

# Statement of Impact

## Draft Parliamentary Buildings (Restoration and Renewal) Bill

### Table of contents

Background	2
Problem under consideration	3
Pressing need for the restoration and renewal of the Palace of Westminster	3
The governance arrangements required for the restoration and renewal of the Palace of Westminster	4
Policy objectives and the intended effects	5
Policy options considered, including an alternative to regulation	5
Option A: a statutory body established by Act of Parliament (the preferred option)	6
Option B: a body established within the existing governance arrangements	9
Summary and Preferred Option	9
Annex A	11

## **Background**

1. The Palace of Westminster is one of the most iconic and significant buildings in the world. It is home to one of the busiest parliaments, with more than a million people, including 100,000 school children, passing through its doors each year. The Palace is a Grade I listed building and, with Westminster Abbey and St Margaret's Church, forms part of the UNESCO Westminster World Heritage Site.
2. There has been significant under-investment in the fabric of the Palace of Westminster since at least the 1940s, when parts of it were renovated following bomb damage during the Second World War. Since its construction in the mid-1800s, many features have never undergone major renovation. In late 2012 the House Authorities established the Restoration and Renewal (R&R) Programme to tackle the significant backlog of work that needs to be done to protect the heritage of the Palace of Westminster and ensure it can continue to serve as home to the UK Parliament.
3. In January 2012, the Management Boards of the two Houses appointed a Study Group consisting of MPs, Peers and officials, supported by an external construction industry expert, to review and produce a report on the previous documentation relating to the modernisation of the building services of the Palace of Westminster and to describe the preliminary strategic business case for a general modernisation of the Palace. In October 2012, the House of Commons Commission and the House Committee of the House of Lords considered the Study Groups Report<sup>1</sup> and reached the unanimous view that "doing nothing [was] not an option"<sup>2</sup>, but concluded that the case for temporarily relocating Parliament to other buildings ("decant") had not been made.
4. As a result, and following a competitive procurement exercise, a consortium consisting of Deloitte Real Estate, AECOM and HoK were commissioned to conduct an independent study to assess the options available for the R&R works. Following the publication of their Independent Options Appraisal<sup>3</sup> in June 2015, a Joint Committee of six Members of each House, co-chaired by the Leaders of the two Houses was established to consider the options presented. In September 2016 the Joint Committee published their report<sup>4</sup> within which they concluded that the lowest risk, most cost-effective and quickest option to undertake the essential works to the Palace would be for all MPs, Peers, and staff to move out of the Palace temporarily in one single phase - a full decant. The Committee also recommended that Parliament should first establish an arm's length Delivery Authority, overseen by an

---

<sup>1</sup> Restoration and renewal of the Palace of Westminster: pre-feasibility study and preliminary strategic business case, October 2012

<sup>2</sup> Written statement to both Houses, 17 December 2013

<sup>3</sup> Palace of Westminster Independent Options Appraisal, 8 September 2014

<sup>4</sup> Restoration and Renewal of the Palace of Westminster, First Report of the Joint Committee on the Palace of Westminster, HC 659/HL 41, 8 September 2016

independent Sponsor Board to develop a full business case and prepare a final budget on the R&R of the Palace of Westminster for Parliament's approval and ultimately hold the responsibility for the delivery of the works.

5. In January 2018 a motion to the two Houses was prepared that, among other matters, endorsed

*“the Joint Committee’s recommendation that a Sponsor Board and Delivery Authority be established by legislation to develop a business case and costed programme for the work to be approved by both Houses of Parliament, and to commission and oversee the work required, and that immediate steps be taken now to establish a shadow Sponsor Board and Delivery Authority”.*

The House of Commons and House of Lords passed this motion on 31 January and 6 February 2018 respectively as identical resolutions (“the resolutions”). The agreed resolution can be found in ANNEX A.

6. Following the agreement of the resolutions in both Houses, the House Commissions agreed the governance arrangements that will apply during the shadow phase at the end of February 2018. This included the establishment of a shadow Sponsor Board which the Commission subsequently agreed to appoint before the summer recess. The shadow Sponsor Board has since been established and both external and Parliamentary members appointed.
7. The Parliamentary Buildings (Restoration and Renewal) Bill intends to deliver on sections 6 and 7 of the agreed resolutions (ANNEX A) and set up, in statute, the governance arrangements required for the R&R works.
8. Although a Government Bill, its intention is to facilitate R&R (a Parliamentary project) and the policy that has been developed and agreed to by Parliament.
9. The scope of this statement of impact is to look solely at the legislation required to establish the appropriate governance for the Programme, rather than the Programme in its entirety.

## **Problem under consideration**

### **Pressing need for the restoration and renewal of the Palace of Westminster**

10. Since its construction, many features of the Palace of Westminster have never undergone major renovation. The heating, ventilation, water, drainage and electrical systems are now extremely antiquated and improvements to fire safety are needed. The cumulative effects of pollution and lack of maintenance is causing extensive decay to stonework. The roofs are leaking, asbestos is present throughout, and corrosion has occurred in gutters and downpipes. Internal plumbing regularly fails, causing visible and sometimes irreversible damage to the Palace’s carved stonework ceilings and historic interiors. Rigorous checks and surveys of the Palace are carried out regularly

to ensure it remains safe and the risk of catastrophic system failure and disruption to Parliament is kept to a minimum.

11. The longer the essential work is left, the greater the risk that the building will suffer a sudden, catastrophic failure, or that incremental failures such as fire, flood or power failure, make the building uninhabitable and bring a sudden stop to the work of Parliament, or potential danger to those that work in Parliament. Under current constraints, the building is deteriorating faster than it can be repaired. Continuous, piecemeal repairs could, in the long run, cost more than full-scale restoration. There is therefore an urgent and pressing need to plan and deliver a major project that allows for a full and comprehensive restoration and renewal of the Palace of Westminster.

### **The governance arrangements required for the restoration and renewal of the Palace of Westminster**

12. The Programme is currently established within the governance structures of the House of Commons and House of Lords. There is currently not one single client for the R&R Programme, as the House of Commons and House of Lords are separate legal entities with separate governance structures.
13. The Report of the Joint Committee on the Palace of Westminster, published in September 2016, recommended that the R&R Programme should be overseen by an independent Sponsor Board acting on behalf of Parliament and delivered by an independent Delivery Authority. In their view, 'Parliament has neither the capability nor the capacity to deliver a Programme of this scale and complexity'<sup>5</sup>.
14. The Joint Committee, in coming to the conclusion that a Sponsor Board was required, noted:

*'Expert witnesses emphasised the need to create a clearly identifiable client for the Programme, akin to a non-executive board. Such a client would need to be precise in defining the scope and objectives of the Programme but, having authorised the delivery partner to proceed, would need to let the partner deliver the Programme without undue interference. Such a client would clearly need to have a deep understanding of the work of both Houses, but also be distinct from Parliament and be dedicated to the R&R Programme. This would allow the normal administration of both Houses (at both a political and official level) to continue with the different and equally important challenge of managing Parliamentary business as usual in temporary accommodation'*<sup>6</sup>.

---

<sup>5</sup> Summary - Governance, First Report of the Joint Committee on the Palace of Westminster, HC 659/HL 41, 8 September 2016

<sup>6</sup> Para 256, First Report of the Joint Committee on the Palace of Westminster, HC 659/HL 41, 8 September 2016

15. The Joint Committee, in coming to its recommendation on a Delivery Authority, recognised:

*'The R&R Programme will require engineering and construction capability beyond anything that Parliament currently retains for routine maintenance and projects. Commercial partners will therefore be required to mobilise a skilled and sophisticated supply chain. The project will, rightly, be under continuous national and international scrutiny and there will be strong pressures to deliver on time, on budget and with appropriate quality.'*<sup>7</sup>

16. The resolution of the two Houses (Annex A) endorsed the Joint Committee's recommendation that a Sponsor Board and Delivery Authority be established by legislation.

### **Policy objectives and the intended effects**

17. The two Houses, in considering the governance arrangements required to deliver the R&R Programme, have decided that a Sponsor Body and Delivery Authority shall be established by legislation. Legislation is therefore required to deliver on the agreed resolution of the two houses.

18. The policy intention supported by the resolutions passed in January and February 2018 is to establish the following three bodies: (i) the Sponsor Body; (ii) the Estimates Commission; and (iii) the Delivery Authority. The Sponsor Body and Estimates Commission will be established in statute and the Delivery Authority will be established as a company limited by guarantee by the Sponsor Body.

19. The establishment of the Sponsor Body and Delivery Authority was proposed by the Joint Committee to address their concern that Parliament had neither the capacity nor the capability to deliver a project of the scale and complexity of the restoration and renewal of the Palace of Westminster. The Estimates Commission has been added as a practical necessity to enable the Programme's estimates to be laid.

20. The analysis below sets out the policy benefits delivered by setting up the bodies in statute, as compared to the alternative where governance would remain, as currently, within the governance structures of the two Houses.

### **Policy options considered, including an alternative to regulation**

21. The key question addressed by this section is why legislation is required to establish the appropriate governance for the Restoration and Renewal Programme.

---

<sup>7</sup> Para 254,

First Report of the Joint Committee on the Palace of Westminster, HC 659/HL 41, 8 September 2016

22. The following options were considered by the House Authorities for the status of the Sponsor Body:

**Option A:** a statutory body established by an Act of Parliament (the preferred option, and the option that enacts the recommendation of the Joint Committee Report and the resolution of the two Houses);

**Option B:** a body that is established within the existing governance arrangements of the two Houses (for which various forms are possible).

## Summary

23. The relative costs and benefits of the alternative options are described below. In summary, indicative costs of setting up governance arrangements (c. £250k/ annum, plus £100k one-off recruitment costs at setup) are likely to be similar under both options, whilst Option A delivers greater benefits through improved efficiency and effectiveness for the programme. These order of magnitude estimates are indicative, and based on expected remuneration of members of the Sponsor Body plus overhead costs.

## Option A: a statutory body established by Act of Parliament (the preferred option)

### Monetised Benefits

24. Nil. The marginal benefit of Option A over Option B is greater efficiency and effectiveness than under the alternative model - this benefit has not been monetised.

### Non-Monetised Benefits

25. The non-monetised benefits of the preferred option (Option A) are:

- a. The creation of a separate, statutory Sponsor Body will provide a single client for the Programme, to speak with a single voice on behalf of both Houses and all Members. With two clients there is a risk of conflicting direction and decisions being provided to the Programme;
- b. Separates the sponsor and user functions, which mitigates against the risk of scope creep;
- c. Establishes clear accountability through a single sponsor Accounting Officer. Parliamentary governance arrangements mean that under Option B there would be two Accounting Officers, one each for the House of Commons and the House of Lords;
- d. Reduces the risk of the two Houses being distracted from their business-as-usual activities, which is particularly important when the two Houses are operating in temporary accommodation;
- e. These arrangements also provide for greater transparency and accountability through completely separate funding and statutory accounts for the programme, which will strengthen the independence of the bodies from Parliament. Currently, funding is split between the House of Commons Estimate and House of Lords Estimate. The Bill

also provides for Treasury to review and comment on the estimate, and gives NAO audit and value-for-money review rights, which they do not have over Parliament.

- f. The creation of a Delivery Authority to manage delivery, in the manner of the London 2012 Olympics, will bring efficiency and effectiveness through a body which is organised and resourced to deliver such the Programme, and can focus solely on doing so.
  - g. It establishes a legislative duty for the Sponsor Body to have regard to the need to ensure that the Parliamentary building works represent good value for money.
26. The establishment of the bodies via legislation also allows the inclusion of the following safeguards to be put in place to ensure that Government has the right level of financial oversight of the R&R project, namely:
- a. The establishment of a body and a mechanism (the Estimates Commission and the estimates process) by which Parliament will be given an opportunity to vote on the annual expenditure of the Sponsor Body.
  - b. The ability of the Estimates Commission to reject the estimate if the programme is clearly at risk of going over budget
  - c. A duty on the Estimates Commission to consult the Treasury, and have regard to any advice given by the Treasury on the estimate, and a duty to publish the Treasury's comments alongside the Estimate
  - d. The Comptroller and Auditor General will conduct annual financial audits in relation to the Sponsor Body and the Delivery Authority (which includes conducting a value for money assessment).
  - e. Parliament will be given an opportunity to vote on the cost of the substantive building works relating to the Palace of Westminster. Thereafter, the Sponsor Body will have to return to Parliament if it wishes to make significant changes to the original proposals (including any increase in funding).
  - f. A duty on the Sponsor Body to have 'regard to the need to ensure that the parliamentary building works represent good value for money'.

### **Monetised costs**

27. The R&R Programme of works will need to be undertaken whether or not the governance arrangements envisaged by the Bill are established, and the work required would be the same under either Option A or Option B (see paragraph 22). As setting up the bodies envisaged by the Bill is expected to deliver the Programme more efficiently and effectively than would be the case by delivering it in-house, the main Programme costs are unlikely to be greater than using the alternative governance option, and may even be reduced. However, such possible savings are difficult to quantify in advance.

28. The costs that are in scope are therefore the incremental costs of setting up the bodies. Although some of these might be incurred under both options, they are detailed here.

### *The Sponsor Body*

29. The Sponsor Body will be led by a Sponsor Board. This is expected to have not more than 13 members comprising parliamentarians and external members. The aim has been to keep the Board as small as possible, while including the necessary range of external expertise and adequate stakeholder representation. It is possible that under an in-house governance regime, the Sponsor Board might be dispensed with.
30. The House of Commons members of the Board will receive no additional remuneration and the House of Lords members will receive the usual attendance allowance, adding no financial cost to the project. There will be an opportunity cost of the House of Commons members' time, but this has not been monetised.
31. The Sponsor Board will have an external Chair and four external members who will be paid. Including the cost of some support and expenses, the total cost is likely to be under £250k per annum. One-off recruitment costs could add £100k at set-up.
32. Support staff for the Sponsor Body are deemed to be required under any governance scenario.

#### *The Estimates Commission*

33. The Estimates Commission has the limited function of reviewing the Programme Estimates and laying them before the House of Commons. It will consist of four members, two from each House, and is likely to meet 2-3 times per year.
34. As the members of the Estimates Commission will comprise only parliamentarians, the body will incur no additional costs as members will receive no additional remuneration. As above, there will be an opportunity cost to the parliamentarians' time, but this has not been monetised.
35. Support will be provided by the House Authorities. It is therefore not anticipated that the Estimates Commission will require any budget of its own.

#### *The Delivery Authority*

36. As a company, the Delivery Authority must have a Board, which should be constituted in line with corporate best practice. The Bill envisages there being at least two executive Directors, and that the Board should have a majority of non-executive Directors. It is possible (although unlikely) that under an in-house governance regime, the non-executive Directors might be dispensed with.
37. The non-executive Directors of the Delivery Authority may represent an incremental cost. Including the Chair, who may be more than half-time, and together with support and expenses, the total incremental cost is likely to be under £500k per annum. One-off recruitment costs could add £100k at set-up.



38. At this stage, we are unable to provide an indication as to the total cost of the Delivery Authority. It is for the Delivery Authority to develop and decide its commercial strategy, which will indicate its functions and the scale of outsourcing.

### **Non-monetised costs**

39. We do not expect there to be any significant non-monetised costs of this option.

## **Option B: a body established within the existing governance arrangements**

### **Monetised Benefits**

40. There are no monetised benefits to this option relative to the preferred option.

### **Non-monetised Benefits**

41. There are no non-monetised benefits of this option. The benefits of an independent statutory body, as set out in paragraph 25, are not achieved.

### **Monetised cost**

42. Under this governance model external expertise would still be required to support the Houses in their governance of the Programme. It is therefore likely that the costs set out in paragraph 31 for the Sponsor Body of an estimated £250k per annum, plus c.£100k one-off recruitment costs at set up, would be required. The roles set out for the Delivery Authority would also be required. Limitations on salary would mean the cost of these roles would be less than the £500k estimated for the Delivery Authority. However, this would also impact the calibre of staff employed.

### **Non-monetised costs**

43. As in paragraph 41, the benefits of an independent statutory body will not be achieved.

## **Summary and Preferred Option**

44. Following consideration of the options available, the House Authorities concluded that the preferred option was to establish the Sponsor Body in statute along with a second body (the Estimates Commission). These bodies would be accountable for the planning, development and outcome of the R&R Programme and for the oversight and approval of estimates and funding respectively.

45. This recommendation is in line with the instructions of Parliament.

46. The main advantages of establishing the Sponsor Body in statute are that it provides a high degree of separation of sponsor and user functions, insulating the Body from changes in political opinion, and provides more transparency of funding and performance than would otherwise be the case. In addition, it also minimises the risk that the R&R Programme could distract the services of the two Houses from managing business-as-usual in the challenging context of temporary accommodation.
47. The draft Bill has been developed and prepared in line with the motion agreed by Parliament. This provides for the establishment of the Sponsor Body and Estimates Commission in statute and requires the Sponsor Body to establish the Delivery Authority as a company limited by guarantee. The draft Bill also sets out the relationships of the bodies to one another.
48. The draft Bill outlines the responsibility of the Sponsor Body, including that it is required to develop and finalise a Business Case including a final estimate for the total cost of the works. All the analysis and costing in relation to the R&R project will be conducted by the Sponsor Body and Delivery Authority, and laid before Parliament for approval prior to the Sponsor Body commissioning the Delivery Authority to deliver the works.
49. The draft Bill requires the Estimates Commission to review and lay the supply estimates for the Programme.
50. The draft Bill includes minimum requirements in relation to the functions of those bodies, their composition and operation. It also provides for enhanced financial scrutiny to minimise the risk of costs escalating, and ensures financial accountability and transparency. It details the mechanism by which funding will be obtained by the bodies, providing assurance that Parliament will have a vote on the funding envelope for R&R, and once the envelope is set ensuring that the Sponsor Body will have to return to Parliament for permission to change it.
51. The Sponsor Body and Delivery Authority will both be subject to annual financial audits by the Comptroller and Auditor General and value for money reviews.

## **ANNEX A**

The motion agreed by both Houses in identical terms for the R&R works.

*Resolved, That this House—*

*(1) affirms its commitment to the historic Palace of Westminster and its unique status as a UNESCO World Heritage Site, Royal Palace and home of our Houses of Parliament;*

*(2) takes note of the report of the Joint Committee on the Palace of Westminster 'Restoration and Renewal of the Palace of Westminster', HL Paper 41, HC 659;*

*(3) accepts that there is a clear and pressing need to repair the services in the Palace of Westminster in a comprehensive and strategic manner to prevent catastrophic failure in this parliament, whilst acknowledging the demand and burden on public expenditure and fiscal constraints at a time of prudence and restraint;*

*(4) accordingly endorses the unanimous conclusion of the Joint Committee that a full and timely decant of the Palace is the best and the most cost-effective delivery option, as endorsed by the Public Accounts Committee and the Infrastructure and Projects Authority;*

*(5) accepts that expenditure on the Palace during this Parliament will be limited to preparatory work for the comprehensive programme of works envisaged, together with works essential to ensure the continuing functioning of the Palace;*

*(6) endorses the Joint Committee's recommendation that a Sponsor Board and Delivery Authority be established by legislation to develop a business case and costed programme for the work to be approved by both Houses of Parliament, and to commission and oversee the work required, and that immediate steps be taken now to establish a shadow sponsor Board and Delivery Authority;*

*(7) instructs the shadow Sponsor Board and Delivery Authority and their statutory successors to apply high standards of cost-effectiveness and demonstrate value for money in the business case, to report back to Parliament with up to date costings and a realistic timetable for the duration of the work, and to include measures to ensure: the repair and replacement of mechanical and electrical services, fire safety improvement works, the removal of asbestos, repairs to the external and internal fabric of the Palace, the removal of unnecessary and unsightly accretions to the Palace, the improvement of visitor access including the provision of new educational and other facilities for visitors and full access for people with disabilities;*

*(8) affirms that the guarantee that both Houses will return to their historic Chambers as soon as possible should be incorporated in primary legislation.*