



House of Commons
Treasury Committee

Restoration and Renewal of the Palace of Westminster: Preliminary Report

Thirteenth Report of Session 2016–17

*Report, together with formal minutes
relating to the report*

*Ordered by the House of Commons to be printed
15 March 2017*

The Treasury Committee

The Treasury Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of HM Treasury, HM Revenue and Customs and associated public bodies.

Current membership

[Mr Andrew Tyrie MP](#) (*Conservative, Chichester*) (Chair)

[Mr Steve Baker MP](#) (*Conservative, Wycombe*)

[Helen Goodman MP](#) (*Labour, Bishop Auckland*)

[Stephen Hammond MP](#) (*Conservative, Wimbledon*)

[George Kerevan MP](#) (*Scottish National Party, East Lothian*)

[Kit Malthouse MP](#) (*Conservative, North West Hampshire*)

[John Mann MP](#) (*Labour, Bassetlaw*)

[Chris Philp MP](#) (*Conservative, Croydon South*)

[Mr Jacob Rees-Mogg MP](#) (*Conservative, North East Somerset*)

[Rachel Reeves MP](#) (*Labour, Leeds West*)

[Wes Streeting MP](#) (*Labour, Ilford North*)

The following member was also a member of the committee during the Parliament: [Mark Garnier MP](#) (*Conservative, Wyre Forest*)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publication

Committee reports are published on the Committee's website at www.parliament.uk/treascom and in print by Order of the House.

Evidence relating to this report is published on the [inquiry page](#) of the Committee's website.

Committee staff

The current staff of the Committee are Sarah Rees (Committee Clerk), Amelia Aspden (Second Clerk), Gavin Thompson (Lead Senior Economist), Marcus Wilton (Senior Economist), Dan Lee (Senior Economist), Adam Wales (Chief Policy Adviser), George James (Senior Committee Assistant), Iain McLean (Committee Assistant), Matt Panteli (Senior Media and Policy Officer), David Hook (on secondment from HMRC), Victoria Sena (on secondment from the Bank of England), Alexander Knight (on Secondment from the National Audit Office), and Ruthanne Straughan (on secondment from the FCA).

Contacts

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Contents

Restoration and Renewal of the Palace of Westminster	3
Deloitte: Tabula Rasa?	4
Costs	4
Urgency and risk	4
Scope	4
Option 2	5
Project management	5
Decant	5
Conclusion	5
Formal Minutes	6
List of Reports from the Committee during the current Parliament	7

Restoration and Renewal of the Palace of Westminster

1. Restoration and renewal of the Palace of Westminster is a major undertaking which will last many years and cost billions of pounds. It will have a major impact on the work of both Houses and the public's perception of it. The two Houses will need to agree not just that the work should proceed but also on what timescale and whether there should be a complete or partial decant from the Palace to other accommodation (and if a partial decant, how the work should be phased). Given the enormous sums involved, it would be vital even in normal times that the case for the spending and its cost-effectiveness were thoroughly scrutinised and that the plans were rigorously challenged. It is even more important at a time of austerity, when restoration of the Palace will be competing for funds with many hard-pressed parts of the public sector. The House of Commons (the House), as the elected House, and its Members, will bear the brunt of any criticisms about priorities and value for money. It is because of the scale of the expenditure and the public interest in value for money, that we decided this Committee should conduct an inquiry.

2. The two most important documents on the matter are the Independent Options Appraisal (IOA) by Deloitte of September 2014 and the report of the Joint Committee on the Palace of Westminster of September 2016.¹ The decant options in the IOA were a rolling programme of twelve partial decants (Option 1), separate decants for the Lords and Commons parts of the building, with one chamber always in use (Option 2), and full decant of the entire building (Option 3). Pursuing Option 1, in particular, could impact the pattern of sittings with the parliamentary timetable. Both Deloitte and the Joint Committee firmly favoured Option 3, and emphasised the urgency of the work. However, the Joint Committee's recommendation was 'subject to that option being determined to be feasible, achievable and cost-effective, and eventual validation by the Delivery Authority'.²

3. The Committee will add to this information by gathering its own fresh evidence. A call for written evidence has resulted in 13 submissions, bringing new perspectives, and oral sessions to interrogate the evidence more fully are planned.

4. Both Deloitte and the Joint Committee conducted thorough investigations, but both acknowledged that more work was needed and neither of the two documents constitutes a business case. Nor does the more recent report from the Public Accounts Committee.³ The business case is not expected to be available until about January 2019.⁴ Both the business case and the decision-making processes require thorough political scrutiny.

5. The starting point for our inquiry is that if the House of Commons is asked to commit in the near future to one of the options and a timescale, it will need to be sure that there is sufficiently strong evidence to do so in advance of the business case. The purpose of our inquiry is therefore, first, to assist the House by offering constructive challenge to the case for proceeding urgently with Option 3, and, second, to assess the merits of pursuing other

1 Joint Committee on the Palace of Westminster, First Report of Session 2016–17, HC 659, Restoration and renewal of the Palace of Westminster (hereafter: JCPW).

2 JCPW, paragraph 128.

3 Public Accounts Committee, Forty-fifth Report of Session 2016–17, HC 1005, Delivering Restoration and Renewal (hereafter, PAC)

4 PAC, Q116.

options instead or in addition. The following paragraphs set out some of the aspects on which the Treasury Committee will take evidence. These may be varied to take account of the terms of the motion put to the House.

Deloitte: Tabula Rasa?

6. Despite the investigations and recommendations of the Joint Committee and Deloitte, the process by which and by whom some decisions have been taken on restoration and renewal to date are opaque. The Treasury Committee will examine the Deloitte's original brief from Parliament and the guidelines it was given to govern the scope of its work. There will be other important process decisions to be taken following the expected debate in the House affecting the programme. These will include the scope of the business case and the integration of the project with other strategic works programmes affecting the estate. We will consider how these processes can be subject to adequate scrutiny during and after the restoration and renewal programme.

Costs

7. The figures currently used for the total costs (in 2014 prices, undiscounted) range from £5.67 billion for Option 1 to £3.52 billion for the less costly version of Option 3.⁵ As the Joint Committee put it, these are 'high-level estimates of the broad orders of magnitude which each scenario might cost'.⁶ Their main purpose is to provide a basis for comparing the options, and the actual costs could be significantly higher or lower.⁷ The figures appear to be based on the size of the Palace and comparison with other old buildings deemed to be comparable. We will examine reasonableness in these comparisons and whether the costings form a reliable basis for comparing the options. We will also look at the way in which spending in future years has been discounted.

Urgency and risk

8. The case for proceeding urgently is based on the view that the age and condition of the Palace and its services creates the risk of a catastrophic failure or fire, or of small incremental failures rendering the building uninhabitable. We will examine how serious the risks are, how far it is possible to assess them, and how rapidly they are increasing, as well as whether they are reflected adequately in existing contingency plans.

9. We note that the expected date of work starting changed from 2020 in the IOA to 2023 in the Joint Committee's report. We will look at what is driving the current timetable, how soon any commitments need to be made, and how well the timetable fits with other House projects, notably the Northern Estates Project and work at Cannon Row.

Scope

10. The IOA provides different costings for Options 2 and 3, based on whether or not improvements made during the restoration programme are 'significant'. Our concentration will instead be on whether there could be any savings made by reducing the scope of the

5 JCPW, page 39.

6 JCPW, paragraph 81.

7 PAC, Q23–4.

proposed work, and, if there were, whether the reduced scope would offer better value for money or worse. We will consider whether the building as restored will be future-proofed for the requirements of the 21st century.

Option 2

11. We will pay particular attention to Option 2. Both Deloitte and the Joint Committee strongly opposed it,⁸ and we will examine the strength of the objections they made. In particular we will examine cases where the partial decant approach has been used in renovation programmes; what practical consequences (such as noise and dirt) there might be for whichever House continued to meet in the Palace, and the extent to which such problems could be overcome; whether partial decant would increase the cost, timescale and risk compared with full decant; and whether, with partial decant, the work could be completed in less than the 11 years Deloitte considered likely for that option. The Committee will give specific attention to the comparative risk profiles of Options 2 and 3.

Project management

12. Large construction projects often go wrong. We will examine whether past experience – both good and bad – is being sufficiently reflected in the planned governance of the programme, including retaining continuity.

Decant

13. The current plan for the House of Commons is that it should acquire Richmond House and create a temporary chamber in the courtyard there. The Joint Committee's recommendation of Option 3 was contingent on suitable temporary accommodation being procured,⁹ and there has since been six months for exploration of the Richmond House option. We will therefore be asking whether the site is likely to be able to meet the demanding criteria set by the Joint Committee,¹⁰ and in particular whether there will be sufficient space for Members decanted (and on what assumptions about numbers of staff) and for offices and functions which need to be close to the Chamber (and on what assumptions about changed methods of working).

Conclusion

14. We will attempt to assist the House by challenging and testing the work and the conclusions of Deloitte and the Joint Committee. Because of the extensive investigations already carried out, our inquiry is likely to be relatively short and specific. Until this work has been carried out it, it is our view that it would be imprudent for the House to commit to a specific option or timetable.

8 IOA, vol. 1, pages 128 and 134; JCPW, paragraphs 106, 110, 111 and 123.

9 JCPW, paragraph 188.

10 JCPW, pages 65–7.

Formal Minutes

Wednesday 15 March 2017

Members present:

The Rt Hon Andrew Tyrie, in the Chair

Helen Goodman	Chris Philp
Kit Malthouse	Mr Jacob Rees-Mogg
John Mann	Wes Streeting

Draft Report (*Restoration and Renewal of the Palace of Westminster: Preliminary Report*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 14 read and agreed to.

Resolved, That the Report be the Thirteenth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Tuesday 18 April at 9.45 am.]

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2015–16

First Report	Reappointment of Robert Chote as Chair of the Office for Budget Responsibility	HC 459
Second Report	The appointment of Dr Gertjan Vlieghe to the Monetary Policy Committee of the Bank of England	HC 497
Third Report	The re-appointment of Ian McCafferty to the Monetary Policy Committee of the Bank of England	HC 498
Fourth Report	Appointment of Tim Parkes as Chair of the Regulatory Decisions Committee	HC 735
Fifth Report	Appointment of Angela Knight as Chair of the Office of Tax Simplification	HC 734
Sixth Report	Spending Review and Autumn Statement 2015	HC 638
Seventh Report	Reviewing the Office for Budget Responsibility	HC 514
Eight Report	The Treasury Committee's scrutiny of appointments	HC 811
Ninth Report	Re-appointment hearing of Dame Clara Furse and Richard Sharp	HC 895

Session 2016–17

First Report	The economic and financial costs and benefits of the UK's EU membership	HC 122
Second Report	Appointment of Jon Thompson as Chief Executive of HMRC	HC 232
Third Report	Appointment of Edward Troup as Executive Chair of HMRC	HC 498
Fourth Report	Review of the reports into the failure of HBOS	HC 582 (Cm 9340)
Fifth Report	Appointment of Sam Woods as Deputy Governor for Prudential Regulation and Chief Executive of the Prudential Regulation Authority	HC 567
Sixth Report	Appointment of Andrew Bailey as Chief Executive Officer of the Financial Conduct Authority	HC 568

Seventh Report	Appointment of Professor Sir Charles Bean to the Budget Responsibility Committee of the Office for Budget Responsibility	HC 642
Eighth Report	Appointment of Michael Saunders to the Monetary Policy Committee	HC 729
Ninth Report	Appointment of Anil Kashyap to the Bank of England Financial Policy Committee	HC 730
Tenth Report	Making Tax Digital	HC 927
Eleventh Report	Appointment of Charlotte Hogg as the Bank of England's Deputy Governor for Markets and Banking	HC 1039
Twelfth Report	Appointment of Charlotte Hogg as Deputy Governor of the Bank of England: Second Report	HC 1092