



House of Commons
Regulatory Reform Committee

Draft Regulatory Reform (Museum of London) (Location of Premises) Order 2004

Second Special Report of Session
2003–04

*Ordered by The House of Commons
to be printed 29th June 2004*

The Regulatory Reform Committee

The Regulatory Reform Committee is appointed to consider and report to the House of Commons on proposals for regulatory reform orders under the Regulatory Reform Act 2001 and, subsequently, any ensuing draft regulatory reform order. It will also consider any "subordinate provisions order" made under the same Act.

Current membership

Mr Peter Pike (*Labour, Burnley*) (Chairman)
Mr Russell Brown (*Labour, Dumfries*)
Brian Cotter (*Liberal Democrat, Weston-super-Mare*)
Mr Jeffrey M. Donaldson (*Democratic Unionist, Lagan Valley*)
Mr Dai Havard (*Labour, Merthyr Tydfil and Rhymney*)
Andy King (*Labour, Rugby and Kenilworth*)
Mr Mark Lazarowicz (*Labour, Edinburgh North and Leith*)
Mr Andrew Love (*Labour/Co-operative, Edmonton*)
Mr John MacDougall (*Labour, Central Fife*)
Chris Mole (*Labour, Ipswich*)
Mr Denis Murphy (*Labour, Wansbeck*)
Dr Doug Naysmith (*Labour/Co-operative, Bristol North West*)
Mr Archie Norman (*Conservative, Tunbridge Wells*)
Andrew Rosindell (*Conservative, Romford*)
Mr Anthony Steen (*Conservative, Totnes*)
Brian White (*Labour, Milton Keynes North East*)

Powers

The full constitution and powers of the Committee are set out in House of Commons Standing Order No. 141, available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/parliamentary_committees/regulatory_reform_committee.cfm.

A list of Reports of the Committee in the present Parliament is at the back of this volume.

Committee staff

The current staff of the Committee are Martyn Atkins (Clerk), Stuart Deacon (Committee Specialist), Brian Dye (Committee Assistant) and Liz Booth (Secretary).

Contacts

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Draft Regulatory Reform (Museum of London) (Location of Premises) Order 2004

1. We are making this Special Report to draw attention to a mis-statement of estimated cost savings in our report on the proposal for the Regulatory Reform (Museum of London) (Location of Premises) Order 2004. **Our view is that this error does not affect the validity of our recent unanimous recommendation that the draft Regulatory Reform (Museum of London) (Location of Premises) Order be approved.**¹

2. When examining proposals for regulatory reform orders, among the matters we are required to consider is whether such proposals for Regulatory Reform Orders have been the subject of, and take appropriate account of, estimates of increases or reductions in costs or other benefits which may result from their implementation.² In our report on the proposal, we stated that “the Department have indicated that substantial savings could also be made on present running expenses of the current museums by the implementation of the proposal. These are of the nature of economies of scale in the form of reduced staffing costs and the avoidance of the expense of maintaining two separate charitable companies for the two existing museums (with the attendant audit and Board secretarial costs). These costs are forecast by the Department to amount to around £1 million over the first three years of the operating life of the Museum in Docklands”.³ In making this statement, we relied upon the explanatory statement from the Department for Culture, Media and Sport which formed part of the proposal.

3. The Minister for the Arts wrote to us on 23 June 2004⁴ to explain that the cost savings had been considerably over-stated. Instead of around £1 million, the Department now thought the savings would be less than £120,000.⁵

4. Our counterparts in the House of Lords Delegated Powers and Regulatory Reform Committee have received a similar letter from the Minister. The Lords Committee has reported that it remains of the view that the Order should be submitted to the House for affirmative resolution.⁶

5. This is the second letter we have received from the Minister to correct an over-statement about this Order. Another of the matters we are required to consider is whether proposals for Regulatory Reform Orders have been the subject of, and take appropriate account of, adequate consultation.⁷ In its explanatory statement, the Department claimed to have consulted “education organisations”; in fact a single letter had been sent to one person, the

1 Seventh Report from the Regulatory Reform Committee, Session 2003-04, HC 594

2 S.O. No. 141(6)(m)

3 Fourth Report from the Regulatory Reform Committee, Session 2003-04, HC 414, paragraph 32

4 Appendix A

5 A further note on the revised cost savings, provided to the Department by Professor Jack Lohman, Director of the Museum of London, is at Appendix B.

6 Twenty-second Report from the House of Lords Delegated Powers and Regulatory Reform Committee, Session 2003-04, HL 122. The House of Lords approved the draft Order on 25 June (HL Deb, 25 June 2004, cols 1469–1471).

7 S.O. No. 141(6) (d)

Director of Education for the London Borough of Tower Hamlets. Similarly, a claim to have consulted “community organisations” turned out to refer to a single letter to The Isle of Dogs Community Foundation. In our report of 11 May 2004 on the draft Order, we said that we felt it was misleading for the Department initially to have suggested that a range of community and educational bodies had been consulted, and we questioned why the individual consultees concerned should not have been properly identified at the time the proposal was laid.⁸ In her letter of 7 June, the Minister assured us that “there was no intention to mislead the Committee” — which we entirely accept — “but I appreciate this may have caused some confusion”.⁹

6. We expect to be able to rely on the accuracy of explanatory statements submitted by Government departments in support of proposals for regulatory reform orders. While neither of the Department’s exaggerations, of the extent of consultation and the level of savings, is fatal to the case for this particular Order, we expect Ministers to avoid making such over-statements in the papers they lay before Parliament.

7. We are content that the Department should proceed to seek the approval of this House for the draft Regulatory Reform (Museum of London) (Location of Premises) Order 2004.

8 Fourth Report from the Regulatory Reform Committee, Session 2003-04, HC 414, paragraph 38; Seventh Report from the Regulatory Reform Committee, Session 2003-04, HC 594, paragraph 8. The Chairman wrote to the Secretary of State to draw her attention to the mis-statement (Appendix C).

9 Appendix D

Appendix A

Letter from Rt Hon Estelle Morris MP, Minister for the Arts, Department for Culture, Media and Sport, to the Chairman of the Committee

I am writing to you to inform you of a change to cost savings originally projected for the Regulatory Reform (Museum of London) (Location of Premises) Order 2004 and to ask for your consent that we proceed with the Order.

The Museum of London (MoL) informed my officials at the end of May that the savings figures they provided for the Regulatory Impact Assessment were lower than first thought. Officials then pressed the museum for revised figures, which were provided on 11 June. I attach the original and revised costings.

While the difference in cost savings seems large, this was not the basis for the additional resource allocation provided by my Department to the MoL and has no material effect on the affordability of the merger. The MoL have assured my officials in writing that their funds are sufficient to take over and maintain the MiD. I also attach this written assurance.

As you have approved the Order based on the original figures that were provided, I consider it right to point this issue out to your committee, before proceeding with having the Order made. I would be grateful for your consent to continue with this Order.

I have also written to Lord Dahrendorf (Chairman of the Lords Delegated Powers and Regulatory Reform Committee) to ensure his committee is content for us to proceed.

23 June 2004

Annex

ANALYSIS OF COST SAVINGS ACHIEVED THROUGH RRO

	2003/04	2004/05	2005/06	Total
1. Reduced cost of maintaining separate charitable company	(3 MONTHS)			
Board secretarial	17,450	69,800	69,800	157,050
Based on cost of MoL				
• Main Board				
• Audit Committee				
• Remuneration and Terms of Service Committee				
• Finance and General Purposes Committee				
External Audit + Statutory Returns	15,000	15,375	15,759	46,134
Based on cost of MoL (less audit cost of MoLAS)				
Internal Audit	5,250	21,000	21,000	47,250
Based on cost of MoL				
	37,700	106,175	106,559	250,434
2. Cost reduction driven by staff positions being combined with MoL staff				
Costs per Museum in Docklands option appraisal				
Director	60,850	62,371	63,931	187,152
Secretary	21,636	22,177	22,731	66,544
Development and Marketing Assistant	18,030	18,481	18,943	55,454
Director of Finance and Administration	39,553	40,542	41,555	121,650
Accounts Assistant	24,040	24,641	25,257	73,938
Head of Public Programmes	45,638	46,779	47,948	140,365
Commercial Manager	30,050	30,801	31,571	92,423
IT systems Technician (50%)	12,020	12,321	12,629	36,969
	251,817	258,112	264,565	774,495
3. Care and storage of collections	150,000	150,000	150,000	450,000
TOTAL	439,517	514,287	521,125	1,474,929

Revision of cost savings achievable through merger of MoL and MiD

	Savings originally forecast Dec 2003-March 2006 (27 months)	Revised forecast Dec 2003-March 2006	Estimated annual savings from March 2005
Board secretarial	157050	5000	5000
External audit and statutory returns	46134	7500	7500
Internal audit	47250	0	0
Staff costs:			
Director	187152	0	0
Secretary	66544	3462	0
Development & Marketing Assistant	55454	0	0
Director of Finance & Administration	121650	65050	37000
Accounts Assistant	73938	38000	11700
Head of Public Programmes	140365	0	0
Commercial Manager	92423	0	0
IT Systems Technician 50%	36969	0	0
Care & Storage of Collections	450000	0	0
Total	1474929	119012	61200

Appendix B

Notes by Professor Jack Lohman, Director of the Museum of London, to the Department for Culture, Media and Sport on the revision of cost savings achievable through the merger of the Museum of London and the Museum in Docklands

As the two organisations have been closely linked since March 2003, and MiD is using MoL's accounting systems and procedures, we have had a good opportunity to test the validity of the assumptions made when the original schedule of savings was produced. Some of the savings are being realised, others with hindsight we feel to have been over-optimistic and if implemented would have put the development of MiD at risk. One or two seem to have been based on mistaken assumptions.

A general caveat should be made regarding the initial savings forecast, in that perhaps it was unrealistic for an organisation (MiD) with an annual budget of £1.5m to expect to achieve savings of around £500,000 annually without any effect on its overall performance.

If the full savings predicted had been achievable, the Museum in Docklands would have been able to operate at a sizeable surplus, which would appear to be quite unrealistic.

Details of the reasons why the savings figures have been revised are as follows:

(1) Board secretarial costs

The costs originally estimated were based on the MiD charitable company having its own Audit Committee, Finance & General Purposes Committee and Remuneration and Terms of Service Committee, as does the Museum of London. The company is presently being run as a separate charitable company and has one committee only, which deals with all matters relating to its management. This arrangement would be likely to continue after any merger, in the same way as the Museum of London Archaeological Service (MoLAS) has its own committee. In view of the size of the MiD company a separate Finance & General Purposes Committee and Remuneration and Terms of Service Committee are not deemed to be necessary. Our auditors have concluded that the Museum in Docklands is a subsidiary of the Museum of London and therefore the Museum of London's Audit Committee is overseeing the Museum in Docklands, removing the need for a separate Docklands Audit committee.

Currently the Museum in Docklands has its own Board meetings and, post merger, if the MiD company ceased to exist these would no longer be required, giving rise to a saving estimated at around £5,000 per annum.

(2) External audit and statutory returns

The cost savings were originally based on the Museum of London's audit fee, but for a company the size of the Museum in Docklands using the Museum of London's finance and payroll systems, the annual audit fee is more likely to be in the region of £7,500 per annum than £15,000. The projected savings have therefore been reduced accordingly.

(3) Internal Audit

Without the involvement of MoL in MiD's management a company of the size of MiD would be most unlikely to have a requirement for internal audit. Since April 2003 MiD has used the same systems as MoL, so that its activities are covered through the MoL internal audit programmes, and therefore no savings would be anticipated here.

(4) Director

We have concluded that there is a need for a full-time Director of MiD in order to develop it to its full potential.

(5) Secretary

The Director will require secretarial support on a full time basis. A small saving on salary cost has been achieved in 2004/05, but the postholder has now resigned and will need to be replaced.

(6) Development and Marketing Assistant

It has become apparent that MiD needs to invest in its future development, and a full time fundraiser for MiD has been appointed.

(7) Director of Finance & Administration

Costs have been incurred in 2003/04 and 2004/05 in taking on temporary financial accountancy support to produce the year end accounts for 2002/03 and 2003/04. The 2002/03 accounts were difficult to prepare and the process was protracted, due to some weaknesses in the records inherited from the previous management. It is likely that some additional resource will be required on an ongoing basis to deal with the annual accounts, but efforts will be made to keep this to a minimum, and savings of around £37,000 annually are anticipated after 2004/05.

(8) Accounts Assistant

It has proved impossible to manage without significant accounts assistant input, although this will be reduced from mid 2004 onwards, with the conclusion of work on the major HLF claims. Estimated saving £11,700 per annum.

(9) Head of Public Programmes

The public programmes work at MiD is currently funded by the HLF, so there are no merger-related savings in this area.

(10) Commercial Manager

It has become apparent that MiD, as a separate site, needs staff dedicated to developing its commercial activities. There is no MiD commercial manager as such, though there is a full-time assistant special events manager, and MoL has teams of staff working on commercial hire and retail income. These teams have had to be augmented to deal with the requirements of MiD.

(11) IT Systems Technician (50%)

MiD has been added to the museum's IT support contract, at an additional cost of some £15,000 annually.

(12) Care and Storage of Collections

Collections care and storage costs of £150,000-£200,000 per annum would be incurred by MoL in connection with the Port & River collections whether this was expended through MiD or not.

Presumably the saving originally flagged up was based on the assumption that the income generated from visitors to MiD would be sufficient to cover the cost in full. However this income has not been as high as previously forecast. Actual visitor income for 2003/04 was £200k less than the MID business plan forecasts, and visitor income for 2004/05 is likely to be down on the business plan figure by £150k.

Appendix C

Letter from the Chairman of the Committee to Rt Hon Tessa Jowell MP, Secretary of State for Culture, Media and Sport

The Report of the Regulatory Reform Committee on this draft Order was published today; I enclose a copy of the Report with this letter. As you will see, the Committee has unanimously recommended that the draft Order be approved.

I am writing on behalf of my Committee to draw one particular matter in the Report to your attention. When the proposal for the draft Order was laid before Parliament on 22 January, the explanatory statement laid with it stated that the Department had consulted with “Community Organisations” and “Educational Organisations”. Upon enquiry, the Committee was informed that these designations signified, respectively, The Isle of Dogs Community Foundation and the Director of Education at Tower Hamlets Borough Council.

While the Committee was satisfied that the Department’s consultations on the draft Order met the requirements of the Regulatory Reform Act, it did appear to us to be misleading for the explanatory statement to have suggested that a range of bodies were consulted under the relevant headings, rather than only the specific consultees noted above. This view was expressed in the Committee’s Report on the proposed Order (HC (2003-04) 414).

We were disappointed to note that the explanatory statement laid with the draft Order made no reference to the matter raised in our earlier report. I am sorry to have to tell you that we therefore considered it necessary to draw the matter to the attention of the House in our Report on the draft Order (paragraph 10).

13 May 2004

Appendix D

Letter from the Rt Hon Estelle Morris MP, Minister for the Arts, Department for Culture, Media and Sport, to the Chairman of the Committee

Thank you for your letter of 13 May to Tessa Jowell about the Draft Regulatory Reform (Museum of London) (Location of Premises) Order 2004. I am replying as I have Ministerial responsibility for museums policy.

I was pleased to hear that the Committee unanimously recommended that the draft Order be approved.

I understand that the issue of which bodies were consulted on the proposal was discussed in correspondence between committee staff and my officials. Having answered the committee’s questions, my officials did not appreciate that there was a need to address the issue again in the subsequent statement submitted with the draft order. I regret this oversight, and I can assure you that there was no intention to mislead Parliament.

The headings “Education Organisations” and “Community Organisations” were originally used because it was intended at the time of printing the consultation document to consult a range of such bodies. It then became apparent that no other bodies were interested in being consulted due to the limited scope of the proposals. It is for this reason that only two bodies under these headings were asked to consider the proposal. Again, I can assure you there was no intention to mislead the Committee, but I appreciate this may have caused some confusion.

7 June 2004

Formal minutes

Tuesday 29 June 2004

Members present:

Mr Peter Pike, in the Chair

Mr Russell Brown

Mr John MacDougall

Brian Cotter

Dr Doug Naysmith

Mr Dai Havard

Mr Archie Norman

Mr Mark Lazarowicz

Brian White

The Committee deliberated.

Draft Report [Draft Regulatory Reform (Museum of London) (Location of Premises) Order 2004], proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 7 read and agreed to.

Resolved, That the Report be the Second Special Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Several papers were ordered to be appended to the Report.

Ordered, That the Appendices to the Report be reported to the House.

The Committee deliberated.

[Adjourned till Tuesday 13 July at 9.30 am.]