, it has highlighted some areas where further investigation may be of benefit:

- › Museum networks/partnerships, collectives and approaches to shared services as a factor in flourishing
- › Longitudinal partnership research
- › Future museums research – 2040
- › Financial value of volunteering and wider volunteering trends in the sector
- › Future of work in museums
- › Governance models
- › Reserves policies – an in-depth review of attitudes to reserves as well as reserves policies
- › Museums leadership: structures, diversity, salaries
- › Depth of financial literacy and expertise within the sector
- › Understanding of the financial position of museums sector wide.

Appendices



Image7. Image of Aardman animation's Gromit at The Cartoon Museum (Alchemy)

Appendix One: Definitions

- › **Museum:** A museum is a not-for-profit, permanent institution in the service of society that researches, collects, conserves, interprets and exhibits tangible and intangible heritage. Open to the public, accessible and inclusive, museums foster diversity and sustainability. They operate and communicate ethically, professionally and with the participation of communities, offering varied experiences for education, enjoyment, reflection and knowledge sharing. (ICOM)
- › **Operating Model:** An operating model determines how the fundamentals of an organisation work together to help deliver on the agreed strategy and business model/s
- › **Business Model:** A business model describes how an organisation creates, delivers, and captures value, in economic, social, cultural or other contexts.
- › **Governance:** a system that provides a framework for managing organisations. It identifies who can make decisions, who has the authority to act on behalf of the organisation and who is accountable for how an entity and its people behave and perform.
- › **Thriving:** thriving is more than the absence of psychological or behaviour problems and more than just doing okay. Rather, thriving is marked by a set of positive vital signs
- › **Flourishing:** a state of achieving positive engagement, relationships, meaning, and accomplishments. (Seligman, 2012)
- › **Characteristics:** a feature or quality belonging typically to a person, place, or thing and serving to identify them.
- › **Features:** a prominent and distinguishing attribute, more specific than characteristics.

Appendix Two: Research approach and methods

The research was designed to interrogate the characteristics of flourishing museums. It has responded to four key questions:

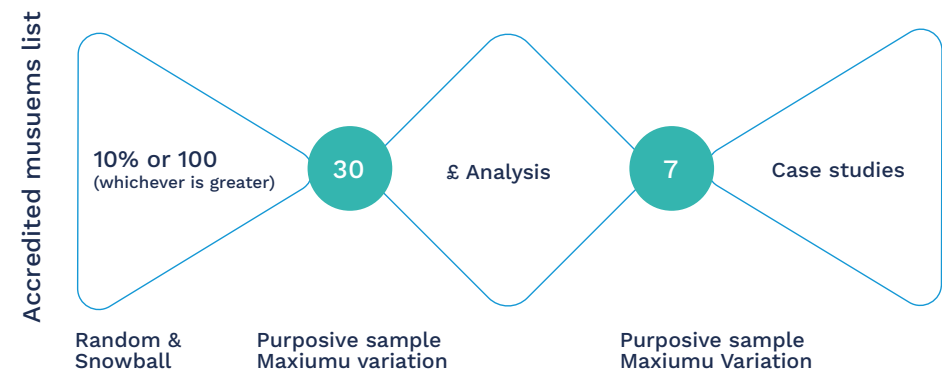
1. What indicators are there in the present that museums can exploit future opportunities?
2. What are the characteristics of a future thriving museum likely to be?
3. How can independent museums and trusts develop business models that are future ready?
4. How might an enabling environment be developed for museums to flourish in future?

Underpinning these four areas of inquiry are more detailed questions concerned with the specifics of financial viability, financial models, levels of income/expenditure, legal agreements and so on. Given the changes to the financial context for local authorities a particular area of focus has been spin out trusts.

Research population

The research population has been devised from the overall Arts Council accredited independent museums list. This population of 1,700 museums was reduced to 10% via random sampling, this was further reduced to 30 museums. From the list of 30 museums eight museums were selected for more detailed analysis.

Baseline



Timeframe and focus

The research took place between March and September 2025.

Methods

The research data collection and analysis reflect a mixed methods approach, including:



Interviews

Semi structured interviews were conducted with the commissioners, key stakeholders and the eight case study museums.

Roundtable discussions

Two online roundtable events were held to invite further contributions to the research. Roundtable One was open invite and co-ordinated by AIM. 13 people attended and contributed to an hour and half discussion around the current context and future direction of the sector. Roundtable Two was held to bring the case study participants together. This was an opportunity to share research findings to date, to discuss the Flourishing Continuum model and for them to share insights with each other about their own experiences.

Case studies

Eight case studies were undertaken based on a purposeful maximum variation and random sample. Cases were selected using agreed criteria to ensure variation:

- > Scale
- > Programme
- > Geographic location
- > Organisational constitution/structure
- > Accreditation

Secondary research

A literature review was included to aid theory building and demonstrate how the practical findings are located in a wider field. A range of sources were reviewed in appropriate areas including museums operating models, organisational resilience, futures and governance.

Secondary research ranged from academic literature to museum websites and from sector reports to popular press. Where possible data has been gathered from multiple sources in order to cross check perspectives with the primary data collection.

Analysis

Feedback from those interviewed has been represented as far as possible in their own words. Any extracts used have been subject to thematic selection by the researchers. The researchers undertook qualitative analysis of all interviews based on thematic coding (researcher defined and participant defined).

The researchers have undertaken quantitative analysis based on the assessment of statutory accounts 2023/24. Where percentages have been used, the figures have been rounded up or down to the nearest decimal point.

Data familiarisation

Data transcribed where necessary, reading and re-reading the data, mind-mapping and sharing initial ideas



Generating initial codes	Thematic coding of key features and organising data
Thematic analysis	Refining coded data into core themes, developing vignettes Findings shared with the commissioning steering group
Theme review	Mapping the analysis and checking for anomalies or gaps
Themes defined	Narrative development, themes finalised and written up in an appropriate form

Limitations

Participation in the research has been entirely voluntary. The research, particularly in relation to individual museums, represents a snapshot in time, nonetheless it is sufficiently grounded and evidenced to be reliable, have resonance and add value. Given the extent of the sector the research has necessarily been limited to accredited museums demonstrating a significant number of the flourishing characteristics.

AI transparency statement

All information developed with the assistance of AI has been reviewed, edited and approved by the authors. Final responsibility for accuracy, interpretation and conclusions sits with the human contributors.

- › Generation: Text has been generated using machine learning/AI in the form of interview and meeting transcriptions
- › Improved: machine learning/AI systems have been used to improve human created texts through standard word processing tools
- › Suggested: Machine learning/AI systems have been used to process and categorise large data sets. This has been used to triangulate human analysis and the text generated has not been used directly.
- › Corrected: Text has been corrected using word processing standard spelling and grammar tools. Any corrections have been accepted or rejected based on human discretion
- › Data protection: no confidential or personal data was entered into AI systems. Only publicly available and non-sensitive data were used. Transcribed data was deleted after use



Appendix Three: Business model characteristics

Model	Characteristics	Implications
Hidden subsidy	Relies on funding from a third party to pay for the offer to customers/audiences/constituencies who might not or could not pay full price. Has been the dominant model in the sector since the inception of public subsidy.	<ul style="list-style-type: none"> › Need to regard the funder as a customer and deliver their priorities › Subject to changing policies and priorities e.g. austerity measures › Subsidy has been declining and there are expectations organisations will develop a wider funding base › Needs an infrastructure that can research opportunities, prepare applications, undertake monitoring and deliver timely and accurate reporting
Direct sales	Programme and activities are made available by the organisation directly to different constituencies (customers/audiences/participants). This can be wide ranging from ticket sales to venue hire	<ul style="list-style-type: none"> › Allows for personal relationships with constituencies › Needs an infrastructure capable of selling – this should include upselling and secondary selling skills › Requires good constituency insights – knowing their needs, wants, and behaviours
Orchestrator	A partnership model where close co-operation allows the organisation to deliver a wider programme than it could on its own. It can help stimulate innovation through knowledge and practice exchange	<ul style="list-style-type: none"> › Requires a positive co-ordination role and expansive networks › Needs an infrastructure capable of building partnerships and trust, which can be time consuming and challenging › Requires good partnership insights and clarity of purpose to ensure a good match
Membership	Involves constituencies paying a recurring fee to access what the organisation has to offer. Widely used in the arts and co-working sectors.	<ul style="list-style-type: none"> › Requires a really clear offer that is differentiated from other organisations in the area › Needs an infrastructure that is comfortable with selling, is capable of promoting member benefits and provides a great customer experience › Requires understanding of member needs and desires and what is feasible to offer



Model	Characteristics	Implications
Experience selling	This builds on direct selling but offers a more holistic approach e.g., as a visitor I can come to a museum and see the collection, an exhibition, have a coffee, and attend an event that interests me	<ul style="list-style-type: none"> › Allows for personal relationships with constituencies › Needs an infrastructure capable of experience selling › Requires very good constituency insights – knowing their needs, wants, and behaviours › Needs strategic cost centre based budgeting to ensure costs are controlled and that there is clarity about targets

Appendix Four: Financial analysis list

1. Bath Preservation Trust (CS)
2. Beamish Museum
3. Bowes Museum (CS)
4. Braintree Museum
5. British Rotorcraft Museum and Avon Air Collection
6. Cartoon Museum (CS)
7. Comunn Eachdraidh Nis
8. Florence Nightingale Museum
9. Fulham Palace Trust
10. Gainsborough House
11. Hampshire Cultural Trust
12. Jane Austen's House
13. Judge's Lodging Presteigne (CS)
14. Malton Museum CIO
15. Midland Railway Trust
16. Museum of North Craven Life
17. National Justice Museum
18. People's History Museum
19. Ribble Steam Railway and Museum
20. Royal West of England Academy
21. Scottish Maritime Museum (CS)
22. The Mary Rose Trust (CS)
23. The Royal Mint Museum
24. The Salisbury and South Wiltshire Museum Trust
25. The Senhouse Museum Trust
26. The Shakespeare Birthplace Trust
27. The West House and Heath Robinson Museum Trust
28. Towner Eastbourne (CS)
29. Tullie House Museum & Art Gallery Trust (CS)
30. York Museums Trust

CS = case study organisation

Appendix Five: Spun off trusts limitations and freedoms

Element	Greater limitations	Greater freedoms
Property and asset portfolios	<ul style="list-style-type: none"> › Shorter term leases (under 25 years), with specific constraining terms; mixed portfolio of lease arrangements adding complexity to long term site management › Insufficient critical mass, competes with other parts of the heritage portfolio remaining within LA 	<ul style="list-style-type: none"> › Security of tenure - at low cost e.g. long leases on peppercorn basis, allowing for long term site master planning › Balanced portfolio - sites/activities able to cross-subsidise, provide different seasonal in/outflows › Solid support post transition for continued capital investment (e.g. to acquire adjacent buildings, storage etc)
Funding agreement	<ul style="list-style-type: none"> › 2-4 years initial agreement with no commitment to timescales for future years agreements, 1 year's notice or less of future reduction; nothing to prevent sudden/complete withdrawal › Stipulations affecting ability to earn income - e.g. free admissions 	<ul style="list-style-type: none"> › 5 years or longer initial specific commitments; timeline for subsequent confirmations/reductions (e.g. 2 years rolling notice, on submission of a business plan), › Stipulations on speed/extent of future revenue reductions › Process for considering matched funding requests (e.g. for capital, major conservation or other projects) › Commitments to non-cash and in-kind support and collaboration e.g. volunteer recruitment
Maintenance costs	<ul style="list-style-type: none"> › Full repairing leases 	<ul style="list-style-type: none"> › Agreed outstanding works/budget for a certain period, › Agreed access to council services (especially where there is accumulated corporate knowledge) especially in the first years post transfer



Element	Greater limitations	Greater freedoms
Collections policy	<ul style="list-style-type: none"> › Acquisitions post transfer handed back to LA in event of independent museum winding down › Policy not based on agreed collection status and inventory 	<ul style="list-style-type: none"> › Freedom for the museum to acquire objects and artefacts, receive donations › Clarity over de-accessioning - role of Council, expectations e.g. speed of decisions with regard to knock on effects for storage, conservation costs etc
Governance	<ul style="list-style-type: none"> › High influence on choice of constitutional structure, stipulations around representation (higher proportion of councillors to non-council directors/trustees, specific skills and experience) Terms, and committee structures. No built in timeframe for review, or reassessment of the relationship based on revised funding levels 	<ul style="list-style-type: none"> › Scope to negotiate formal council representation beyond the transition period. › Consideration given to enterprise needs - e.g. set up of a trading arm, IP (e.g. for licensing arrangements)
Treatment of staff and staff costs	<ul style="list-style-type: none"> › Long term commitments to a specific staffing structure; stipulations around pay and pensions outwith TUPE e.g. sustained pegging to NJC pay scales 	<ul style="list-style-type: none"> › Ability to reassess appropriate staffing model in light of operational realities post transfer (within 2-5 years) › Freedom to determine pay and conditions › Clear agreement over pension provision (clarity around pension commitments)
Commitment to agreement review	<ul style="list-style-type: none"> › No expectation of planned review. 	<ul style="list-style-type: none"> › Clear agreement on timetable for review e.g. Immediately after an initial 'transfer', 2-3 year review once operational issues fully understood, 'mature' phase (every 3-5 years)

Appendix Six: Spun off trusts delivery models

Delivery Model 1: The Local Authority Trading Company (LATC)

Structure and purpose: The Local Authority Trading Company (LATC), is a popular mechanism for councils to separate a service from its parent organisation while retaining full ownership and control. LATCs are governed by a council-appointed board, typically comprising a mixture of councillors and officers, and operate as a separate legal entity. In England and Wales, councils are empowered to establish these companies under the Local Government Act 2003, which enables them to trade in a wider range of services than traditional functions.

A critical distinction exists between two types of LATCs:

- › **Service Delivery Companies:** These are established primarily to deliver services back to the parent council or a group of councils. This model often qualifies for the Teckal exemption, allowing the council to award a contract to the company without a competitive procurement process. This provides a secure and stable income stream for the LATC.
- › **Commercial Trading Companies:** These companies are created to trade more widely with external organisations and individuals. Unlike service delivery companies, they cannot be simply awarded work from the council without a competitive tender, which exposes them to market risk.

Advantages: The LATC model offers a number of compelling advantages. It provides a clear commissioner-provider split, which can incentivise the company to achieve efficiencies and develop new service offerings. With greater commercial freedom and a board designed for flexibility, an LATC can make decisions faster and be more innovative than an in-house department. The ability to generate a surplus that can be returned to the council provides a vital new funding source for public services. Furthermore, a council retains a high degree of control over the organisation, making it a politically palatable option.

Disadvantages However, the disadvantages are significant and must be carefully managed. The establishment process is often complicated, resource-intensive, and time-consuming, requiring close collaboration across multiple council departments and external experts. Unlike an in-house service, most trading companies are liable for corporation tax, VAT, and business rates, which increases their cost base. There is also a risk of financial failure, and while the council may not be legally obligated to cover the company's debts, political and service delivery considerations may compel it to do so. Furthermore, an LATC can create a two-tier workforce, with differing pay and pension rights compared to council employees, which can undermine morale and recruitment. The council's struggle to find the right balance between strategic oversight and operational autonomy for the company's board is another common challenge.



Case Studies:

Bristol Waste Company serves as an exemplary case of a successful LATC. Wholly owned by Bristol City Council, it operates as a Teckal company, providing essential services like waste collection and street cleansing to the city. This stable foundation contract has allowed it to build a growing commercial business, offering services to private entities in waste management, cleaning, and security. The company's success demonstrates how a Teckal structure can be a launching pad for wider commercial trading, with profits reinvested into local services and a stated mission to deliver social value.

In contrast, Brick by Brick Croydon provides a cautionary tale. This housing development company, wholly owned by the London Borough of Croydon, was established to deliver new homes and retain the value of development growth within the borough. However, it struggled with governance and viability, facing challenges with market conditions and contractors. Despite being an “independent company,” it was financially and politically intertwined with the council, which had to write off loans of up to £70 million upon the company's closure. This case underscores the significant risks of over-exposure and the critical need for a realistic business plan and a robust, well-documented governance framework from the outset.

Delivery Model 2: The Charitable Structure

Governance and the Local Authority's Role: The local authority's involvement in a charitable spin-off can take several forms, each with distinct governance and legal implications:

As the Sole Trustee/Voting Member: A local authority is often the sole trustee of a charity, particularly for assets like land or historical funds. In this model, it is the corporate body of the local authority, rather than individual councillors, that is the trustee. The council is responsible for making all trustee decisions and is liable for them. While day-to-day management may be delegated to officers, the ultimate responsibility for decision-making and oversight remains with the councillors. The core duties remain to act solely in the charity's best interests and to ensure its purpose is carried out for the public benefit. This is separate from the council's role as a statutory body, and any council officer working on charity business is acting on behalf of the local authority, not as a trustee themselves.

As a Nominee of the Majority or Minority of Trustees: A local authority may have the right, under a charity's governing document, to appoint some or all of the trustees, often councillors, to a charity's board. Once appointed, a nominated trustee has the same legal duties and responsibilities as any other trustee and is personally liable for their decisions, not the nominating council. Their primary duty is to act in the best interests of the charity, not the local authority. This distinction is critical for managing conflicts of interest, which can arise when the trustee's loyalty to the nominating body clashes with their duty to the charity. The Charity Commission and other bodies generally recommend that local authority nominees should not make up a majority of the trustees, with the Housing Corporation normally accepting no more than one-third, to ensure the charity's constitutional independence.



The Charity Commission's Perspective: A Distinct Purpose: The Charity Commission for England and Wales has raised concerns over local authorities failing to comply with their legal duties as charity trustees, which has led to a significant number of public complaints and regulatory action. The Commission's position is that a charity's purpose must be for the public benefit, and historically, charities developed to provide aid for segments of society that fell "outside of the general scope of government assistance". When a council acts as a charity trustee, its primary duty is to "exclusively further the charity's purposes" and to act in the charity's best interests, not those of the local authority.

A significant area of risk and conflict of interest arises when a council considers changing the use or status of a charitable asset, such as land, to "stop subsidising the charity" from its own public funds. The Commission warns that if these changes are not handled correctly, they can lead to additional budget pressures on local authorities rather than providing the additional resources initially thought. To mitigate this, a council must ensure that it does not unknowingly use a charity's property for its own purposes and that it keeps separate accounts for the charity. The council must also be aware that its role as a statutory service provider or planning authority can create an inherent conflict of interest that needs to be managed appropriately. The Commission's guidance urges councils to identify their charitable assets and adhere to their legal duties to avoid such issues.

Advantages: Spinning a service into a charitable or social enterprise structure can offer significant benefits. These organisations are often more innovative and can respond more nimbly to the needs of service users due to less bureaucracy. Employee control and ownership can lead to improved staff engagement and job satisfaction, as employees are empowered to improve services and tackle social problems in creative ways. Furthermore, social enterprises and charities may be able to access grants and funding streams that are unavailable to for-profit companies, opening up new avenues for investment.

Disadvantages: However, this model comes with its own set of challenges. The council loses direct control over the organisation and, if the spin-off was previously a Teckal company, will have to re-tender any contracts it holds with the new entity, as the exemption no longer applies. The governance can be complex due to the involvement of multiple stakeholders, including staff and community groups, which may not always align with the council's strategic priorities. The potential for conflicts of interest for a council acting as a charity trustee can be particularly challenging to manage.

Case Study:

The now-defunct Falkirk Community Trust serves as a stark reminder of the risks associated with this model. Established by Falkirk Council as a charitable trust to manage community-facing sport, arts, heritage, and library services, its closure was precipitated by a breakdown in governance and communication.



An audit found a “lack of documented communication” and a “lack of urgency” between the Trust and the council regarding critical structural repairs.

The case reveals a fundamental failure to define clear lines of responsibility, with the Trust taking the lead on work that was the council’s legal responsibility. The council also lost the significant financial benefit of £1.35 million in non-domestic rates savings that the charitable status of the Trust allowed for. The experience demonstrates that a lack of a clear, formal, and well-documented relationship can turn a governance issue into a systemic failure with significant financial consequences for the parent council.

Delivery Model 3: The Joint Venture Model

Joint ventures represent a distinct type of delivery model in which a local authority partners with another organisation to deliver services or projects. These partnerships can be formed with other public bodies or with a private sector company. Joint ventures are often employed for large, complex projects, particularly in infrastructure or real estate development, where significant financial resources and expertise are required.

Structure and purpose: A joint venture can take many forms, from a simple partnership agreement to a new legal entity with joint ownership. In a property development joint venture, for example, a local authority may contribute surplus public land, while the private partner provides capital and expertise to develop the project. The parties then share profits based on a pre-agreed structure, which can be determined by their respective shareholdings or a profit-sharing rate.

Examples of this model in practice include:

Public-to-Public: Joint ventures such as Local Partnerships (a partnership between the Local Government Association and HM Treasury) and GeoPlace (a joint venture between the LGA and Ordnance Survey) demonstrate how public bodies can collaborate to deliver shared services and infrastructure.

Public-to-Private: E20 Stadium LLP, a joint venture between the London Legacy Development Corporation and the London Borough of Newham, was created to manage the transformation of the Olympic Stadium. Similarly, the housing sector has seen co-sponsorship agreements between councils and private partners, such as Ashford Borough Council’s housing PFI project for the regeneration of the Stanhope Estate.

Advantages: A primary advantage of the joint venture model is that it allows a local authority to access expertise and resources from external partners, which may not be available in-house. These partnerships can lead to enhanced social value, income generation, and greater control and governance than a traditional managed service solution. For councils looking to meet housing needs, a joint venture can be an effective way to deliver new homes and improve the quality of housing stock through co-investment.

Disadvantages: However, the model comes with considerable risks. When partnering with a private firm, a joint venture is often viewed as a form of “out and out privatisation,” which can be politically sensitive.



It is also critical that all partners have aligned goals and expectations, as misalignment can lead to significant disagreements and project failure. Financial, legal, and communication issues can also arise, and the success of the venture can be heavily influenced by external market changes. Unlike a wholly owned LATC, a joint venture with a private partner will not qualify for the Teckal procurement exemption, meaning any work from the council must be put out to competitive tender.

The regulatory and legal framework in detail

Defining control and influence: The relationship between a local authority and its spin-off is not set in stone; it varies across different legal structures. It is crucial to distinguish between direct “control” and a broader “influence” to understand the legal and governance implications of each model.

Local Authority control: Part V of the Local Government and Housing Act 1989 defines a company as “under the control” of a local authority if the authority has the power to appoint or remove a majority of its board members. This definition is distinct from, though related to, the modern legal standard of “control” primarily relevant to the Teckal exemption, which allows a council to award a contract to its company without a competitive tender. The Teckal “control test” requires the parent council to exercise a “decisive influence over both strategic objectives and significant decisions” of the subsidiary, a level of control that must be “equivalent to the control it has over its own departments”.

To meet this requirement, a council typically appoints the majority of the board of directors or reserves specific strategic decisions for itself. It is also a key component of the Teckal test that the company must carry out at least 80% of its activities for its controlling council.

Local Authority influence: This refers to a wider spectrum of relationships where a council plays a significant role in governance without meeting the strict control test of a Teckal company. The Local Government and Housing Act 1989 defines a company as “subject to the influence” of a local authority if it has a specific business relationship with the authority. This influence is present if, for example, at least 20% of the voting rights or directors are associated with the authority. A “business relationship” is defined by conditions such as:

- › Payments from the local authority (or a company it controls) to the company amounting to more than half of the company’s turnover in the last year.
- › More than half of the company’s turnover coming from assets in which the local authority has an interest.
- › The total of grants for capital purposes from the authority and the nominal value of shares owned by the authority exceeding half of the company’s net assets.

An “associated person” is defined as a member or officer of the authority, or an employee who is also a director or manager of a company controlled by the authority. In charitable companies, a council may nominate a proportion of trustees to a charity’s board.



While this gives the council influence, these nominees have the same legal duties and personal liability as any other trustee and must act solely in the charity's best interests, even if those interests conflict with the council's. To ensure a charity's constitutional independence, advisory bodies often suggest that local authority nominees should not constitute a majority of the trustees, with the Housing Corporation normally accepting no more than one-third.

Control and governance: The 'Teckal' Exemption Test and the Balancing Act: The Teckal exemption is a critical mechanism that allows a local authority to award a contract to its wholly-owned company without a competitive procurement process, provided certain conditions are met. The primary test is that the council must control the company. This provision, however, presents a paradox: the more a council controls its spin-off to secure the exemption, the less freedom the organisation has to act in an entrepreneurial manner. A council must strike a delicate balance between maintaining sufficient control to meet procurement requirements and allowing the new entity the autonomy required to operate commercially. The temptation to exert excessive control can prevent the company from flourishing and exploring new commercial opportunities. A Teckal company's ability to trade commercially is also legally restricted, with income from non-statutory services limited to 20% of its total turnover. A council must make an early, strategic choice: either establish a Teckal company focused on internal efficiencies and service delivery or a commercial trading company designed to compete on the open market and generate profits. The dual objective is rarely fully achievable within a single structure.

Subsidy Control (formerly State Aid): The UK's new Subsidy Control regime, which replaced the EU's State Aid rules, provides a more flexible, principles-based framework for public authorities to offer financial assistance. Unlike the EU system, which largely prohibited subsidies unless pre-approved, the new regime permits the giving of subsidies provided they are consistent with a set of statutory principles. This is a significant change, offering greater flexibility. For local authorities, this means any financial support for a spin-off must be carefully assessed to ensure it does not distort competition. For example, a start-up loan to a trading company must be provided on commercial terms to avoid being seen as a subsidy. An essential element of the new regime is the explicit recommendation of "ring-fencing". Ring-fencing involves establishing separate legal entities or distinct accounting systems to segregate funds and track their use. This practice is particularly crucial for organisations that undertake both economic and non-economic activities, as it demonstrates that public funding is not being used to cross-subsidise commercial ventures, which would constitute an unlawful subsidy. By implementing robust ring-fencing arrangements, a council can provide legally compliant support to its spin-offs, reducing the risk of challenges under competition law and building confidence in the venture's financial integrity.

Public Procurement Rules: The Procurement Act 2023, which came into force on 24 February 2025, marks a new era for public procurement. The new legislation aims to simplify processes, increase transparency, and open up public contracts to new entrants, including small and medium-sized enterprises (SMEs) and social enterprises.



The Act relaxes restrictions on considering factors such as a supplier's location and social value, allowing councils greater flexibility to support local businesses and achieve wider community benefits through their procurement processes. For a spin-off organisation, this new framework is highly significant. While a service delivery company may rely on the Teckal exemption for its core contract, a commercial trading company must compete for work on the open market. The new rules make it easier for a council to award a contract to a local social enterprise, as it can explicitly consider its contribution to economic growth, social value, and local employment during the tender process. This new regime, therefore, empowers councils to use their procurement spend as a strategic lever to drive local growth, creating a more level playing field for spin-offs when competing against private sector providers.

Charities

Charities have long a distinguished history in this country. The oldest named charity is the Hospital and Almshouses of St Cross in Winchester which is believed to date back to around 1132. Since then, there have been many cases and statutes that have helped to define charities. Since 2011, to be recognised and to continue to be recognised as a charity in law, a group or an organisation must satisfy three tests:

1. Firstly, be established for exclusively charitable purposes and each of those purposes must be charitable. So, if an organisation is set up with a mixture of charitable and non-charitable purposes it won't be recognised as a charity in law
2. Secondly, the nature of those purposes must be capable of benefiting

the public at large (what's known as the public benefit test). And then, once established, charity trustees have a duty to operate that charity for the benefit of the public. This means that a charity cannot be for private benefit, and any conflicts of interest are tightly controlled

3. Thirdly, the charity must be subject to the courts of England and Wales.

The descriptions of charitable purposes are set out in the Charities Act 2011. There are 13, of which 12 are specific purposes that were derived from existing case law, and one 'catch all' category for flexibility for the future

They include such things as:

- › The advancement of education.
- › The prevention or relief of poverty.
- › The advancement of health and saving of lives.
- › The advancement of citizenship or community development.
- › The advancement of the arts, culture, heritage or science.
- › The advancement of environmental protection or improvement.
- › The relief of those in need, by reason of youth, age, ill-health, disability, financial hardship or other disadvantage.
- › The benefits of being a charity

Public recognition and trust: Charities are widely recognised as existing for social good. This can assist with fundraising.

A lock on assets: Organisations with charitable status cannot use assets for any purpose other than the pursuit of charitable objectives.



The assets of a charity can never be used for private benefit.

Tax relief: Charities benefit from a variety of tax reliefs including:

- › Exemption from corporation tax on profits from trading undertaken in the course of charitable provision (primary purpose trading)
- › 80 per cent mandatory, and 20 per cent discretionary, relief from business rates (rate relief)
- › Gift Aid relief on donations from individuals
- › Stamp duty land tax relief on freehold property and leases acquired for charitable purposes.
- › Charities do not pay VAT on some goods and services.
- › Funding: Certain sources of grant funding are open only to organisations with charitable status.

Regulation and transparency: registered charities publish public information following a standard format and are subject to regulation by the Charity Commission. Certain political activities and types of trading are subject to restrictions, which are designed to keep the public's trust in charities and reduce risk for charities overall.

Voluntary basis: Individuals on the board of a charity, often referred to as trustees, must not be paid to be a trustee, and can only be employees or freelancers for their charity if the constitution of a charity, and the Charity Commission, authorise it. Although payment of trustees for the supply of professional services is not prohibited, the Charity Commission will require a detailed explanation before it allows payment.

No equity investment: Charities cannot raise equity investment. This means that a charity does not have to answer to the financial interests of shareholders.

The four key features of charities

1. All assets of a charity must be applied to further that charity's specific charitable purposes, set out in its constitution. That is one of the primary duties of a charity trustee. If a charity trustee allows the assets of their charity to be applied for another purpose, even if that other purpose is in itself charitable, they are acting in breach of trust or breach of duty and they can be made to rectify any damage caused to the charity as a result.
2. Any profit must be applied for the charity's charitable purposes. This is what people usually refer to as "not-for-profit". The constitution of the charity will include some form of non-distribution clause. Effectively, any profits must always be applied for the purposes for which the organisation is set up and those profits must not be distributed to members or charity trustees. That limits the ability for a charity, for example, to be used as a sort of entrepreneurial vehicle.
3. All charities must have charity trustees. The Charities Act 2011 defines charity trustees as someone who has the "general control and management of the administration of a charity". Charity Trustee duties are fiduciary duties; they're duties to act in good faith, to act in the best interest of the charity at all times, and to avoid conflict of interests. Sometimes the trustees are also the charity's voting members, but that is not always the case. Voting members and trustees are two separate roles.



4. The charity trustees can only receive financial benefits in limited circumstances. The vast majority of charity trustees are unpaid volunteers; they give of their time freely. The law places very strict restrictions on their ability to be paid or to receive any form of material benefit from the charity that they manage and administer. These rules are applied very strictly. So, unless a particular benefit or payment to a charity trustee, or anyone connected to them (so that would include a family member, any company they own, or any business they have an interest in, such as a partnership, for example) is authorised, they cannot receive payment.

By authorisation it is necessary to review the charity's governing document, and most constitutions and governing documents of charities will include a clause that enables (to some extent) a minority of charity trustees to receive limited benefits in certain circumstances. If there isn't an authorisation through the governing document, then the Charity Commission or, untypically, the court can grant approval to receive that benefit. Otherwise, they've received a benefit in breach of trust and can be asked to repay it to the charity.

The charitable duty of prudence

The Fiduciary Foundation: Understanding the Duty of Prudence: The role of a charity trustee is a position of significant legal responsibility, grounded in a set of core duties designed to protect the organisation's assets and ensure it operates for the public good.

At the heart of this responsibility is the duty of prudence, a principle that, while often misinterpreted as a call for risk-aversion, is in fact a dynamic and essential element of effective governance.

The Legal Mandate: Duties of a Charity Trustee: Charity law in England and Wales outlines six fundamental duties for trustees. These responsibilities are paramount and supersede any other loyalties or interests a trustee may have. The duties require trustees to ensure the charity is carrying out its purposes for the public benefit, to comply with both the charity's governing document and all relevant laws, and to act at all times in the charity's best interests. They must also manage the charity's resources responsibly, act with reasonable care and skill, and ensure the organisation is accountable to its stakeholders.

The duty of prudence is directly linked to the requirement to manage a charity's resources responsibly. This duty requires trustees to exercise sound judgment, ensuring that the charity's assets are used exclusively to support or carry out its purposes and that the organisation's funds, assets, or reputation are not exposed to undue risk.

This includes taking special care when making decisions about investments, borrowing, or disposing of charity land. In fulfilling these duties, trustees are held to a standard of "reasonable care and skill". This standard is not based on a single, universal benchmark but requires trustees to act as a "reasonable person" would, taking into account their own personal skills and experience. A trustee with specific expertise—for example, in finance, law, or business—is expected to utilise that expertise for the benefit of the charity.



This principle emphasises that trusteeship is not a passive role; it demands active participation, informed decision-making, and the application of professional judgment.

The Modern Interpretation of Prudence: From Risk Aversion to Strategic Risk Management: The traditional perception of prudence as absolute risk avoidance is now considered outdated. The modern legal and regulatory view, re-orientates this duty toward strategic risk management. This approach recognises that some level of risk is inherent to any activity that seeks to generate a return or achieve a significant social purpose. The primary duty of a trustee is therefore not to eliminate all risk, but to manage it in a way that is reasonably suited to the trust and aligned with its objectives.

To effectively manage risk in this context, trustees must employ formal tools and policies. A robust risk management framework, as recommended by the Charity Commission, is essential. This framework involves identifying the major risks facing the charity, categorising them (e.g., as governance, operational, financial, or external risks), assessing their likelihood and impact, and developing clear strategies for mitigation. A well-structured risk register documents these risks and the actions taken to manage them, demonstrating that the board has fulfilled its duty of care and made informed decisions.

Financial prudence also mandates the establishment of a formal financial reserves policy. This policy should clearly state the amount of free reserves the charity needs to hold, the reasons for this amount, and the circumstances under which the reserves can be spent.

This is a critical element for managing financial risk and ensuring the charity can handle unforeseen contingencies, such as a downturn in economic conditions or a major project failure, without jeopardising its long-term viability.

Finally, while the legal protections afforded by incorporated structures like a company limited by guarantee or a charitable incorporated organisation can shield trustees from personal liability for the charity's debts, personal liability can still arise from a breach of duty.

Defining entrepreneurialism in charity governance

In an era of increasing fiscal pressure and societal demand, the charity and public sectors are being compelled to adopt an entrepreneurial mindset. This approach, however, is distinct from a purely commercial one. For charities, entrepreneurialism is not about maximising shareholder profit but about generating sustainable income and scaling social impact to better fulfil their mission. Charitable entrepreneurialism can be defined as the process of founding or operating a venture with a primary social mission that is pursued through a commercially disciplined, and often innovative, approach. The objective is not to make a profit for private gain but to generate a surplus that is reinvested back into the organisation's mission and the community it serves. A key example of this model is the creation of a trading subsidiary.



This separate legal entity allows a charity to undertake commercial activities that do not directly advance its charitable purpose—such as a museum operating a gift shop—without risking its tax-exempt status or incurring liability for its primary charitable assets. This approach provides clarity of purpose, with the subsidiary focused on revenue generation and the parent charity concentrated on its mission. The profits from the subsidiary are then donated to the parent charity, often with tax relief benefits.

The core challenge for any board is not choosing between prudence and entrepreneurialism, but rather, integrating them into a coherent and effective governance strategy. This requires a cultural shift towards informed risk-taking, a rigorous decision-making process, and a deep understanding of the legal and structural implications of new ventures.

An effective board that seeks to be both prudent and entrepreneurial must possess a diverse blend of skills and backgrounds, including commercial, legal, and financial expertise. This diversity is crucial for fostering productive and respectful dissent during meetings, ensuring that proposals are rigorously debated and that all potential risks are thoroughly examined before a decision is made.

In this environment, risk is a subject for strategic management. A forward-thinking board will embed a risk management framework that categorises risks into “persistent,” “current,” and “horizon” categories to better anticipate and prepare for future challenges.

The board’s primary focus should be on its mission and strategic objectives, with the ultimate measure of success being the quality of its outcomes and its long-term impact on beneficiaries. This mission-driven approach provides the ethical compass for all decision-making, ensuring that every commercial venture is pursued not for its own sake, but as a means to a greater end.

Other structures

Other types of structure are used for activities that might not be appropriate for charities:

A Public Service Mutual is a specific type of social enterprise that has “spun out” from the public sector while continuing to deliver public services. These organisations are defined by a significant degree of employee control and ownership. They offer a model that combines the service-oriented ethos of the public sector with the commercial agility of an independent business. The NHS has provided a model for this approach, enabling clinical staff to form social enterprises and secure a contract to deliver their services, often with legal protection for their existing employment terms.

Companies Limited by Guarantee: Companies Limited by Guarantee have corporate status and are private limited companies where the liability of the members is limited. They provide a satisfactory basis for most non-profit making activities and are often registered as charities.



A guarantee company does not have a share capital but has members who are guarantors instead of shareholders. Limitation of liability takes the form of a guarantee from its members to pay a nominal sum in the event of the company being wound up while they are a member, or within one year of their ceasing to be a member. The amount of money that is guaranteed can be as little as £1 and will be stated within the constitution of the company (the Memorandum & Articles of Association).

Community Interest Company (CIC): A CIC is not a charity. It is a company that has a purpose that benefits the public or a section of the public. It is required to carry out that purpose and its assets, income and profits have to be used solely for that purpose, but it is permitted for investors to receive a return. CICs enjoy far less regulation than charities but, unlike charities, there are no tax benefits. CICs are regulated by the Office of the Regulator of CICs, by company law and special CIC Regulations.

Community Benefit Company: From 2014, it became no longer possible to form a new industrial and provident society. The Community Benefit Company (CBC) is one of the new legal forms of organisation which replaced the industrial and provident society form of organisation. A CBC is a specialist type of business organisation which must be entirely for the benefit of a community. Its profits cannot be distributed to its members and must only be used for the benefit of the public. It can include a lock on assets to limit what it can do with its assets. A CBC can apply to become an “exempt charity” if it is a charitable body. CBCs have to be registered with and are regulated by the Financial Conduct Authority.

Workers’ co-operatives: A workers’ cooperative exists for the mutual benefit of its members and has its own registered objects, which state permitted activities and rules. Cooperatives are organised on a one member, one vote basis. Members are equal and elect management committees to run the business in accordance with members’ instructions. No member can hold a majority shareholding and shares may not exceed £20,000 each except those held by other cooperatives, or those held by councils if assisting a cooperative which is also a housing society. Any surpluses have to be dealt with in accordance with their rules and if they are distributed, this must be done in the form of dividends.

Social enterprise: A social enterprise is not a legally defined term. It is roughly defined as a business that has social, environmental or community based objectives. It is not a charity (but it could be the trading arm of a charity).

Members Club: A members’ club (as opposed to a proprietary club) is an incorporated or unincorporated club which is carried on for the benefit of the members and not conducted for profit. It is owned and run by a committee or its members. Whilst a club may be advantageous in that it is not subject to charity law and regulation; its legal nature is such that it can only benefit its own members.

Appendix Seven: The delivery model assessment framework

Assessment criterion	Key questions for consideration
Strategic fit	How does this model align with the council's wider place-making strategy and its long-term objectives for the community? Does it help shape local markets or achieve wider economic and social benefits?
Financial viability	What are the full "avoidable costs" of the current in-house service? What are the projected revenue streams, and are they realistic? What is the full cost of capital, including potential tax liabilities and loan terms?
Governance and control	What level of operational autonomy is required for the new organisation to be agile? What level of strategic oversight does the council wish to retain, and can this be balanced with the need for freedom?
Organisational and cultural readiness	Does the council have the internal skills to act as an effective commissioner, shareholder, or trustee? Are staff prepared for the transition, and is the culture of the organisation conducive to entrepreneurship?
Legal and regulatory compliance	Does the chosen legal structure comply with the UK's Subsidy Control and Procurement regimes? Are the conditions for a Teckal exemption met, and what are the limitations of this model?
Stakeholder engagement	What is the impact on staff, service users, and the wider community? How will the new model affect employee morale, pay, and pension rights? What is the level of public opinion on the change?

Appendix Eight: Flourishing continuum

Stage		Operational status	Characteristics	Risks	Risk type
Fragile	Firefighting: Just about managing: reactive and under resourced	Survival	<ol style="list-style-type: none"> 1. Leadership is operationally focused, low strategic vision, and/or very stressed 2. Dependent on grants, minimal reserves; frequent cashflow stress, regular deficits 3. Compliance focused governance, minimal skills diversity 4. Reactive and overstretched staff, limited capacity and capability, unable to plan 5. Modest programme, static exhibitions, minimal audience development 6. Collection care at risk, limited access and backlog of documentation 7. Limited visitor numbers, minimal participation and learning 8. Risk averse, little sense of change, possibly change averse 	Unable to withstand any shocks or unidentified issues. Insolvency or permanently failing. Compliance failures. Stagnation. Demoralised staff. Poor reputation	Survival and compliance related



Stage		Operational status	Characteristics	Risks	Risk type
Steady	Building bridges Growing, community engaged and experimenting	Steady	<ol style="list-style-type: none"> 1. Clear management, some strategic planning 2. Balanced budgets, modest reserves, some income diversity 3. Governance focus is on compliance, basic level of strategic engagement 4. Reliable core delivery, basic operational processes, staff team has mixed experience 5. Regular programming, low experimentation 6. Basic care of and access to collection, cataloguing improving 7. Some learning and participation activity 8. Incremental improvements, basic digital initiatives 	Limited ability to withstand shocks. Budget volatility. Drivers for change are not addressed because of a limited growth mindset. Lack of diversity in all areas.	Survival and compliance related



Stage		Operational status	Characteristics	Risks	Risk type
Developing	Building bridges Growing, community engaged and experimenting	Developing	<ol style="list-style-type: none"> 1. Leadership is collaborative, engages staff, community and partnerships. Some medium term planning 2. Income is diversified and reserves are growing 3. Governance is more strategic, actively engaged, concerned with monitoring 4. Operations are well defined and professional, staff development and empowerment are a focus, partnerships are developed 5. Mixed formats and scales, well developed audience strategies and data collection 6. Collection is in active use including exhibitions, research, and digitisation 7. Recognised as a cultural hub, developing co-creation projects/programmes 8. Pilots new programmes, impact is evaluated and disseminated 	Overextension, unrealistic expectations, ability to balance risk and innovation, retention issues, lack of thorough innovation and organisational learning	Strategic, reputational and innovation related



Stage		Operational status	Characteristics	Risks	Risk type
Enterprising	Trailblazing: Enterprising, bold and social value leadership	Enterprising	<ol style="list-style-type: none"> 1. Visionary leadership leads innovation and advocates for economic, social and creative impact. Likely to be distributed 2. Mix of income sources, generates surpluses, surpluses reinvested, imaginative use of assets 3. Strong governance oversight, strategic engagement, income generation support, professional expertise and advocates. Addresses governance constraints and decelerators systematically 4. Operations are agile, entrepreneurial and cross disciplinary. Museum has cross sector links 5. Programme is socially relevant, bold and has wide reach. Audiences are engaged in different ways 6. Collection is fully accessible, onsite, digitally and/or in the community 7. Seen as an anchor institution, contributes to well-being and social impact, impact is well demonstrated 8. Regular prototyping, investment in digital/hybrid work, acts as a catalyst 	<p>Income fluctuations. Likely to be more risk taking, not all of which will succeed, potential for higher financial risks. Governance structures may become an impediment. Operational complexity may increase. May alienate some audiences. Balancing collection preservation with access.</p>	Strategic, reputational and innovation related



Stage		Operational status	Characteristics	Risks	Risk type
Flourishing	Game changing: highly innovative, sector leadership, transformative	Flourishing	<ol style="list-style-type: none"> 1. Inspirational leadership, local, regional or national influence, contributes to sector debates 2. Sustainable surpluses, strong reserves or endowment, invests in R&D 3. Visionary governance, meta level outlook, highly engaged 4. Operations are adaptive, learning focused, support experimentation and are open to change 5. Programme is transformative, co-created, recognised regionally, nationally etc 6. Collection is fully activated, and is an exemplar for stewardship and access 7. Seen as a cultural and social innovation lab, well disseminated impact 8. Is seen as sector influencing, contributes to the debates around museum practice. 	Burnout, complacency and hubris, reputational risks. Sustaining financial surpluses while investing in R&D. Governance challenged by scale and risks. Missteps are magnified because of profile and/or partnerships. Need for constant adaptation. Succession vulnerabilities.	Strategic, reputational and innovation related



Appendix Nine: Flourishing framework: financial

Flourishing	<ul style="list-style-type: none"> › Able to generate significant revenue and cash surpluses › Diversified income portfolio, drawing on income sources outside arts sector with healthy enterprise portfolio › Strategic investment possible from own resources › Endowment or investments
Enterprising	<ul style="list-style-type: none"> › Able to generate surpluses in most years › Building reserves › Wide income portfolio including growing contribution from non-arts sources › Growing model flexibility
Developing	<ul style="list-style-type: none"> › Able to generate surpluses in some years › Reserves meet target with some ability to invest › Widening range of income sources › Sufficient working capital › Clear areas for business development
Steady	<ul style="list-style-type: none"> › Break even performance › Up to three months expenditure in reserves – no designated funds › Limited range of income sources › Working capital is manageable on day-to-day basis › Model changes incrementally
Fragile	<ul style="list-style-type: none"> › Unable to generate revenue or cash surpluses › Limited funds invested in core and fixed costs › Reliance on limited range of income sources › Few or no reserves › Limited working capital – reliance on grants in advance



Financial management cycle

	Financial management practices			
	Plan and budget	Control	Report	Review and (re)forecast
Flourishing	<ul style="list-style-type: none"> › Long term strategic plans that guide decision making › Clear financial strategy › Multi-year surplus budgets 	<ul style="list-style-type: none"> › Active informed risk management › Agile control environment › Widespread financial literacy 	<ul style="list-style-type: none"> › Real-time information presented in accessible formats 	<ul style="list-style-type: none"> › Collective re-forecasting
Enterprising	<ul style="list-style-type: none"> › Five-year strategic plans › Flexible annual budgeting 	<ul style="list-style-type: none"> › Responsibility for profit centres as well as budgets › Understanding of commercial drivers. › Strategic risk management 	<ul style="list-style-type: none"> › Good understanding and communication of business drivers 	<ul style="list-style-type: none"> › Real time re-forecasting
Developing	<ul style="list-style-type: none"> › Three-year business plans › Annual budgets include development activities 	<ul style="list-style-type: none"> › Clear budget holding responsibilities › Training for budget holders 	<ul style="list-style-type: none"> › Focus balanced between past and future › Key data available in real time › Developing effective reporting beyond financial data 	<ul style="list-style-type: none"> › Budget holders involved in re-forecasting
Steady	<ul style="list-style-type: none"> › Annual budgeting cycle well established 	<ul style="list-style-type: none"> › Financial systems run well › Conventional risk register updated regularly 	<ul style="list-style-type: none"> › Timely reporting › Conventional formats supplemented with narrative 	<ul style="list-style-type: none"> › Regular re-forecasts in year
Fragile	<ul style="list-style-type: none"> › Planning driven by funder agendas and timetables › Break even budgets › No or very modest contingencies 	<ul style="list-style-type: none"> › Budget holders often uninformed and untrained › Top down and centralised decision making › Risk management is passive › Systems are not agile and poorly understood outside finance team 	<ul style="list-style-type: none"> › Delayed reporting Focus on historic performance not the future › Inaccessible formats 	<ul style="list-style-type: none"> › Top down revisions › Reluctance / inability to re-forecast dynamically

Appendix Ten: Indicative KPIs (general)

In order to understand if, where and how an organisation is flourishing a number of indicative KPIs are suggested:

Revenue diversification

- › Fundraising pipeline strengths
- › Cost to revenue ratios
- › Endowment growth and liquidity
 - › Liquidity and short term:
 - › Current ratio
 - › Acid test
 - › Days cash on hand

Funding mix

- › Earned income ratio
- › Hidden revenue ratio
- › Operating surplus/deficit
- › Reserves ratio
- › Reserves level

Efficiency and cost structure

- › Programme expense ratio
- › Contribution per programme or project

- › Full cost recovery per programme or project
- › Fundraising efficiency
- › Visitor revenue per head

Impact

- › Earned income per engagement
- › Cost per outcome
- › Social return on investment

Other KPIs

- › Audience and engagement
- › Demographics
- › Repeat visits
- › Digital engagement
- › Customer satisfaction/quality of visit
- › Innovation and programme
- › % financial investment in R&D
- › R&D or pilot projects investment
- › Number of and quality of well functioning collaborative projects
- › Time to launch (exhibitions/projects/ programmes): either speed to delivery planned further ahead (making it easier to gather and deploy resources to max effect)
- › Co-creation projects



Partnerships and ecosystems

- › Number and quality of partnerships
- › Local/regional/national visibility
- › Tourism integration (museum visitors as % of local tourists)

Workforce and organisational capacity

- › Staff skills gaps analysis
- › Staff innovation participation
- › Volunteer engagement

Horizon scanning

- › Cultural consumption trends
- › Emerging technology adoption
- › Competitive benchmarking
- › Policy/funding environment shifts

These KPIs are aimed at spotting shifting markets, building financial health, monitoring ability to innovate quickly, and responding to/influencing cultural trends.

Appendix Eleven: Indicative approach to reserves

Dimension	Low Level	Medium Level	High Level	Comments
Purpose of reserves	Minimum liquidity (cashflow needs)	Operating stability (bridge funding gaps, cover unforeseen costs)	Strategic growth and long-term sustainability (capital projects, risk-taking, endowment building)	Policy should define categories (operating vs designated vs endowment-like reserves).
Target size (relative to annual operating budget)	At least 3 months	6–9 months	12 months+	Benchmarks: Small museums: focus on 3–6 months. Mid-size: 6–9 months. Large/national: 9–12 months.
Risk appetite	The higher the dependency on a single income stream (grants/tickets) the higher reserve needed	Balanced funding model	The more diversified and secure the revenue (major endowment, regular public funding) the lower the operating reserves needed	Risk assessment should guide reserve target (volatile income = the need for a bigger buffer).
Access / liquidity	100% liquid (cash or near cash)	Mix of liquid + short-term investments	Layered: part liquid, part medium-term investment portfolio	Liquidity should match expected draw-down timeframe.
Governance	Informal board oversight	Formal reserves policy, annual review	Embedded in financial strategy; scenario planning and stress tests	Good practice = publish policy, review annually and ensure it is tied to risk register.
Use and replenishment	Ad hoc withdrawals in crisis	Withdrawals require board approval and replenishment plan	Strict policy: reserves used only for extraordinary events; automatic replenishment triggers	Transparency builds funder confidence.



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