

RUSSELL COTES ART GALLERY AND MUSEUM MANAGEMENT COMMITTEE



Report subject	Russell-Cotes Art Gallery& Museum Update on Progress to Independence
Meeting date	27 October 2025
Status	Public Report
Executive summary	<p>The Charity Commission and Department of Culture Media and Sport (DCMS) have agreed to the Russell-Cotes charity giving Public Notice of the Scheme in the next step of the governance change. DCMS and Charity Commission have indicated that they are working towards a vesting day of 1 April 2026 but it is subject to parliamentary time. Other work is being progressed such as arrangements for the transfer of assets, TUPE of staff etc with the new corporate trustee, RCAGM Sole Trustee Ltd.</p> <p>BCP Council presumed a 1 October 2025 deadline for externalisation which has now been exceeded. Consequently, there is no revenue budget for the museum beyond 30 September 2025 and the council intends to use the lump sum of £2.25million agreed for the new entity to give it time to become financially sustainable, to be used from 1 October to fund the Museum’s revenue costs until externalisation takes place.</p> <p>The report outlining the financial deal, which was agreed by Cabinet on 7 February 2024 and by full Council on 20 February 2024 recognised that Vesting Day might be on 1 October 2025 but could take as long as 1 April 2026.</p> <p>The Board of RCAGM Sole Trustee has expressed its concern that the Council ended its ongoing revenue support for the museum as of 1 October 2025 whilst uncertainty remains over the timing of vesting day, and that the use of the agreed lump sum funding to cover the museum’s in-year budget shortfall would have serious implications on the future viability of the externalised museum.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <p>The Management Committee</p> <p>a) note the progress on the Scheme and Order of State</p>

	b) note the request made by the Chair for an urgent meeting with the Chief Executive to seek support for the financial agreement to be made available in full at vesting day, to ensure the viability and financial sustainability of the Russell-Cotes in the future
Reason for recommendations	<p>Since 2018, BCP Council as sole trustee has been supporting the change of governance and negotiated a financial deal to ensure a viable future for the Russell-Cotes.</p> <p>The Management Committee is a sub-committee of Cabinet with delegated responsibility for the Russell-Cotes. As the sole Trustee for the Russell-Cotes charity it has a legal requirement to act in the best interests of the charity.</p>
Portfolio Holder(s):	Cllr Andy Martin, Portfolio Holder for Customer, Culture and Communications
Corporate Director	Glynn Barton, Chief Operations Officer
Report Authors	Matti Raudsepp, Director of Customer & Property
Wards	Not applicable
Classification	For Update

Background

1. The Russell-Cotes has been actively reviewing its unsatisfactory governance since 2018. Its status as an unincorporated charity, with BCP Council as sole trustee, creates an inherent conflict of interest for the Trustee and a lack of financial transparency which makes it difficult for it to thrive and falls short of the standard of governance required for a modern charity.
2. A change of governance to create a new independent company (CLG) to act as sole trustee in place of the Council was therefore supported by the Charity Commission (August 2022), approved by BCP Council (Jan 2023) and supported financially by the National Heritage Lottery Fund (March 2023).

Financial Settlement

3. A financial settlement for c. £2.25m for the new Trustee and the transfer of assets was agreed by Cabinet and then by full Council on 7 February 2024. This will allow the Council to reduce its subsidy in the long term and provide sufficient time for the new trustee to become financially sustainable.

Scheme

4. A final draft of the Scheme has been agreed by the Charity Commission and BCP Council and been submitted to the Department of Culture, Media and Sport (DCMS) for their review, as well as the Order of Parliament for bringing the Scheme into force.

RCAGM Sole Trustee Ltd Incorporated to act as sole trustee

5. The new sole trustee, which is called RCAGM Sole Trustee Ltd, was incorporated as a Company Limited by Guarantee (registration number 16304062) and is meeting regularly to negotiate on the transfer and in preparation for taking over the role of trustee from the Council.

Progress

Scheme and Parliamentary Order

6. After many months delay, DCMS is actively engaged in progressing the Scheme through Parliament. RCAGM has been given permission to go to Public Notice whereby the Scheme is advertised on the website, on site and in the press for one month, to enable the public to raise any objections before it progresses to ministerial and parliamentary approval. Given the change has been in the public eye for many years, no significant objections are anticipated. Public Notice lasts from 29 September – 29 October 2025.
7. Charity Commission has indicated that DCMS is working towards a vesting day of 1 April 2026 because the scheme will need DCMS and ministerial approvals and to be laid before parliament for 40 days. This date is still subject to parliamentary time being available.

Transfer of Assets

8. The actuarial assessment of pension liabilities has been received and discussions are being held between the new Trustee and BCP Council on pensions and Tupe arrangements.
9. BCP Council lawyers are drawing up the legal contracts for the transfer of assets.

Financial arrangements

10. The delay in externalisation from an anticipated (but never confirmed) 1 October 2025 to a likely (but again unconfirmed) 1 April 2026 means that the council will retain the revenue costs of supporting the museum for longer than anticipated. No provision for revenue funding beyond 1 October has been budgeted.
11. Monthly costs are approximately £50,000, (total impact c. £313,000 if delayed until 1 April 2026). Given that the council's funding towards the operation of the museum ended on 30 September, the continued costs of the museum present a pressure, and the Council is proposing that it is funded from the lump sum of £2.25m that was agreed for the new Trustee. This means that the lump sum available to then new trustee will be the balance remaining at vesting day.

Summary of financial implications

12. The funding arrangement was agreed at Council on 7 February 2024. It agreed
 - £2million grant up front to enable the Russell-Cotes to establish itself as an independent organisation
 - Asset transfer of the Study Centre to the new Trustee, subject to appropriate overage clauses.

- A one-off grant of £250,000 to support building maintenance
 - Transfer of earmarked reserves (currently £299,000) but subject to change
13. The funding agreement was predicated on enabling the new Trustee to deliver the activities of the museum for a number of years giving the Trustee the time and opportunity to develop its own funding streams, and create a sustainable future for itself, and further council support would not be required.
14. The delay in externalisation from 1 October to possibly 1 April means that the council will retain the revenue costs of supporting the museum for longer than anticipated, as the lump sum funding agreement does not come into existence until vesting day. Monthly costs are approximately £50,000, (total impact £313,000 if delayed until 1 April 2026). Given that the council's funding towards the operation of the museum ended on 30 September, the continued costs of the museum present a pressure and the only agreed funding available for the museum that can meet those costs is the lump sum.

Summary of legal implications

15. BCP Council and the Management Committee have a legal obligation as Sole Trustee of the Russell-Cotes to be acting in the best interests of the museum.
16. The Council agreed on 7 February to provide financial support outlined in the report at the point of vesting.

Summary of human resources implications

17. N/A

Summary of sustainability impact

18. N/A

Summary of public health implications

19. N/A

Summary of equality implications

20. N/A

Summary of risk assessment

21. With regard to the financial pressure created by the delay in achieving a 1st October vesting date, it should be noted that any revised date, including 1 April 2026, cannot be considered firm dates until a decision from Government has been received, and it is established that sufficient time exists to complete all the elements of transfer. Consequently the risk exists that vesting day could go beyond 1 April 2026 and that would mean operational costs would rest with the council for a further period.
22. The size of the reduction of the lump-sum of £2.25m agreed by Council for the new Trustee, is unknown but could be very significant (minimum £300,000 based on 1 April vesting day) and given the liabilities that the new Trustee will be assuming from the Council, that it may undermine the financial basis on which the

new Trustee has been established. There is a resulting risk that the directors of the new trustee feel that the risks outweigh the potential benefits of progressing and withdraw their support, which may effectively stop the externalisation process. The Chair has consequently expressed concerns about the budget arrangement and has requested a meeting with the Chief Executive to discuss the implications. In the event externalisation does not happen the management and costs of the museum would be retained by the council, unless an alternative strategy were to come forward.

Background papers

None

Appendices

There are no appendices to this report.