



Property Investment Board

Date: WEDNESDAY, 14 SEPTEMBER 2016
Time: 1.45 pm
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

5. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT: MUSUEM OF LONDON PROPOSED RELOCATION – UPDATE AND FUNDING REQUEST**
Report of the Town Clerk.

For Information
(Pages 1 - 14)

Item received too late for circulation in conjunction with the Agenda.

John Barradell
Town Clerk and Chief Executive

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Agenda Item 5

Committee(s)	Dated:
Policy and Resources Committee – for decision Resource Allocation Sub- Committee - for decision Property Investment Board – for information Markets Committee – for information	08 September 2016 08 September 2016 14 September 2016 21 September 2016
Subject: Museum of London Proposed Relocation – update and funding request	Public
Report of: Town Clerk	For Information
Report authors: Matthew Pitt	

Summary

Since the last report to your committee in July, the Museum of London project has gathered further momentum with progress made on a number of key items by the Museum. Stanton Williams and Asif Khan have been formally announced as architects and have received a warm reception in the press following the recent architectural competition, Turner and Townsend have completed their technical study, a draft of the business case for the new museum has been reviewed by the City of London Corporation and Greater London Authority, City officers have met with SMTA to discuss their concerns and a number of steps are now required to enable the project to move forward to the end of the year.

Recognising this change in pace and momentum, the City of London Corporation has appointed a dedicated project director, Philip Everett, to liaise with the Museum of London and coordinate the activities of the City in relation to the project.

This report provides Members with an update regarding SMTA representations and recommends that the previous “in principle” decision be reaffirmed. It advises of the latest position with regard to the Museum of London’s proposed move to Smithfield General Market and Annexe (West Smithfield). Subject to the “in principle” decision being reaffirmed, it seeks Members approval to funding from City's Cash reserves for the following: -

1. £1.628m grant by the City to the Museum to allow the Museum to continue with the project up to January 2017;
2. £1.3m for works to be undertaken by the City in order to make the General Market Buildings safe;
3. £1.5m for deterioration works to the General Market Buildings to be undertaken by the City; and
4. £130,000 for surveys and investigations on the General Market Buildings site to be commissioned by the City.

Approval of the above will allow the project to move forward and maintain momentum for the remainder of the year, including the opportunity for the Museum to bid for Heritage Lottery Funding in its next annual funding round (November 2016). That ability to bid for funding at this early stage, if successful, would help

underpin funding for the project, provide confidence to the GLA, City of London Corporation and other potential sponsors.

However, the position remains as reported in July that any final commitment of the City is subject to a number of practical considerations.

Recommendations

Members of the Policy and Resources Committee and Resource Allocation Sub Committee are asked to:

- Consider the SMTA letter at Appendix C and reaffirm the decision taken at your July meeting to provide approval in principle to the Museum of London's Proposed relocation in light of the SMTA letter at Appendix C noting that the Markets Committee and Property Investment Board saw the letter and had no subsequent objections to the decision taken by your committee;
- Approve a grant of up to £1.628m from City's Cash reserves to the Museum of London to fund the Museum's relocation project up to January 2017;
- Delegate authority to the Town Clerk in consultation with the Chairman and Deputy Chairman to agree the final amount of the grant up to £1.628m which is subject to further discussions with the GLA over the coming weeks;
- Delegate authority to the Town Clerk in consultation with the Chamberlain (on matters of a financial nature) and the City Solicitor, to prepare and agree a letter setting out the terms and conditions of the proposed grant to the Museum to adequately protect the City's position;
- Approve funding of £1.3m from City's Cash reserves in order to make the General Market and Annexe Buildings safe for the project team's access to the site to continue;
- Approve funding of £1.5m from City's Cash reserves for other identified works subject to additional due diligence;
- Delegate authority to the Town Clerk in consultation with the Chairman and Deputy Chairman to approve the final cost of the health and safety and other works which are estimated to cost £1.3m and £1.5m;
- Note that expenditure on the above works will be progressed through the gateway process in accordance with the City's project and procurement procedures;
- Approve up to £130,000 from City's Cash reserves for necessary surveys and investigations;
- Note the appointment of a project director to manage the City's relationship with the project;
- Note that a report dealing with the Heads of Terms between the City of London Corporation and the Museum of London will be brought forward later in the autumn;
- Note that further funding will be required to cover the Museum's project costs from January – May 2017 and a report will be brought for Members' consideration in December 2016.

Main Report

Background

1. In July 2016, your committee gave approval in principle to working with the Greater London Authority (GLA) to support the Museum of London's aspiration to move to Smithfield General Market and Annexe, while noting that full approval would be subject to satisfactory arrangements in respect of various matters such as cost envelope, capital and revenue funding, due diligence and governance. Since the consideration of that report, there have been a number of developments in quick succession which now require the City to consider further action to enable the project to continue. The former market buildings, now in our care and ownership, also need to be made watertight and safe. The purchase report identified that the City would be responsible for the repair and maintenance of the buildings.
2. Earlier in 2016, the City, together with the GLA provided funding for a number of initiatives to take the project forward. This followed the City's purchase of the General Market and Annexe site in late 2015. The Museum, working with Barker Langham, has subsequently compiled a business case for the relocation to West Smithfield which has been shared with City of London Corporation and the Greater London Authority (GLA) and run an architectural competition to select an architect. The winner was recently announced as Stanton Williams with Asif Khan and media coverage has been encouraging with positive support coming from a broad range of the press and key stakeholders such as Heritage England. The Museum also commissioned a technical study of the West Smithfield buildings to determine issues and risks.
3. In previous reports it was noted that approval in principle has been given to support redevelopment of the Museum's current London Wall site to create a Centre for Music. This could not take place until the Museum of London relocates to Smithfield and it is within both the City and Museum's interest to support progression of the proposed relocation at the earliest opportunity.

Current Position

4. On 28 June 2016, Smithfield Market Traders' Association (SMTA) wrote to the City of London Corporation setting out their latest position ahead of the paper considered at your July meeting. Due to an administrative error, this letter was not included when Members considered the City's in principle support for this project. This letter can be viewed at Appendix C.
5. In terms of the Museum of London's use of the site, the SMTA comments do not alter the general approach that such a use would help realise the fullest potential of the site and the intensification opportunities offered by the new key Crossrail interchange at Farringdon, and should be supported in principle. In terms of the specific comments regarding West Poultry Avenue, that part which lies above railway tunnel lids was closed to all vehicles by a traffic order in 2001. Although the closure was permanent the original intention was for this to be reviewed once the tunnel was strengthened. Servicing and access arrangements and impacts on traffic movements and Smithfield market will be considered when any planning application is evaluated.

6. A meeting was subsequently held at Guildhall between the City and representatives of the SMTA to begin a constructive dialogue regarding the project. This meeting was chaired by the City's recently appointed Project Director, Philip Everett who will be managing and coordinating the City's involvement in the Museum project and representing the City's interest within the wider project governance. The SMTA set out their primary areas concerns at this meeting and the City undertook to maintain a regular dialogue as the project moved forward.

Funding for progression of the project

7. Following the outcome of the architectural competition and technical study in particular, the following next steps have been identified to take the Museum's project forward: -
 - appointment of Design Team consultants including;
 - Cost Consultant;
 - Project Manager; and
 - Structural Engineer

These appointments will provide greater certainty about project cost, currently estimated at £200-300m, and programme, currently estimated to complete in 2022. They will also facilitate an application to the Heritage Lottery Fund (HLF) for funding.

8. The bid for HLF funding this year, if successful, would have the advantage of underpinning funding for the remainder of the project and provide confidence to the City of London Corporation and GLA. The HLF bid will be significant and is key to unlocking other major funders. Failure to meet the HLF deadline in November would result in a 12 month delay on fundraising. The Museum has only very limited resources it can use internally on this project and so professional assistance is required to deliver a successful HLF bid of this size.
9. The funding requirement to allow the project to progress has been costed at £1.628m and would take the project forward until January 2017. There is further advanced knowledge that that the appointment of the Design Team consultants on the project will incur commitments of a further £1.449m from January to May 2017 to deliver RIBA Stage 1 (preparation and project brief). A full breakdown of the outputs between now and January together with an estimate of funding requirement beyond January to RIBA Stage 1 is set out at Appendix A.
10. The work enabled by this funding will facilitate a more detailed assessment of the costs and actions required to take the project through the planning process. A further report would be submitted to the City of London Corporation and GLA in January 2017.
11. Providing funding to allow the project to continue without delay to the end of the year also benefits the proposed Centre for Music project. Bastion House (140 London Wall) becomes vacant in 2018 and if it were possible for the Museum to

move off their current London Wall site at an earlier date this would be beneficial for the City and to Centre for Music by facilitating its earlier redevelopment. Officers will continue to work with the Museum project team to explore acceleration of the current Museum project timeline to align the two project as much as possible.

12. An indication and summary of subsequent project stages is set out below: -

Project Stage	Estimated Timescale
RIBA Stage 2: Concept Design and Cost Plan	May 2017 - November 2017
RIBA Stage 3: Developed Design and Planning Documents	October 2017 - April 2018
RIBA Stage 4: Technical / Production Design	October 2018 - November 2019
Procurement (demolition/enabling and main works)	November 2018 - July 2019
Demolition and Construction	May 2019 - November 2021
Migration	December 2021 - May 2022

Funding for stabilisation works and surveys

13. Following the appointment of Turner and Townsend to conduct a technical study of the proposed new Museum site, a number of urgent items require attention. These include works to stabilise the existing buildings, erect scaffolding and prevent further deterioration to the former market buildings.
14. Health and Safety works have been costed at £1.3m. These would enable access to the site for further investigations and project team access. Without these works the building would not be considered safe and further necessary inspections of the buildings and other onsite works could not continue. The responsibility for carrying out these works and to allow access lies with the City of London Corporation as freeholder of the buildings. Failure to carry these out would result in further delays to the project given the current unsafe internal condition of the buildings.
15. In addition to the urgent works identified on health and safety grounds, there are other items related to the condition of the buildings with a potential additional cost up to £1.5m. Further due diligence on these items is required but it would be beneficial to set aside that sum to deal with these items, as necessary, once this has been carried out.
16. Also identified within the technical study were a number of surveys covering items including asbestos, protected wildlife and hazardous materials estimated to cost up to £130k.
17. Expenditure on the works in paragraphs 14 and 15 will be progressed in accordance with the City's project and procurement procedures and a full list of the above works is included at Appendix B.

Heads of Terms Update

18. Officers in the City Surveyor's Department are currently working with the Museum and GLA to finalise the draft Heads of Terms for the West Smithfield site. It is hoped that a final version can be brought before Members for approval later in the autumn.

Business Case Update

19. A draft of the Museum's business case, being compiled by Barker Langham, has now been reviewed by City of London Corporation and GLA officers. The draft business case tests the assumptions made by the Museum for operating a much larger Museum within current revenue budget envelope provided by the two major funders. Initial indications on this are positive however before the business case can be finalised, officers have requested further work be completed to make the investment case for the Museum's proposed relocation clearer.

Proposals

20. It is proposed that Member's confirm their earlier decision, taken at their July 2016 meeting to provide approval in principle to working with the GLA to support the Museum's ambition to move to Smithfield Market and Annexe (West Smithfield). Markets Committee and Property Investment Board both reviewed the SMTA's letter at their July meetings following its circulation as a supplementary item and had no subsequent objections to the decision taken by your committee on 7 July.
21. It is also proposed that Members approve the funding request for the City of London Corporation to fund up to £1.628m to allow the Museum to progress with relocation project up to January 2017. The final share of this element of funding between the GLA and City will be the subject of further discussion over the coming weeks and is linked to the much wider issue of how the GLA will fund their portion of the overall project cost. Approving up to £1.628m will allow the project to continue without delay to the programme and a final funding share would be considered using delegated authority procedures.
22. It is further proposed that £1.3m be released to fund urgent stabilisation and health and safety works recommended in the technical study. These works will stabilise the building and safeguard access for the project teams.
23. In addition to stabilisation and health and safety works, it is recommended that an allocation of up to £1.5m to cover the cost of additional works to the buildings following the completion of further due diligence. It is proposed that the final sum be considered using delegated authority procedures to prevent further delay and unnecessary deterioration.
24. It is also recommended that £130k be allocated to enable survey and investigation work to take place as set out in paragraph 16 and Appendix B.

Funding implications

25. There is no provision for either the funding bid of £1.628m, the proposed works totalling £2.8m or the additional surveys estimated at £130k. If Members decide to proceed the costs will therefore need to be met from City Cash Reserves and the agreement of Resource Allocation Sub- Committee will need to be sought.
26. With regard to the Museum's bid for further funding to take the project forward to January 2017, detail is set out in Appendix A. It was originally envisaged that the City and the GLA would share such costs 50:50 and the table below details the relative contributions both will have made should the bids be agreed. City officers are clarifying with the GLA if they are prepared to meet the proposed cost of the project until December 2016 in the same manner. For budgeting purposes, the table below assumes that the City will meet the full cost of the funding bids contained in this report.
27. Members should also note that should the project not proceed, or proceed in a different form, some or all of the City's overall contribution of £5m (presuming the bids in this report are agreed) will form the abortive cost of the project. Members may therefore wish to consider the level of expenditure they are prepared to approve prior to a final agreement for the project to go ahead.
28. The cost of the Museum of London relocation, as outlined in the July report to your committee, is estimated at £200-300m with a current early of assumption of £250m for the final overall cost. The final figure is expected to be split between the City, GLA and Museum of London (fundraising). The £1.628m outlined in this report for progression is the anticipated project spend and is therefore expected to be part of this overall figure. The £2.93m of health and safety, other and survey works are in addition to this sum and it is anticipated, unless discussion with the GLA proves otherwise, that these costs will need to be met entirely by the City Corporation. These works whilst necessary to the progression of the project could be required of the City as the freeholder even if the Museum of London relocation project were not to go forward.
29. Smithfield General Market has been opted to tax. Any VAT incurred on the stabilisation works will be fully recoverable as it will be attributable to the future lease to the Museum of London. There will be no impact on the City's partial exemption position as a result of expenditure on these works.

Summary of Overall Project Funding Provided by the City/GLA

	City Funding £'000	GLA Funding £'000	Total £'000
<u>Agreed Funding</u>			
Architectural Competition		200	200
Preliminary Site Investigations	200		200
Business Case (Short Term Programme)	100		100
Remaining Short Term Programme Costs	117	217	334
Total Agreed to Date	417	417	834
<u>Requested Funding</u>			
Further Project Funding to January 2017	1,628		1,628
Health & Safety and other building works	2,800		2,800
Surveys and Investigations	130		130
Total Funding	4,975	417	5,392

Corporate and Strategic Implications

30. The City of London Corporation's in principle support for the Museum of London's proposed relocation to West Smithfield is reflected in a number of policies and corporate priorities. These include the Corporate Plan 2015-19 (e.g. Key Policy Priority 5), the Cultural Strategy 2012 – 2017 (eg page 5), the Core Strategy (e.g. CS 11) and the Smithfield Conservation Area SPD 2012.

Conclusion

31. Following commissioning of the technical study conducted by Turner and Townsend and competition of the Museum of London's architectural competition with the appointment of Stanton Williams with Asif Khan momentum on the Museum's relocation project has gathered pace. To date a small team of two Museum of London staff have managed the project with support from the GLA and City of London however in order to progress the design and funding of the project, additional financial support is now required. In addition, the technical study has outlined a number of urgent stabilisation works which are required to make the buildings at West Smithfield safe and prevent further deterioration. These funding packages are regarded as essential to allowing the project to progress to January 2017 where a further report setting out costs to the completion of RIBA Stage 1 will be brought for Members' consideration. In the meantime, it is expected that work to finalise overall funding for the project, governance and Heads of Terms will continue between the City, GLA and MOL. It is therefore recommended that Members approve the recommendations set out in this report.

Appendices

- Appendix A – Immediate funding requirements to December 2016
- Appendix B – Technical Study summary of urgent works

- Appendix C – SMTA Letter to City of London Corporation, 28 June 2016

Background Papers

- Cultural Strategy 2012-2017
- Corporate Plan 2015 – 2019
- Core strategy (adopted 2015)
- Smithfield Conservation Area SPD (adopted 2012)

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Appendix A: Immediate funding requirements to January 2017

Prepared 19/08/16

Activities (£'000s)	Description	Estimated cost to Jan 2017 £k	Forward commitments to RIBA Stage 1 estimated May 2017
<i>Heritage Lottery Fund application:</i>	<i>the following strands of work are essential for the application for a significant grant of up to £20m. This will be one of HLF's largest ever awards.</i>		
Content Design Development; HLF	Subject specialist advice on gallery content	42	N/a
Interpretation master planning; HLF	Narrative and themes describing and visualising visitor experience	90	N/a
Fundraising incl. HLF application	Set up fundraising team (staff) & HLF written submission	229	Note [2]
Heritage Statement; HLF	Renowned conservation architect Julian Harrap has been appointed through competition to write a statement of significance for the buildings	25	
Brief for Conservation Plan; HLF	Julian Harrap will write the brief for the conservation plan, required by HLF, and then undertake the plan, required by planning and an essential part of consultation to bring stakeholders on board.	23	35
Architect; HLF	Initially only concept visuals for HLF submission	90	500
Research; HLF	Development plan to demonstrate demographic of audiences	60	N/a
<i>Page 20</i> Consultant appointments	<i>The project cannot progress further without the appointment of expert consultants to assist with the development of the scheme, including overall project organisation and governance, cost assessment; planning advice etc. These appointments must be made through the OJEU procurement route, for which MoL requires assistance.</i>		
Design team procurement	Consultancy support for the OJEU processes for the Design Team procurements	42	40
Design team project management	Early essential tasks following appointment of the Project Manager, including review of standard services for Design Team appointments, development of Programme, starting to scope priority surveys, contributing to remaining Design Team procurements	84	168
Design team cost consultants	Early essential tasks following appointment of the cost consultant, including review of current cost model, development of procurement documentation for early surveys	60	230
Design team structural engineers	Early essential tasks following appointment of the structural engineers including contributing to scoping and planning early surveys	60	168
Galleries project development	Exhibition and fit-out design services brief	84	N/a
Legal and tax advice	Trowers and Hamlin were appointed to be the MoL's legal advisors through competition. Ongoing – advising on negotiations on Heads of Terms matters such as title and lease; project team procurement and Ts&Cs	108	108

Communications	PR consultancy for project and planning submission	134	Note [2]
<i>Other</i>			
Project office set up	Project Office (systems) and Manager. Currently MoL are running this project with 2 members of staff part time. Dedicated resource is required to set up systems to provide auditable records and ensure the project is properly governed	180	Note [2]
Information management	Surveys and development of common platform for sharing data including 3D modelling for Building Information Modelling compliance	180	200
Business planning phase 2	Revisions of Business Case, Corporate Services review and HR Change Management. The first draft of the Business Case that determined the mix of commercial and gallery spaces in the scheme need revision as the design progresses. MoL staffing model for the New Museum will require significant changes from present and impact on the ongoing Business Case.	137	Note [2]
Total		1,628k	1,449k

Notes:

[1] Following the Smithfield Study meeting, surveys delayed because of access and health and safety issues.

[2] Future commitments will be a mix of consultants and Museum staff; staff will be a recurring commitment.

Appendix B

The following works have been identified within the Smithfield Study Phase 3 Report, produced by Turner & Townsend, as requiring immediate attention.

1a Health & Safety

- 1a-1 Propping to General Market timber roof south and north of central hall – Installation of timber packing and additional boarding to arrest falling debris
 - 1a-2 Propping to General Market timber roof NE and SE corners central hall – Installation of back propping to existing first floor iron structure to arrest collapse
 - 1a-3 Propping to General Market timber roof adjacent to eastern entrance – Installation of back propping to existing first floor iron structure to arrest collapse
 - 1a-4 Propping to Fish Market roof at location of rotten timber arch trusses – Installation of back propping to existing first floor iron structure to arrest collapse
 - 1a-5 Inspection of West Smithfield canopy condition from raised access – Cherry-picker access to be arranged to conduct inspection of canopy and bearings
- £1,300,000**

1b Deterioration Prevention (subject to further due diligence)

- 1b-1 Water ingress over arcades in Fish Market – Installation of temporary roof (assuming localised repairs not feasible)
- 1b-2 Water ingress General Market central hall – Localised repairs to existing roof coverings
- 1b-3 Water ingress General Market crust buildings – Installation of temporary roof
- 1b-4 Water ingress over perimeter roofs in Fish Market – Installation of temporary roof (assuming localised repairs not feasible)
- 1b-5 Cracking in General Market southwest corner (monitoring and repair) – Installation and ongoing inspection of crack monitoring and targets
- 1b-6 Water ingress in Poultry Market basement – Localised removal of internal finishes to inspect drainage and condition of structure

£1,500,000

Surveys and Investigations

- Enhanced asbestos survey
- Toxic / hazardous materials survey
- Protected wildlife survey
- Structural surveys
- Trial pit investigations over tunnel lid areas (in conjunction with Network Rail)

£130,000

It should be noted that costs are provided inclusive of fees (13%) and are approximate figures taken from a draft Cost Model provided by Turner & Townsend for the Museum. The sums shown exclude any allowance for City of London 'in house' staff costs which at present it is assumed will be met from existing local risk budgets. Further due diligence will be undertaken to ensure that the City receives the best price.

It is advised that all items within 1a and 1b-5 are considered urgent and will allow progression of investigations and surveys. In addition, the deconstruction of the Red House internal timber floors (item 2b-1) is to be further considered following the most recent inspection by AKT II.

Appendix C



SMITHFIELD MARKET TENANTS' ASSOCIATION

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28 June 2016

Dear John

Proposed Move of the Museum of London to Smithfield General Market, etc

Thank you for your letter of 15th June.

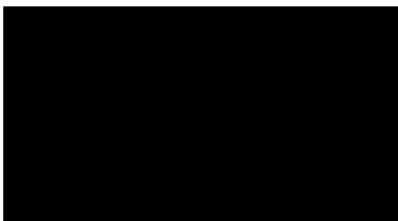
I am profoundly disappointed that there has been no attempt on behalf of the City of London to discuss or consult with the Association on this matter before now. The City of London has an obligation to provide a Market at Smithfield. All the planning to date appears to have taken place with very little thought or attention given to the operations of the Market, which is a substantial employer in the City and the provider of a necessary service to many businesses located in the City and Greater London.

Whilst we remain of the view that the buildings could still best be used for market purposes, we would consider other uses, such as the museum, if such use can be proven to support rather than detract from the running of Smithfield Market. As a precondition of any move to support the project, we would insist on the tunnel lids being repaired, a matter which should have been addressed before now. There would also need to be recognition and agreement for a funding stream from the museum to assist in supporting the Market.

Having seen the design concepts, it appears that the museum has been given free rein as regards West Poultry Avenue. This is unacceptable as the Market will continue to require full access to West Poultry Avenue for deliveries and collections to the Poultry Market, including the north and south service ways. This is just one of our many concerns.

I suggest that a meeting be arranged between Association representatives and those responsible at the City for the decision making on this project as soon as possible, so that we can ensure that the Market has the correct, and accurate, input to planning to enable it to continue to operate efficiently and successfully. I look forward to hearing from you.

Yours sincerely



Greg Lawrence
Chairman