

MIDDLESBROUGH COUNCIL

EXECUTIVE REPORT

DigitalCity Business and mima Foreign Travel Proposals

Executive Member for Regeneration & Economic Development:
Councillor Charles Rooney

Director: Kevin Parkes

Date 24 August 2010

PURPOSE OF THE REPORT

- To identify issues relating to foreign travel proposals within the Regeneration Department, primarily contained in DigitalCity Business' business plan for April 2010 – March 2012 and mima's Collections Development Programme and propose an approach for dealing with these.

SUMMARY OF RECOMMENDATIONS

- The Executive Member is asked to note the proposals for foreign travel included in the DigitalCity Business business plan and mima's Collections Development Programme and endorse the approach proposed in relation to these.

IF THIS IS A KEY DECISION WHICH KEY DECISION TEST APPLIES?

- | | |
|--|---|
| It is over the financial threshold (£75,000) | |
| It has a significant impact on 2 or more wards | |
| Non Key | X |

DECISION IMPLEMENTATION DEADLINE

- For the purposes of the scrutiny call in procedure this report is

Non-urgent	X
Urgent report	

If urgent please give full reasons

BACKGROUND AND EXTERNAL CONSULTATION

5. CMT received a report in April 2010 in respect of the DigitalCity Business' plans for foreign travel to support its activities. This was agreed subject to agreement between the Directors of Regeneration and Finance on the details. Subsequently, mima has developed its proposals for acquisitions of art, which also require travel abroad and therefore a revised, combined report addressing both has been prepared. Additionally, the original proposals related to DigitalCity have been reviewed in the light of CMT's comments.

DigitalCity Business

6. There is a new proposed business plan for DigitalCity Business (DCB) for the next two years which has also formed the basis for its funding bid to ONE (One NorthEast)/ERDF. A separate Executive report (DigitalCity Business' Business Plan 2010-2012) seeking approval to this bid and implementation of the next phase of the project highlights a number of issues. One of these is the issue of foreign travel.
7. The plan would see an increase in DCB's international business development activities, both to support the development of the Tees Valley digital cluster which works within an international sector, but also as DCB pursues further business development activities aimed at securing its own long-term sustainability. Whilst this is detailed in the separate report, Appendix 1 provides a summary of the aims of these activities which are to:
 - i. establish relationships with the key organisations in the world's established digital economies;
 - ii. promote Tees Valley's digital cluster companies in these economies so they can sell their products and services internationally;
 - iii. attract companies from these areas to invest, expand, even re-locate, to the Tees Valley.
8. The outcomes of this activity will therefore be:
 - i. increased business for local digital companies based in Middlesbrough/Tees Valley, which will make these businesses more successful and support more jobs;
 - ii. transfer of knowledge and technology between areas which will help local businesses to develop their products and services, reduce business costs, and again help those businesses to be more successful and support more jobs;
 - iii. companies from targeted areas investing in local businesses, or even developing or re-locating their own businesses here, creating more jobs;
 - iv. DCB being able to develop commercial ventures with partners from these areas, enabling it to develop its own revenue streams and therefore its sustainability. This will help to ensure that DCB is able to continue to support the development of the digital cluster in Middlesbrough/Tees Valley in the long term with less reliance on continuing public funding;
 - v. contribution to DCBs targets for the next two years, namely:
 - a) 40 new businesses created;
 - b) 80 jobs created;
 - c) 52 businesses assisted ;

- d) 20 further businesses identified as having high growth potential;
- e) 2 companies achieving £500,000 turnover per year;
- f) 20% increase in the aggregated turnover of the cluster; and,
- g) 75% increase in international trade of the cluster.

9. There are two issues of potential concern arising from these proposals:
- i. the extent of foreign travel proposed, particularly given that foreign travel is expensive and sensitive to public scrutiny; and,
 - ii. the need to ensure that foreign travel and costs are properly accountable, transparent, and compliant with Council policies.
10. Appendix 1 also sets out the planning rationale and assumptions for foreign travel that will be required. It sets out the purposes and intent behind foreign travel and also uses a planning model to provide a framework of possible costs. It is clear from this that the need for foreign travel has been properly assessed and planned within the context of the strategic development of DCB activities, acknowledging the international nature of the sector within which DCB works, and the need for a sustained and strategic approach to the development of future markets and potential partners including the need for repeat visits to some areas to develop relationships. This approach has been developed in partnership with ONE, and reflects the aspirations and requirements for the project, particularly given its status as one of the North East region's seven Innovator Connectors and the key role that these are meant to play in driving the region's economic regeneration over the next three to five years.
11. The sensitivity of this level of foreign travel is recognised. However if DCB is genuinely going to be successful then it will need to support local digital businesses to compete in foreign markets. The project must be fit for purpose, outcome focused, and able to undertake the activities it needs to generate success.
12. It should also be stressed that all costs are being externally funded as part of a One NorthEast/ERDF funding package. The Council will provide an element of match-funding to the package. This amounts to £100k in total, comprising LABGI funding, itself an external grant given to the Council to promote economic development. This amounts to approximately 6% of the total project cost, but none of this will be from mainstream Council funding or Council Tax. Additionally DCB has now extended its activities and is developing related activities in adjoining local authority areas.
13. The proposed activities arise from the significant achievements and successes to date of the DigitalCity project and the confidence and support of funders. This work will take the skills of the Tees Valley to the rest of the world and international markets to support businesses and jobs here, building on the area's proud tradition as an exporter of goods and services to the world. This is a particularly important point at present given concerns about the decline of traditional industries (particularly Corus) and the need to replace old declining industries with strong future industries.
14. Appendix 1 sets out a proposed schedule of costs (see page 7). This is a framework not a blueprint, and the actual travel to be undertaken throughout the next two years will emerge as the work unfolds. As per current policy, all foreign travel trips will be specifically approved by the Director of Regeneration, and a quarterly profile of anticipated travel will also be prepared so that individual requests are anticipated.

mima

15. mima's mission could be summarised as to produce and deliver exhibitions of modern and contemporary art, and build its collection with an international dimension for the benefit of the Middlesbrough and Tees Valley overall. The successful establishment and development of mima over the last three years will be fully set out in a report to Executive in September on mima's future financial strategy. This report will further detail some key areas and priorities for mima, including its Collections Development Programme.
16. In order for mima to act as an art gallery with an international profile, it needs to collaborate with foreign institutions and art dealers. This inevitably means there is a requirement for foreign travel. This is very much in keeping with the expectation of a broader cultural policy as laid down by Arts Council England and the Museums, Libraries and Archives Council (MLA) which expects mima to adopt an international profile. By doing so, it positions Middlesbrough in an international frame of reference creating fertile soil for future profile and long-term sustainability of mima. The positioning of mima as an international gallery has many benefits for the town as highlighted in the evaluation report.
17. There are three aims/objectives for which foreign travel is required.
 - (a) Collection Development:
 - (i) identify works for purchase for mima permanent collection;
 - (ii) undertake an examination of the work proposed for purchase;
 - (iii) negotiate a museum discount and ensure value for money;
 - (iv) to build upon the collection by soliciting donations and long-term loans;
 - (v) to promote the collection thus making it available for loan to sister institutions.
 - (b) Exhibitions Development:
 - (i) to cultivate mima's rolling programme of temporary exhibitions;
 - (ii) to secure artists for exhibition at mima;
 - (iii) to enhance and promote exhibitions at mima and advocate for Middlesbrough as a cultural destination.
 - (c) Learning & Professional Development:
 - (i) to engage with the best art/artists from around the world to actively promote mima/Middlesbrough internationally as a significant social and cultural resource that engages with modern and contemporary art;
 - (ii) facilitate collaborations with overseas artists/institutions in order to explore opportunities for building lasting networks;
 - (iii) participate in overseas conferences, workshops and seminars, which are of particular strategic importance.
18. Attached at Appendix 2 is a schedule of planned foreign travel that will be required in the financial year 2010/11. It sets out the purposes and intent behind foreign travel and provides a framework of possible costs. It endeavours to make clear that the need for foreign travel has been properly assessed and planned within the context of

the strategic development of mima activities: one that acknowledges the need for a sustained and strategic approach to the development of future markets and potential partners.

19. The sensitivity of this level of foreign travel is recognised, again however the primary consideration is that mima must be fit for its purpose and outcome focused, and able to undertake the activities it needs to generate success.
20. One element in particular has seen an escalation in foreign travel, specifically the £1 million award to mima in 2007 from The Art Fund through Art Fund International. This is a £5 million funding initiative by the Art Fund intended to encourage a radical change in the scale and ambition of contemporary art collecting in the UK, and aimed at securing long-term sustainability for regional museums. To this end mima was allocated £1 million to generate a collection of post-war American drawing over a period of five years. It should also be stressed that the £1 million from The Art Fund was awarded on the understanding that the Council would provide an element of match funding, specifically £15k per annum, over five years, a total of £75k or 7.5% of the total sum of £1 million. This is for international travel and research, framing, conservation and transport costs for each work purchased under the scheme. This funding has been committed from within existing Regeneration Department budgets.
21. In addition the following criteria are outlined by The Art Fund as part of the Art Fund International award checklist:
 - *the recipient* must confirm that it has examined the work to be purchased and can comment on the condition; and
 - *the recipient* is expected to negotiate a museum discount.
22. It is worth noting that to date this funding has enabled mima to secure works for its permanent collection ahead of international institutions such as The Museum of Modern Art (MoMA), New York, The Whitney Museum of American Art, New York and the Walker Art Center, Minneapolis.
23. It has also enabled mima to secure discounts of £120k approx against the value of all works secured for Middlesbrough's collection through Art fund International to date of £537k, a discount of over 20%
24. This saving has been recognised by the Art Fund International committee, consisting of sector peers, and held up as exemplary by The Art Fund when the scheme has been discussed with its Board of Trustees, principle stakeholders and Patrons, including Her Majesty The Queen.
25. Foreign travel enables mima to do what it could not do otherwise. The decision to undertake foreign travel is carefully structured to facilitate the following outcomes:
 - i. unlock exhibition opportunities;
 - ii. enhance existing, and forge future partnerships that will enable mima to work with artists/institutions to generate new art for the collection resulting in new assets for the town;
 - iii. develop new knowledge and aspiration;
 - iv. develop a strong network that can work together to generate an increasingly high level of knowledge, confidence and skill within the mima team;
 - v. improve our understanding of how and why people engage with the arts.

Foreign travel enables mima to accomplish excellence, reach, innovation, diversity, engagement, and best public value outcomes.

26. Provision for incoming foreign travel is also necessary for collaborators and couriers, as set out below.

(a) Collaborator

This can be defined as an Artist or Curator who mima is collaborating with. An Artist or Curator will usually be required to visit mima to look at and investigate the building in advance of exhibiting his/her work and/or consulting on the installation of a particular exhibition; returning to mount the exhibition with the mima team. When partnership working as described above is in action mima is responsible for all costs incurred for the trip. Such costs normally include roundtrip airfare and hotel accommodation for three nights for international shipments and two night hotel for domestic shipments. The collaborator is supplied in cash upon arrival a per-day rate for meals, local transportation and small miscellaneous travel expenses (£30 per day).

(b) Courier

It is a long-established condition of loans of artwork from other venues that a courier accompanies the work to the exhibiting venue. When applicable mima is responsible for all costs incurred for the trip. Such costs normally include roundtrip airfare and hotel accommodation for three nights for international shipments and two nights hotel stay for domestic shipments. The courier must be given in cash upon arrival a 'per day' rate for meals, local transportation and small miscellaneous travel expenses (£30 per day).

Accountability, Transparency & Compliance

27. Full compliance with Council policies on travel is always the starting point when planning travel. However it is acknowledged that these policies have been established without the particular needs of initiatives outlined above being able to be predicted, and the potential for tension between the needs of unusual projects such as DigitalCity and what is standard practice in local government is recognised. Similarly, mima's growing international role raises challenges to more established standard practise. The issue of compliance with current Council policies has therefore been reviewed.
28. The review has looked at ensuring best value is obtained for travel costs, subsistence and hotel costs, and where there may be any difficulty in securing compliance with current Council threshold.
29. Compliance will always be sought with established thresholds on **subsistence**, but there may be a need for exceptions due to the following:
- i. costs of meals in some cities may be greater, particularly where exchange rates are unfavourable, the cost of living is generally high, or lack of local knowledge/language makes it difficult to identify cheaper outlets;

- ii. they may be difficult to sustain over longer periods, being scoped mainly to cover very occasional one-off days or parts of days (reflecting more usual travel away from work patterns).
- 30. Where compliance with current thresholds may be difficult this will be identified in advance as part of the request for approval of foreign travel to the Director of Regeneration. Subsequent subsistence claims will need to be accompanied with a short explanation of additional costs. Costs incurred should always be reasonable in the circumstances and always claimed on submitted receipts.
- 31. Compliance will always be sought with established thresholds on **hotel rates**, but there may be a need for exceptions due to the following:
 - i. costs of hotels in some cities may be greater, particularly where exchange rates are unfavourable, the cost of living is generally high, or lack of local knowledge makes it difficult to identify cheaper options;
 - ii. the policy refers only to London/non London rates and does not consider foreign cities. The 'London rate' will be more appropriate for similar cities in other countries whereas strictly speaking the 'non London rate' would be applied;
 - iii. for DigitalCity there is a strong business case for staying in hotels which provide the most effective base for project activity to be conducted but which may cost above the Council's threshold. This is explained further in the accompanying note (Appendix 1 page 5).
- 32. Again, where compliance may be difficult and limits cannot be adhered to this should be identified in the request for approval for foreign travel to the Director of Regeneration along with an explanation and evidence of why not (normally evidence of quotations for hotels). Costs will still need to be reasonable, and if necessary will be benchmarked against thresholds used by organisations more used to accounting for such activity, namely One NorthEast Inward Investment Teams (in relation to DCB) or TATE or The Art Fund (in relation to mima).

EQUALITY IMPACT ASSESSMENT

- 33. Not applicable to this report.

OPTION APPRAISAL/RISK ASSESSMENT

- 34. The approach proposed will allow DCB and mima to operate in a way that is fit for purpose and outcome focussed. It will enable DCB to deliver the proposed business plan for the next two years and maximise regeneration benefits for the emerging digital cluster. It will enable mima to maximise its role and take full advantage of the international opportunities available.
- 35. The alternative option is to not undertake the foreign travel proposed. This is rejected as it will seriously impair DCB's ability to deliver the business plan, and mima's ability to deliver its long-term goals and in immediate terms schemes such as Art Fund International.
- 36. A further option is to agree to the travel proposed but only if costs can be kept strictly within the current Council policy thresholds. This may not be possible in some cases

and would impair DCB's ability to deliver the Business Plan, and mima's ability to deliver its long-term goals and in immediate terms schemes such as Art Fund International.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

37. **Financial** - This report identifies potential risks to the Council in terms of compliance with current policies. A management response to this is therefore also proposed. As a potential amendment to a procedure relating to financial transactions the proposed approach has been consulted on with the Director of Resources (Financial Regulations paragraph 6.5).
38. **Ward Implications** – There are no ward issues arising from this report
39. **Legal Implications** – There are no legal issues arising from this report.

RECOMMENDATIONS

40. The Executive Member is asked to note the proposals for foreign travel included in the DigitalCity Business Business Plan for April 2010 into March 2012, and mima's Collections Development Plan, and endorse the approach proposed in paragraph 30 and 32.
41. The Executive Member is also asked to endorse the approach proposed in this report. Accountability, transparency and compliance issues always be dealt with within the principles of Council Policy – accountability, probity, and best value – at all times, but that where compliance with the letter of the Council Policy may be difficult then the processes and procedures identified above will be utilised.

REASONS

42. It is a measure of the success of DigitalCity Business and mima that each project needs to embark on foreign travel. In DCB's case this is externally (not Council) funded and represents the project helping to export Tees Valley's new industries to the world; in mima's case this represents the gallery's (and Middlesbrough's) growing status and reputation, and opportunities to secure significant external funding to further strengthen Middlesbrough's collection.

BACKGROUND PAPERS

The following background papers were used in the preparation of this report:

DigitalCity Business 2010/11 – 2011/12 Business Plan Executive report

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