



Lithgow Small Arms Factory Museum

A Factory history – a people profile

28th September 2020

Report on Proceedings Before Powerhouse Museum

Government's management of Powerhouse Museum and Other Museums and Cultural Projects in New South Wales

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Questions on Notice – Recurrent Funding Model for Museums (page 42 of 2 September 2020 transcript)

Question:

'Provide advice to the Committee on a suitable model that could apply to regionally based museums'

Answer:

During the hearing, we indicated the recurrent funding model applying to libraries (a per capita funding method) would not be applicable to museums. Our main objection was that per capita funding does not recognise that museums exist for a wider community which goes well beyond the geographic boundary in which the Museum is located. Over 90% of our visitations come from outside the Lithgow LGA and having a funding stream based on a per capita basis (local Lithgow LGA population) would severely put the museum at a disadvantage.

The LSAFM offered to explore domestic and overseas funding arrangements and identify a suitable recurrent funding model in relation to regional museums which are or have the capacity to become world class.

There is no current recurrent funding model for community based, non-Government owned museums. What is available are a series of competitive grants from State and Federal Governments which are project specific and may or may not suit. The LSAFM is a community-based museum run and managed by volunteers. We do not have access to recurrent funding, even though our collection is applauded nationally and internationally. And we are not the only regional museum in this situation.

1. *Objective*

To provide an ongoing funding stream covering recurrent costs for non-publicly funded museums which are nationally significant and have the ability to become world class museums.

2. *Nationally significant museums with world class potential*

In relation to recurrent funding for non-publicly owned museums, a number of pre-requisites should apply:

- The collection significance is the underpinning criterion. Here, a Significance Assessment would need to have been carried out by an expert authority or assessor indicating the national or state significance of the collection and archival material
- The collection / archives have been / may be recognised by an expert authority, such as UNESCO or ICOM as having national and international significance



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- Availability of key individuals in the museum with the knowhow and knowledge to manage and maintain curatorial oversight and on-going development of the museum
- Having an experienced Management Committee overseeing the strategy and governance of the museum
- Both a 3-year strategic plan, with a succession plan in place
- Track record of achievements, accomplishments and growth which have added to national /state significance.

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In the context of regional NSW, the number of museums which could qualify for recurrent funding, per the above pre-requisites, may number around 10 or so museums. Not a high number and that is the very essence of the funding program which would apply – highly targeted with 100% chance of success.

3. Recurrent costs

Recurrent costs are many and varied. Staff wages & training, curatorial duties and conservation, displays and collection storage, utilities, building repairs, security, marketing / promotions and management / administration are some of the major cost areas.

In the 2018 & 2019 financial years, the top six (6) expenses for the LSAFM were inventory purchases, building repairs, exhibit purchases, legal costs, cleaning and consultant fees. In total, our operating expenses over the 2 years was \$203 000, with total operating income being \$207 000. This equates to around \$12 per visitor.

Some 70% of LSAFM's costs go towards managing and maintaining its collection – the very essence of why it exists.

For volunteer-based museums, like the LSAFM, the future will require a shift towards the employment of full-time wages staff. This is fundamental given the significant amount of work needed to sustain the LSAFM as a truly world class and acclaimed regional museum. With this, operating costs will rise significantly, possibly five-fold. Put into context, this equates to around \$60/visitor. It is little wonder then that new income sources will need to be found.

This is the crux of the matter and the reason why recurrent funding for world class regional museums is a necessity. The current model of issuing grants will never fill the gap and there are, in our view, no grants covering recurrent operating costs.

4. Overseas experience

Countries around the world have different means of funding their museums. But there is one thing that is common – they value museums far more than what occurs in Australia. Both the US and UK / European populations, for example, value their museums highly; they contribute financially far more; and, there is a true commitment to maintain and grow their institutions to world class levels. In NSW, we seem to treat museums as some kind of 'real estate' play and the situation with the relocation and renaming of the Powerhouse Museum (and other museums) is a good example of this.



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In the United States, most museums rely heavily on private support (individuals, membership fees and donations) as most receive low levels of public funding (public funding represented 15% of all funding). In year 2017, a national survey of US Art Museums found that the average revenue per visitor was US\$8, while the average cost per visitor was US\$55. What this shows is the high cost of operating a museum, which cannot be matched through earned income per visitor.

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In the UK, museums tend to receive more government funding than American institutions, but considerably less government support compared to many other European nations. Latest data suggests UK museum funding (mostly larger institutions) from government ranges from 25% to 65%, while community run regional museums and some Local Government owned museums have seen a dramatic decrease in public funding.

Unique to the UK is the National Lottery Heritage Fund which commenced in 1994. Since that time, some £8 billion have been allocated across 44 000 projects through a grants process. Some 30% of those funds have gone into museums, libraries, collections and archives and almost 40% into historic buildings and monuments. The Fund receives 20% of the National Lottery takings and is managed by a national Board of Directors. The Board has in place a rolling a 5-year strategic plan and funding decisions are taken by the main UK Board (above £5 million in value), with regional Board Committees assuming decisions where funding is less than £5 million.

The attraction of the National Lottery in relation to museum funding in NSW is that it represents investment by the community, it is enduring and the regional Board Committee structure allows decisions to be made at the 'grass-roots'.

Also unique to the UK is their Gift Aid taxation support for charities (including charity registered museums) which is explained further under section 7 below.

5. *Australian experience*

In NSW, the 2019-20 State Budget provided \$232 million towards four publicly owned museums/libraries (MAAS, State Library, Australian Museum and Art Gallery). The breakdown of that allocation was:

- Employee related costs of \$114 million
- Other operating expenses of \$57 million
- Grants & subsidies of \$61 million

These and other cultural institutions (plus Government agencies) in NSW are subjected to the 'efficiency dividend' (productivity gain) which has gone from 1.5% to almost 3%.

The Arts & Culture Development Program (grants based) has been funded to \$247 million over 4 years from 2019/20, while the Regional Cultural Fund (grants based) was allocated \$60 million over 2 years. In NSW, there is the ClubGRANTS scheme which came into being in 1998 and is administered by Liquor & Gaming NSW – a portion of the funds go towards infrastructure projects in arts and culture.



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In other States, there are varying grant programs. Of note is the action taken in WA where a Discovery Endowment Fund has been created to assist with the funding of the WA Museum which is due to open in late 2020. It would seem the Fund has partnered with Government, private sector and individuals to raise \$35 million. The Fund is managed by the Foundation for the WA Museum. While the Fund is rather specific to a particular museum, it does show a new way of thinking in terms of future funding.

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It is interesting to note NSW had a lottery to fund the Opera House – the Opera House Lottery Number 1 went on sale in November 1957 and ran for some decades afterwards, even after construction was completed.

Museums have been hit hard as a result of COVID-19. Unlike some overseas experience, there has been little if any financial support for local museums in the form of Government funding. Some museums have closed altogether, others are struggling. It would seem that despite all of the financial support and stimulus packages given out by Government (Federal & State), museums like ours have been forgotten – our financial support has been limited to just over \$2000 through a Small Business scheme. In the UK for example, their response to COVID-19 in supporting the museums sector was the release of the Heritage Emergency Fund and the Culture Recovery Fund for Heritage. This illustrates how our Governments ‘think’ about museums compared to their overseas counterparts.

6. *Proposed funding model – recurrent expenditure*

The LSAFM fully supports the need to have a funding model which provides an ongoing funding stream covering key recurrent costs of community based, volunteer run museums. While grant funding has its place and should continue, we are asking that nationally acclaimed non-Government owned museums be given the opportunity to be financially supported in a similar way to that of Government owned museums.

In our view, a funding model should be something which the community contributes towards, not just Government.

- a) We would support the ‘bringing back’ of the lottery system of funding which as noted above was used in the past in NSW and is being used successfully in the UK. We believe the UK model with its Board of Directors and geographic decision-making makes very good sense. While the UK model is very much grants based, the concept can be re-purposed and used for recurrent funding, possibly overseen by a new NSW Museums Authority.

An allocated percentage of the lottery takings would be earmarked for non-State/Federal Government funded museums – such as community/volunteer-based organisations and also those which may have limited Local Government funding.

The attractiveness of a lottery style funding is the fact that it is ‘community funded’. We strongly believe the community would be very open to lottery receipts going into the regional museums sector, rather than going as general revenue to Government. Such a funding scheme would give the wider community a sense of pride and ownership knowing they are contributing towards maintaining a legacy of Australian history for future generations.



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The WA model of having an Endowment Fund is a possibility although the involvement of corporate players may evoke a sense of 'sponsorship and public acknowledgement'.

- b) We also believe that a 'lottery type' funding arrangement would give us financial and personnel strength, thus allowing us to contribute and support other museums in our region. As we grow and acquire more skills, we are then in a position to offer and provide 'hands-on' support to those other museums in our wider region. The fact that we are 'in the same region', it makes sense that we collaborate and assist others where we can through having hand-on practitioners. The current practice of having 'fly-in' / 'fly-out' consultants or advisors fails to 'take ownership' and is in some cases their services provide a 'band aid' treatment, only, often with little or no follow-up.
- c) We would advocate that a recurrent funding stream would allow museums the opportunity to focus on their collections and archives and do whatever it takes to maximise their intrinsic value. Having the necessary resources would significantly shift museums into a much 'higher gear'. In our case, we would treble or quadruple our visitations, our archives would be digitised considerably much faster, our program of exhibits would be augmented, our on-site training would be extensive, our events program would have education at its centre and our support services to other interested institutions would be expanded.
- d) In our view, the funding period under a recurrent funding program should be continuous and should be in line with the strategic plan. The funding amount would vary depending on need and annual performance reviews would be in place. The quest for becoming a national & international museum icon is no easy task. It takes effort, commitment and skill. For that reason, recurrent funding should not have a short 'sunset' clause.

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7. *Other matters*

7.1 *Tax incentive*

While the US model of philanthropy might seem distant in Australia, we believe it should be fostered. As a long-term ideal, it makes sense for individuals to have the right to donate and in return receive a tax incentive that makes it compelling. As museums, our success revolves around the calibre of our collection and exhibits and we must spend money accordingly - in some cases not really knowing the outcome.

If philanthropic giving is to be encouraged in Australia in relation to museums, then a tax deduction via a rebate scheme on tax payable should be considered. For example, if an individual donates say \$2000 to a charity registered museum, they would then be able to have that \$2000 taken off the amount of overall tax they are required to pay; the current system sees the tax deduction against taxable income.

In a similar vein, the UK has a Gift Aid scheme which allows charities (includes charity registered museums) to claim an extra 25 pence for every £1 donated. The scheme



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provides an opportunity for donors to increase the value of their donations to a charity. A donor provides a declaration stating that they wish to make their gift or gifts tax claim eligible, and the charity can claim the tax for this donation through the Tax Office thereby adding to the original gift amount. In the UK, a taxpayer pays tax on earnings or savings, at either a basic rate of 20% or a higher rate of 40%. Where the donor makes a donation to a charity, this donation will come from money the donor has already paid tax on. The charity can reclaim this tax back from the Government. A donation of say £100 and using Gift Aid, the donation is actually worth £125. The donor is no worse off but the charity receives an additional £25 on top of the £100 donation.

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We appreciate that taxation is a Federal matter but the issue needs to be considered as it provides a potential growth avenue for financial contributions through the wider community. The LSAFM is a registered charity.

7.2 Supporting volunteers

In relation to volunteer run museums, it is important those individuals are rewarded or incentivised. In the case of LSAFM, our volunteers would provide in-kind services valued at between \$70 000 to \$100 000 per year. This relates to the giving of their time in assisting the museum to do what is necessary to make it as enjoyable and educational as possible for visitors. While they willingly give of their time, it would be a wonderful if there were a mechanism to reward their efforts.

Currently, there is a Federal Government scheme which rewards volunteers indirectly. A once off \$5000 grant is available, payable to the museum, to enable it to provide training or purchasing goods which volunteers can use while at the museum. But there is no incentive that directly and personally goes to the volunteers – for example, provision of free car registration, 'green slip' compulsory third party insurance or food vouchers are three areas which could be considered by the NSW Government.

As volunteers give of their time to provide a public good or service, their recognition through a financial incentive or similar would be just, reflecting part payment for the service they provide.

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