

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2070

Title: Museum of London move to West Smithfield

Executive Summary:

- The Museum of London Act 1965 (as subsequently amended) sets out the GLA and the City of London Corporation as statutory co-funders. The 1960s London Wall building is deteriorating and requires an estimated £50 million capital works of maintenance over the next ten years. The Museum of London needs to expand in order to accommodate growing visitor numbers and the world's most significant urban history collection with seven million items.
- Following an options review in 2015, the Museum of London Board agreed the move to the West Smithfield site in Farringdon. The estimated construction and fit-out and project delivery costs are £250 million.
- The GLA supported the move via a Mayoral Decision (17 March 2016) and co-funded the international design competition awarded to Architects Stanton Williams with Asif Khan.
- The new Museum of London is expected to open in 2022, attract over 2 million visitors per year, deliver a world class visitor experience and expand far-reaching schools programme to every London school child.

Decision

That the Mayor approves:

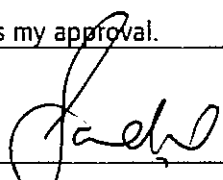
1. A GLA contribution of up to £70 million towards the funding package for the construction and fit out of the Stanton Williams, Asif Khan design for a New Museum Building at West Smithfield, and that the GLA's share of the funding package should not exceed the contribution payable by the City of London Corporation.
2. The GLA funding for the project to be a long term annual revenue contribution payable to the City of London Corporation to meet the financing costs of borrowing or direct project costs, the terms of which will be set out in a legal agreement.
3. A delegation to the Executive Director of Resources to conclude and sign the legal agreement with the City of London Corporation.
4. A delegation to the Executive Director of Resources to conclude and sign the Heads of Terms for the project between the Museum of London, the City of London Corporation and the GLA.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

23/1/17

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

1. Introduction and background

Background

- 1.1 The Museum of London Act 1965 (as subsequently amended) sets out the GLA and City of London Corporation ("Corporation") as statutory co-funders of the Museum of London.
- 1.2 The 1960s London Wall building is deteriorating and requires an estimated £50 million capital works of maintenance over the next ten years. The Museum of London ("Museum") needs to expand in order to accommodate growing visitor numbers (record 1.167 million visits in 2014) and the world's most significant urban history collection with over seven million items.
- 1.3 In 2014, an options review was undertaken in accordance with Treasury Green Book guidelines looking at both the current site and relocating to West Smithfield. In 2015, the Museum's Board agreed the move to the Farringdon site was preferable, next to the new transport hub. This would provide the Museum with a more iconic and accessible building that could service in excess of two million visitors a year. The West Smithfield site would provide additional space for temporary exhibitions, improve income generation, reduce per metre squared operating cost and provide the opportunity to save an important part of London's heritage.
- 1.4 The estimated costs for the design, construction and fit-out of a new museum on the West Smithfield site are £211 million with project delivery and mobilisation costs of £39 million – a total of £250 million.
- 1.5 The Corporation bought back the development lease for the West Smithfield site in December 2015 and the Museum initiated an architectural competition to find a Design Team to develop the scheme. This led to the appointment of Stanton Williams and Asif Khan in August 2016. The GLA supported the move – via a Mayoral Decision (17 March 2016).
- 1.6 The Museum has produced an economic case demonstrating that the plans are cost beneficial. Following a fundraising feasibility study, the Museum's Board have approved a campaign with a target of £70 million, leaving a balance of £180 million to be secured from the GLA and the Corporation.
- 1.7 Discussions have taken place with the Corporation and the terms of a funding package to ensure that the Museum can proceed with its relocation proposal in 2022 have now been agreed in principle. The rationale and benefits of the proposal are set out below.

2. Objectives and expected outcomes

- 1) Build a world class Museum of London at West Smithfield.
- 2) Close the London Wall site and open the new museum by 2022.
- 3) Deliver a viable future for the West Smithfield site that is sensitive to the heritage and character of the building itself and the surrounding area.
- 4) Deliver a new creative quarter at West Smithfield (there is considerable opportunity for new infrastructure on the new museum site e.g. new retail or cultural workspace).
- 5) Enable the Museum of London to deliver an improved visitor experience e.g. increased gallery space, more visible site, better transport links and wayfinding (easily accessible ground floor entrance).
- 6) Increase capacity to generate more income e.g. through retail rental income; increased visitor spend.

Benefits of relocation for the Museum of London

1. Contribute to major agendas for London:

- Mayor of London's Cultural Strategy, the London Curriculum, and #London Is Open campaign.
- A major culture infrastructure project as part of the Cultural Infrastructure Plan, which is a Mayoral pledge.
- Supporting access for all Londoners to the world's most significant urban history collection of over seven million items.
- Build on London's tourist industry, attracting new visitors to this loved Museum (now London's 12th most popular Museum on TripAdvisor).

2. Culture-led regeneration of the Farringdon area:

- Revive the iconic heritage site at West Smithfield. This has now been empty for 25 years after two failed planning applications.
- Deliver a cultural quarter at West Smithfield with the Museum at its heart. There is potential for new retail, cultural uses and creative space within the site.
- Located next to the new transport hub at Farringdon with direct access to all major airports.
- Add value to London's biggest transport infrastructure project, Crossrail.
- Improved planning and infrastructure currently disjointed due to a lack of public realm, with derelict market buildings separating the area.
- Deliver economic benefit for London (e.g. Gross Value Added at £53m each year) and the creation of new jobs and indirect support to employment (Net Additional FTE Jobs range from 1,644 to 1,786).

3. A world-class Museum for a world-class city:

- Double visitors to 2 million per year from London, UK and internationally.
- Expand education offer to reach every London school child.
- Provide a world-class building fit for a world-class Museum (resolve the issue of the Museum's current dilapidating venue).
- Showcase London leading creative industries - starting with the appointment of architects Stanton Williams and Asif Khan.
- Tell the stories of London and engage Londoners with the city's history.
- Create a more financially sustainable and resilient organisation with a diversified income base, through the commercial opportunities available at West Smithfield e.g. retail units on site.

3. Equality comments

- 1) The Museum's programmes will proactively celebrate and bring together London's diverse communities through cultural and creative activity.
- 2) All recruitment, procurement and commissioning for the project will be fully comply with the Equality Act 2010.

This provides that, in the exercise of their functions, public authorities must have due regard to the need to:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
 - Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
 - Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 3) The Museum of London will work with the GLA's Diversity and Social Policy team to ensure that the fairness and inclusion are embedded in the design of the programmes, particularly with regard to addressing gaps in equality.

- 4) Design Proposals: All design proposals will be assessed in terms of accessibility to ensure we minimise disadvantages suffered by people who share a protected characteristic, age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation. The Museum will engage an Access Consultant to work as part of the Design team.

4. Other considerations

Do nothing/minimum involvement

- 4.1 A summary of the Museum's case for investment is attached as appendix 1. If the Museum stays on its existing site consultants have estimated that essential capital backlog maintenance costs of £50 million would be required. The GLA and the Corporation are the statutory joint funders and therefore the GLA would face costs of £25 million, but this would do nothing to enhance the building or its attractiveness for visitors. The existing building is not fit for purpose now, has limited scope for expansion, and cannot fit the aspiration of a world class museum in the future. In addition, the Museum cannot develop its revenue base on the existing site. The GLA and the Corporation would remain exposed to future calls on funds to maintain the building, any works would need to be accommodated around the existing operation of the Museum and over a long period, so further affecting income.
- 4.2 A significant shortcoming of the current site is the absence of a ground floor presence. To create a new entrance at ground level, to increase gallery space, retail and catering it is estimated that a further investment in the region of £60 million would be required. Disruption to the existing operation would again be severe and the funders would therefore face costs of c£55 million each and remain exposed to future maintenance cost bids.

West Smithfield site

- 4.3 The estimated costs of construction and fit out of a new Museum of London building at West Smithfield and the associated relocation and project delivery costs are summarised in Appendix 2. The £211 million construction cost estimate was produced in early 2015 and is the best estimate at this stage of the project and includes provision for inflation and contingency, but it is based on per square metre benchmark costs before any detailed design cost estimates so there is cost risk until the design process has been completed.
- 4.4 Delivery costs through to 2022 are estimated at this stage to be £39 million. Up to April 2018 when a planning application is expected to be submitted estimated costs are £10.3 million. These include £0.8 million of costs that the GLA and the Corporation have already jointly provided to date and a further £1.6 million required to progress the project to January 2017 that the Corporation has agreed to fund at this stage. The contributions are towards delivery costs and other project costs including early surveys and consultancy fees. After April 2018 the Museum estimates that project delivery will cost c£7.1 million per annum until March 2022.
- 4.5 A business plan assessing the financial and organisational implications of a new museum on the West Smithfield site, including an economic case reviewed by GLA Economics has been produced by independent consultants. This demonstrates the wider economic and social impact and value of the relocation and a financial case with the operating model, including assumptions and options. This shows that the West Smithfield site will generate positive 'benefit/cost' ratios, which increase from 1.4 to 1.6 through two proposed scenarios for the project.
- 4.6 The financial case validated the visitor projections from the original Site Options Appraisal confirming it was realistic to plan for 2.3 million visitors in the year of opening and reaching 2 million per year from 2023 onwards. The investment in West Smithfield would allow the Museum to earn more income from non-visitor related sources including enhanced fundraising potential and to develop a more robust business model with increased opportunity for revenue generation comprising two sets of options.
- 4.7 One set of options builds on existing museum activities maximising the potential of the new site (Enhancing the Core) and the other identifies a range of new income streams such as enhanced membership and donations schemes (Growth and Legacy). At a minimum, the assessment concluded that the new financial model would enable the grant-in-aid funding received from the GLA (currently £7.6 million) to remain flat, whilst the Museum will have doubled its visitor numbers to 2 million each year and extended its reach across the capital, UK and internationally. In summary a new, larger Museum would cost more to run but it is anticipated these additional costs could be met from the additional commercial income.

Funding package

- 4.8 The Museum has been advised by fundraising consultants that it should be feasible to raise £70 million through a major fundraising campaign led by the Museum of London, and this target has been endorsed by the Museum's Board.
- 4.9 This means that based on the current £250 million estimate of project costs there is up to £180 million required from the Corporation and the GLA. In principle agreement has been reached between the parties that if a GLA contribution was to be capped at £70 million the Corporation would provide the remaining £110 million. The basis for this is that the Museum, the Corporation and the GLA would each provide approximately one third funding for the estimated £211 million construction and fit out costs and means that the Corporation would fund all of the project delivery costs. In practice the GLA's capped contribution would fund a mixture of total costs up to the capped amount.
- 4.10 The GLA has incurred £430,000 of costs to date (MD1513 and MD1658) to develop a full business case for the new museum, produce a fundraising feasibility study, take appropriate legal and tax advice, and commission consultancy on communications, consultation, audience engagement, project management and procurement, and £200,000 for the architectural competition. These costs and £2.045 million of costs approved by the Corporation to fund the project to date would be part of the overall funding package of £250 million. The £2.93 million of health and safety, deterioration and survey works funded separately by the Corporation together with the £35 million that it paid to buy back the development lease for the West Smithfield site would not be included in the funding package.
- 4.11 If fundraising exceeded expectations and/or it is possible to drive down costs such that the Corporation's contribution could potentially be less than the GLA's capped £70 million, the GLA's contribution would be adjusted so that it did not exceed that of the Corporation.
- 4.12 The funding package set out in 4.8 to 4.11 above will be included in a Heads of Terms for the project between the Museum, the Corporation and the GLA.
- 4.13 The Corporation is expecting to borrow to fund the majority of its contribution and has also agreed that this would include the GLA's contribution to the project. This means that the GLA would provide its funding to the project by way of a long term annual revenue contribution to the Corporation i.e. this would ensure the Corporation can finance and repay any borrowing. The GLA and Corporation will enter into a legal agreement to cover this arrangement.

	Risk description	Mitigation / Risk response	Current probability (1-4)	Current impact (1-4)	RAG	GLA risk owner
1	Reputational Damage - Funding initiatives that are badly run, that are significantly scaled down or that are cancelled risks the capital's reputation	Strong project governance and cross-team scrutiny by Culture Team and Governance	1	4	G	Culture & Governance Teams
2	Maintaining quality control of this high profile project.	Strong project governance and cross-team scrutiny by GLA Culture and Governance Teams. Museum will set up specific Board to monitor the progress and delivery of the project with a GLA representative on the Board.	1	3	G	Culture & Governance Teams
3	Financial mismanagement	5.1 On-going assurance on project costs will come from GLA	1	3	G	Culture & Governance

		representation on the project Board and through regular project monitoring information.				ce Teams
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5. Financial comments

- 5.1 Details of the proposed funding package and protections for the GLA are set out in paragraphs 4.8 to 4.13. The GLA will provide annual revenue grant funding to the Corporation to cover the financing costs of any borrowing the Corporation undertakes for the GLA's share of its contribution to the capital funding package. An outline of estimated project cashflows shows that approximately £21 million is required up to the end of RIBA Stage 3 by June 2018 with the main construction cost not occurring until 2019. The Corporation has indicated that it may not need to borrow immediately, therefore in this case the GLA's revenue grant could cover project costs directly. However, by way of illustration the estimated financing costs of borrowing £70 million over 25 years would be approximately £4 million per annum based on current market projections of interest rates. It is currently intended that this would be funded from the extra council tax revenue that will be generated from the increase in the taxbase expected in 2017-18. The GLA would also have an option to make a contribution from its planned capital programme reserve depending on the level of other commitments and priorities for this reserve: a contribution from this reserve would reduce future annual contributions and/or the financing period
- 5.2 To provide certainty of funding to the Corporation the financing arrangement will be set out in a legal agreement between the GLA and the Corporation. To date the GLA has provided £430,000 towards the project cost, but no further funding would be provided until this is concluded and the Corporation has formally confirmed its contribution.
- 5.3 The GLA contribution to the capital cost will be capped and on-going assurance on project costs will come from GLA representation on the project Board and through regular project monitoring information.
- 5.4 The estimated costs of running a new museum from 2022 can only be regarded as indicative at this stage and although consultants have concluded that the subsidy required could remain unchanged at current prices there is a risk that costs could be higher and commercial income less than currently projected. This will need to be considered in more detail as the project progresses.

6. Legal comments

- 6.1 Sections 1 to 4 of this report indicate that:
the decisions requested of the Mayor (in accordance with the GLA's Contracts and Funding Code) concerns the exercise of the GLA's general powers, falling within the GLA's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to the promotion of economic development and wealth creation, social development or the promotion of the improvement of the environment in Greater London; and in formulating the proposals in respect of which a decision is sought officers have complied with the GLA's related statutory duties to;
- Pay due regards to the principle that there should be equality of opportunity for all people;
 - Consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
 - Consult with appropriate bodies.

In taking the decisions requested, the Mayor must have due regards to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010). To this end, the Mayor should have particular regard to section 3 (above) of this report.

The Museum of London Act 1965 (the “Act”) stipulates the Board (made up of the GLA and the Corporation) general functions are to care and preserve the collection, are exhibited to the public and to generally promote understanding and appreciation of historic and contemporary London. This report indicates the relocation of the Museum is within the general functions of the Board.

Furthermore, section 15 of the Act 1965 states both the GLA and Corporation will fund the Museum in respect of such part of the expenditure incurred or to be incurred on an equal financial split unless otherwise determined. The above report indicates the GLA will pay a proportionate of overall costs which is in line with the Act.

This decision form indicates that the proposed financial contribution of £70 million will amount to the provision of funding and not a payment for services rendered. On the basis that this payment is to be funding, as opposed to the procurement of services, the Contracts and Funding Code requires the GLA to ensure that the funding is distributed fairly, transparently and in accordance with the GLA’s equalities obligations. The Code also requires the GLA to demonstrate value for money in the allocation of this funding.

The relevant officers should liaise with TfL Legal to ensure that an appropriate funding agreement is put in place to govern the grant of this funding to the Museum prior to any payment being made.

The Mayor may, under section 38 of the GLAA, delegate the exercise of the GLA’s functions to the Executive Director of Resources as proposed.

7. Corporate Investment Board – submitted on 23 January 2017

8. Planned delivery approach and next steps

	Milestones, deliverables and promotional activity	GLA lead	Estimated date
1	GLA and City of London confirm funding and Heads of Terms signed	CCI unit	January 2017
2	RIBA Stage 0; strategic definition; completed		April 2017
3	RIBA Stage 1; preparation and brief; completed	CCI unit	August 2017
4	RIBA Stage 2; concept design; completed	CCI unit	May 2018
5	RIBA Stage 3; developed design; completed		Dec 2018
6	Planning permission granted	CCI unit	Spring 2019
7	Work commences on site	CCI unit	Spring 2019
8	Practical completion	CCI unit	Spring 2022

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

If YES, for what reason:

Until what date:

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the following
(✓)

Drafting officer:

Adam Cooper has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Assistant Director/Head of Service

Jackie McNerney has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Sponsoring Director:

Martin Clarke has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Justine Simons has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

M. D. Allen

Date

23.1.17

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

D. Bellamy

Date

23/1/2017