HOUSE OF COMMONS

Public Accounts Committee

Oral evidence: Restoration and Renewal, HC 1005

Tuesday 21 February 2017

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Members present: Meg Hillier (Chair); Mr Richard Bacon; Philip Boswell; Charlie Elphicke.

Sir Amyas Morse, Comptroller and Auditor General, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, and Richard Brown, Treasury Officer of Accounts, were in attendance.

Questions 1-126

Witnesses

I: Tony Meggs, Chief Executive, Infrastructure and Projects Authority, and Andrew Wolstenholme OBE, Chief Executive, Crossrail Ltd.

II: David Natzler, Clerk of the House of Commons, Martin Buck, External Consultant for HoC, Transition and Strategy Director, Crossrail Ltd., and Jennifer Wood, External Member of the R&R Programme Board.

Written evidence from witnesses:

– [Add names of witnesses and hyperlink to submissions]

Examination of witnesses

Witnesses: Tony Meggs and Andrew Wolstenholme.

Chair: Welcome to the Public Accounts Committee sitting on, unusually for us, a Tuesday. It is 21 February 2017. Apologies for the slightly late start. We are here today to look at the restoration and renewal of the building we are in now, the Houses of Parliament, which were rebuilt from the year 1840. It is an iconic building around the world, a UNESCO world heritage site and grade 1 listed. That makes the restoration and renewal complicated, let alone it being a busy building for Parliament and the public to use.

The dilapidation has been apparent for many years. Some of you will have heard the squeaking floorboards as you came in, but that is the least of it. In my office, water leaks from the roof outside. The plugs spark and I am aware that I am underneath a very large void if something went wrong. We know something has to be done.

We have been using as one of our main reference documents the important work done by the Joint Committee on the Palace of Westminster. Its report, "Restoration and Renewal of the Palace of Westminster", was published in September last year. We have also had some support from the National Audit Office. What we want to do today is nail down the numbers on the costs and be clear about what the different options are, what the risks and opportunities for the project are and where the uncertainties still lie. It is a huge task to manage.

I am very delighted to welcome a pre-panel, which will help us get some outside perspective on this, consisting of two people who are very experienced in project management. First, I welcome back Tony Meggs, who is the chief executive of the Infrastructure and Projects Authority. I also welcome Andrew Wolstenholme, who is the chief executive of Crossrail Ltd. I think the last time we met we were in hard hats, but we might have met once since then. Welcome back. I should say that Andrew Wolstenholme has not just managed Crossrail, but he managed it on budget and on time—or is it ahead of time?

Andrew Wolstenholme: We are on budget and inside our funding envelope.

Chair: That is one of the reasons you are here, Mr Wolstenholme: to set an example for how this project needs to be managed. I will hand over to Richard Bacon.

Q1 **Mr Bacon:** Gentlemen, you are two very experienced project managers. We have in front of us various reports, one of which talks about a series of options: the shortest is five to eight years, the middle is nine to 14 years and the third is 25 to 40 years. We do not yet know which of those options we will pursue, but plainly in project management terms and in global terms, this is a big one and it has to be got right. Can I invite you to start by saying, in looking at this afresh for the first time, what principles would guide your approach to it?

Tony Meggs: First, I should talk about the normal principles of good project management, and then I will elaborate.

The Committee is quite familiar with things that go wrong in projects and what needs to be done to ensure that they are successful. I will mention a few of the principles. One is having very clear objectives. I am not sure we have that yet with this project—real clarity of purpose and objectives. The second is alignment of stakeholders—again, it is not absolutely apparent that we have that with this project at this time. The third principle is clear accountabilities and a good governance model. One of the complexities of the project is that it is not super-clear who is in charge.

Another principle—I would say this, coming from the IPA—is having robust external assurance, so that you have an external calibration of how things are going. Another principle for a project of this type is a realistic assessment of costs and benefits with a significant level of contingency. Obviously and necessarily, another principle is good leadership, with a good project team that is well led and has the right experience. The last thing, which I would pay particular attention to in all projects but in this one above all, is to have a properly gated approach—to make decisions before proceeding to the next part of the project and to spend sufficient time at the front to get as much clarity as you can.

Q2 **Mr Bacon:** When you say "sufficient time at the front", do you mean sufficient up-front investment, as you would have in a well designed defence procurement project or a very large project like that, so that essentially you have bottomed out some of the risks before you started?

Tony Meggs: Yes, I do. To elaborate a bit, particular risks exist around this project. It is what in my old parlance we would call a brownfield project, and brownfield projects always carry a higher level of uncertainty, because—

Chair: I think we know what you mean, but could you explain that for anyone who is watching? You mean that there is already a building on the site.

Tony Meggs: Yes—a brownfield project is an oilfield way of talking about a restoration project or renovation work on old facilities.

Mr Bacon: There is another dimension, but Mr Wolstenholme, why don't I start by asking you to add your comments, and then we will go into a further discussion?

Andrew Wolstenholme: In looking at major capital projects, they have looked at aviation projects and more recently they have looked at rail projects, and Crossrail is a very good example.

This project holds its own set of particular risks. I completely agree with much of what Tony says. The first and most important thing is to understand the objectives and the outcomes. That sounds like a very simple statement, but actually it is very difficult. It is particularly difficult in this programme. As you described, Chair, there is a very obvious need because there is a state of dilapidation in a wonderful heritage building, but when you go into things like sponsor's requirements, you have to ask, "What is it? How do you encapsulate the high-level brief?"

Your question was about what constituent parts make up a good project. In Crossrail we had four elements in order to get to the start line. The first was the need, which I think you understand. The second is the solution and the response to that need, which is still at quite a low level here, even though some options have been put down. The third is understanding how you are going to fund. The fourth, for Crossrail, is what I call alignment. That actually came as political alignment, and in a sense that was the precondition to get it through the hybrid Bill.

One should not forget those simple, high-level attributes, because alignment is hugely important in this project. We can go on to talk about the governance structure, how you identify, manage and condense the risks and how you physically deliver the project, but the prerequisite of it is to understand the objectives, the outcomes, the risks that go with it and the funding model, and to get an alignment around a sponsor group that says, "This is the option that we are going to go for."

Q3 **Mr Bacon:** The complicating issue is that on top of all those things, which to a greater or lesser extent will probably be familiar in any large project, you have a very large "P" political and even large "C" constitutional dimension. Lots of people have views about it; it is one of the most famous buildings on the planet. There is a clear view—not the only view, but a clear view—that Parliament should keep its distance because it is separate from Government, and that the Government might have a more limited involvement than might have been the case for a project like the Olympics. You have to throw all that on top of what you have already said. The whole combination is potentially very toxic for clarity and for good delivery.

If you were a contractor bidding for this project and you had got into sensible negotiations, got to a fairly advanced point and perhaps even become one of the preferred bidders, what would stop you in your tracks? There might be a number of things, but what would make you realise "this far but no further", turn on your heels and walk away? If you could isolate it to one thing, that would be great, but even if there is more than one, what would make you turn on your heels?

Andrew Wolstenholme: Let me answer that in a slightly different way. When you get to the position where you are quite certain about what the project is, you have to separate out the two parts of the organisation. This is what we have done very successfully at Crossrail. One is a sponsoring organisation. I will tell you why this is important. A sponsoring organisation makes the case for investment and secures the funding. It specifies what the outputs are and ensures the outputs and benefits are delivered.

There is a second part of the organisation that you need. In Crossrail this is an independent delivery group. I report to an independent board. It is not tied directly to the sponsor team, and as chief executive of Crossrail I operate the capability within the supply chain and the consultant team and stakeholder teams to deliver the programme. If I was a contractor approaching this, I would want to know that that delivery organisation was absolutely clear in what its brief was and what the design was that we are going to turn around, and that that independent organisation was in a sense unencumbered by the day-to-day complications of being a sponsor organisation.

We have joint sponsors on Crossrail. One is Transport for London and one is the Department for Transport. When I go to sponsor board meetings we are very clear in the leadership and the respective positions that we both take. I am quite sure that there are circumstances in which TfL and DfT have a different level of debate. I am sure that in the circumstances of this programme with the joint sponsor team, the really important thing is that you isolate the outcomes and the project requirements into a set of circumstances where it is stable, not harbouring uncertainty and not likely to change. That is the environment within which you can get cost and programme delivery, technical solutions and logistics plans, and organising the risk in such a way that an external contracting organisation would be able to support the programme.

Q4 **Mr Bacon:** So a rough analogue would be a Palace of Westminster refurbishment, restoration and renewal delivery authority on the one hand, equivalent to an independent delivery group, and the sponsoring organisation that might—this is a question—have in it, aligned within the sponsoring organisation, all of the stakeholders, so the Government as financier and safeguarder of our United Nations world heritage status and Parliament itself, and any other bodies that felt they had a legitimate say. And they would sit round the board of the sponsoring organisation, would they? Is that how you would see it?

Andrew Wolstenholme: I think that is correct. As far as the independent delivery body is concerned, the sponsors need to speak with one voice. How the sponsors organise themselves and what sits behind the organisation is in a sense up to them. The really clinical answer is that the delivery authority needs to be empowered to work unencumbered by the daily complications of that sponsor organisation, and the sponsors need to hold, as I say, the high level requirements, the funding model and oversight to make sure that that delivery organisation delivers what it says.

Q5 **Mr Bacon:** I have one more question and then I will hand over to Mr Boswell. The question is about transparency. It was very clear in the Olympics that there was a high degree of scrutiny. The National Audit Office started doing studies on the Olympics seven years before 2012, and we had a regular succession of them. There was a high level of scrutiny and it was very open. They knew they were being watched. They employed very high-level expertise and paid them what was required to get deep domain expertise in each area. Of course, we all know it was a great success. How important a component in this ecosystem that you describe is transparency, given that we are what we are and it is going to be very public? It is a famous building and so on. Don't forget taxpayers are paying for it. Or do you think that transparency—this is an open question because I don't really know the answer—can sometimes be said to hinder things? For example, the publication of gateway reviews is often said to hinder things. Either of you can answer.

Tony Meggs: May I address that? One of the big risks or things to be managed around the project is engagement with the public. The last thing one wants is for the project to be managed through headlines in the newspapers, effectively. I would suggest a high level of transparency—not the publication of gateway reviews, because that is detrimental, but around the decision-making process and what judgments were made with respect to value for money and so on.

Secondly, one might think about who could represent the public on the sponsor board. That is something to think about: having some kind of interest group that represented the wider public interest feeding into the sponsor board.

Andrew Wolstenholme: The answer to the question is yes, it needs to be transparent, for a number of reasons. If the sponsoring organisation is to empower the delivery authority, that needs to be based on a very high level of trust. On the size and scale of the sponsoring organisation, it should get down to a very lean team. One of the telltales of trust not being developed and empowerment not being handed over is a very heavy sponsor team. If you have a very heavy sponsor team, it isn't going to work. The only way that it will work is if you are completely transparent about the risks, and about all the information that you need to manage, on a regular, periodic basis.

At Crossrail, we give our board periodic reports; we also issue them to our sponsors, so there is total transparency there. We give our sponsors something called a semi-annual construction report. There is no information that we withhold. Furthermore, in terms of assurance, the sponsors have what is called a project representative from a small, independent group of people who have total access to our information. They sit in on all our meetings.

Q6 **Mr Bacon:** They are embedded, in other words. You have an assurance.

Andrew Wolstenholme: They are embedded within our organisation, even though they are paid for by the sponsor groups. There is total transparency, complete access to all the information, and absolute working knowledge of where the risks are and how they are being managed. That enables the sponsors to empower and hold to account the delivery organisation.

Q7 **Mr Bacon:** I want to hand over to Mr Boswell, but to be clear, you are saying that of the various kinds of assurance that you could have, embedded, continuous assurance is what you would recommend.

Andrew Wolstenholme: I think that is what goes with a two-tier type governance process where you have sponsors and an independent organisation: a level of assurance. The project representative model seems to be the one that is favoured.

Q8 **Chair:** Do you think that would cover for any deficiency in the qualifications of the sponsor body? A sponsor body, by its nature, will not necessarily have people qualified in heritage renovation.

Tony Meggs: It might; it depends.

Q9 **Chair:** The reality of this place, and the proposals that seem to be coming forward, are around having a representative of both Houses, and a representative of the Government, who may well be a Government Minister. Government Ministers come and go, so it would not be the same individual; it would be a representative of Government.

Tony Meggs: Personally, I would want to include some level of expertise on the sponsor board; I would recommend that, and that it not be purely politically driven.

Chair: That is very helpful; thank you. Mr Boswell?

Q10 **Philip Boswell:** Mr Meggs, your key criteria list at the start sounded like the notes from a "good practice in project management" lecture. The last element reminded me of front-end loading, benchmarking, and the question of what phase we are at. Are we at the front-end engineering design phase yet? It sounds to me as though we are very much in feasibility analysis at the minute. Is that the case? Is that the term you would use, in project management parlance?

Tony Meggs: Let me use, if I may, my own terminology to say where I think we are. In my language, you have the appraisal stage, where you look to see, "Is there a real project? Is there something to do? Is there a need, a case?" I think that is done and that we are in what I would say is the select phase, which is where you create the series of options. At the end of the select phase, you make a very explicit choice about which option to pursue. When you have chosen an option, you go into the define phase, which is front-end engineering design and so on.

As for where we are right now, perhaps slightly unfortunately, we would like to be at the end of the select phase, having chosen a clear option forward, but I don't think that choice is necessarily completely made yet. I think it is really quite important to get to that choice before proceeding to great levels of detail.

Q11 **Philip Boswell:** I could not agree more. If you are in select phase, you should not therefore have discounted any option. I have noticed that one of the options has already been discounted, and yet we are still in select phase before any proper scrutiny has been done on that option. That suggests that there are other forces at work rather than proper project management processes. Is the biggest risk to the public purse political interference with this project?

Tony Meggs: I couldn't possibly comment on that. To the greatest extent possible, it needs a very explicit conversation about risk and benefits, which I have not seen. I think all of the work that has been done to date has been excellent. I have not been engaged in it but I have read it, and I have had reports on it, and it seems very competent. It is very much focused on cost and risk, and from that perspective the best option is pretty clear—it probably didn't even need all that work to come to that option. What is less clear is what the real benefits are. What are the benefits to continued occupancy of the Palace of Westminster versus a full decant? Until that benefits analysis is done in some way or other—I realise that is a really hard one—then that option selection is not complete in my view.

Q12 **Philip Boswell:** I am completely with you. I am a quantity surveyor originally. If you ask any project manager or QS whether it is best to decant, the option is always to decant because it is just too much trouble not to, but this is a particular issue. To what extent has the political—I was going to say interference, but let's call it influence—the political influence created a prescriptive engineering scenario, which I am sure you fully understand, whereby a certain question is asked knowing exactly what the outcome is going to be? That is prescriptive engineering and that is how influence can be brought to bear on any due process. I am asking why we have deleted one option, which is a new Parliament building, while we are still in select phase. It does not add up from due diligence, transparency and all the stuff you talked about—accountability, proper governance, robust external assurances. To delete an option in the middle or at the start of the select phase tells me there is something else at work here.

Tony Meggs: I confess, I was not around in the earlier phases of this project when some options were deselected, so I cannot really comment on that, but there are still a number of options in play. Obviously the project team would like to come to a conclusion today, but realistically there needs to be a clear process to weigh up the benefits versus the costs and risks.

Q13 **Chair:** Can I ask about your role in that? Has the IPA offered to conduct one of its project validation reviews or been asked to do that?

Tony Meggs: First, as you well know, Chair, this is not a Government project, so it has not been subject to all of the normal routines, but we have provided quite a lot of support in two ways. One is that since about 2013 we have been helping the team set up assurance reviews and providing independent assurance. Latterly, we have been helping around the design of the delivery authority and so on. We did a grade zero review, which is similar to a project validation review, some time ago. We would be very happy to stay engaged, but I don't think it is the job of the IPA—indeed, it is not the job of the IPA—to actually make that selection.

Q14 **Philip Boswell:** In terms of where we are on feasibility, again, it is a guesstimation—we haven't got a real handle on it, although I am sure everyone has done the best they can with what information they have. In terms of benchmarking, what projects would you say are most suitable? Are we talking about the restoration of sandstone cathedrals? Should we be looking at that rather than anything else to properly benchmark this project? What do you compare it with?

Chair: If either of you were walking into this, what would you look to? I know you have got experts on this—the building particularly.

Tony Meggs: First of all, as the project team have said themselves, there is nothing quite like this. I think that quite a bit of work has been done, although more could probably be done, to look at parliamentary restorations around the world—Canada, for example, and other things. There is a list of projects that have been looked at, which is actually quite extensive.

I think there are two aspects. The first is fixing an old building, and the second is the full white heat of the political context around the restoration of a parliamentary building. From what I can see, quite a bit of work has gone on, especially in the options analysis work, to look at comparable buildings, but there is nothing like this place.

Chair: That sounds dangerously like a blank cheque.

Philip Boswell: Expensive.

Chair: Yes, expensive. Mr Wolstenholme, do you want to add any comments before I bring in Mr Elphicke?

Andrew Wolstenholme: I am not going to comment on the fact that one of the options has been taken out, but I observe that the options here are doing the work either in a decant mode, or fully occupying. I observe some of the examples on Crossrail, where, for instance, you are able to build a station just to the south of a grade 1 listed building at Paddington. We have isolated our own construction work from the operation of the railway, and we are able, therefore, to get on. Of course, we interface very closely with a lot of other stakeholders—residents and commercial buildings. Compare that to, say, Whitechapel, where we are building over the underground and over the overground, and there is a completely different set of circumstances and risks. You have to be very wary of the operation that you are compromising and of the effect it takes to do the actual work.

The decision you have to make about the options is clearly unenviable. From a pure delivery process point of view, of course it would be much easier to have this brownfield site turned, in a sense, into what we call a greenfield site. Logistically, it is very simple; operationally, there are no constraints. Those are the circumstances in which you can get productivity and economic costs and in which you can make the programme more certain.

On the risks to this building, it is unique, so you have to be very careful about benchmarks. What I observe about the certainty of the costs at the moment is that, while it has taken other projects into consideration, it is what you call pounds per square metre—it is still looking at unit weights. My view is, whichever option you choose, the next important phase of this programme is to make sure there is a really detailed understanding and really detailed surveys. The first part of the process is doing the detailed design. Only then can you begin to get more certainty around the cost of how you should physically do this building. One issue is around the options. Secondly, my observation is that doing things in a complex operational environment is always more difficult, timely and risky than you think.

Q15 **Philip Boswell:** There are two basic principles. Obviously, there is the cost-quality-time triangle—if you push one, you invariably lose out on the other two. Your priorities on this depend very much on stakeholder engagement and what your brief is, of course. That is the clarity that we all seek. This is, I believe, an eight-acre site. In your opinion—particularly given what you said, Mr Wolstenholme—is the option to stay here and move things around doable, given your knowledge of the site and the options available? The simple question is: can it be done safely without breaking the bank?

Andrew Wolstenholme: I am not going to give you any direct advice about which option you should choose.

Q16 **Philip Boswell:** Can it be done? That is all I am asking.

Andrew Wolstenholme: I am sure there are circumstances and options you could create where you could keep the act of delivering Parliament and democracy in this building. I think a lot of work has to be done to understand what compromise that would do to the parliamentary process and whether that is acceptable—whether you can live with that.

Q17 **Philip Boswell:** In other words, it ties in pretty much with the report; I will not bother quoting that. Either way, there is a lot of work to be done, because we really do not know what we are looking at yet. I think we would agree that to get past the select phase to the next stage gate, and into the next phase, we need robust analysis. We need to follow due process, and it has not been done yet. Would you agree with that?

Tony Meggs: A lot of good work has been done—just let me be clear about that—in order to get us here. I do not think that there has been full consideration yet, no. There is more work to be done, but it needs to be done quite quickly.

Q18 **Charlie Elphicke:** Mr Meggs, you say that there is nowhere quite like this building, but there are a number of places that are not entirely dissimilar. I can give you examples of sandstone propositions: many cathedrals up and down this land; in Edinburgh there is a very fine area, the New Town, which was restored massively in the 1950s and ’60s, which also has many similar propositions to this; and I would hazard a guess that half the colleges in Oxford and Cambridge, various other ancient universities and such like also throw up similar propositions. To what extent do you think that learnings have been taken from those areas before compiling the reports that we have had so far?

Tony Meggs: Because this is not a Government project, we were not involved in the preparation of these options—I should just be clear about that—so it would not be for me to comment in any detail. They have clearly referenced quite a significant number of projects—the Old Bailey, Tate Modern, the Victoria and Albert, the Festival Hall and so on—so there have been efforts, but it is premature to say to what extent they have been fully baked in, really. When you go to the next level of more detailed design, that is when you really want to continue to learn from some of those things. But look, we did not do the options analysis, we were not engaged in that, and I can only comment on what I have seen.

Q19 **Charlie Elphicke:** Do you think that was a mistake? In this case, this Committee and the House authorities should have asked you for your input and expertise. After all, you are chief executive of the Infrastructure and Projects Authority; this is what you do. Do you think that there was a missed opportunity, and that perhaps you ought to be involved to provide the organisation's very substantial expertise?

Tony Meggs: I would say that we have been involved in the independent assurance work and in the governance and design work—the design of the governance work. I think that has been beneficial, and I hope that we can continue to do that.

Q20 **Charlie Elphicke:** Let me pick up on the governance side of things. There was a very substantial rebuild of this ancient palace some 70 years ago, following the second world war. The governance model then seems to have been a Commissioner of Works—the first was Sir Philip Sassoon, who oversaw work substantially—but in this report the only governance structure seems to be, as a fait accompli, a sponsor board and a delivery authority. Nothing else seems to have been considered. It is literally, "This is it", but there were other models in the past. To what extent have those been investigated?

Tony Meggs: Again, I cannot comment on that, but I can say this: we have learned a lot in the last 70 years about how to manage big projects. One of the things that we particularly learned, probably in the last 10 or 15 years here in the UK, is that the establishment of a delivery body that has the freedom to attract the right people and to create the right incentives to get the work done has been a very successful model. Andrew's project demonstrates that, but it is not the only project that does so; the Olympics also did. This is a model that, in my mind, has been demonstrated to be effective.

I don't know what happened in 1945, but historically projects of this type have been expected to overrun and take longer. I don't think we should tolerate that any more—and, to use the Crossrail example, we don't, actually. That is due to many things, but we have learned a lot. This method of delivery of big projects has been a major step forward in this country.

The other incredibly important thing is that we have developed a very good cadre of exceptional project leaders. I will spare Andrew's blushes—

he is not alone in this regard—but there are people who have learned, through a series of successful projects, how to do this stuff. That is why we can approach projects like this, however difficult they may be, with a level of confidence that we would not have had in 1945.

Q21 **Charlie Elphicke:** That covers the delivery authority. Looking at the sponsoring side of things, how would you mitigate the risk of the shifting sands of people? Ministers, Speakers and Members of Parliament come and go. How does one deal with the stability issue?

Tony Meggs: Andrew sort of put his finger on this when he said that the job of the sponsoring group is manifold, but in particular, it is to get the brief right. It is about working as quickly as is reasonably possible to establish the sponsor group, to get clarity around the brief and then simply to say—I say this not totally naively—"That is it." To be honest, the quicker it can be done and executed as a project, the lower the risk of—I do not want to use the term, but I will—political interference.

Charlie Elphicke: Of people changing their minds.

Andrew Wolstenholme: Can I pick up on both those points? I don't know what happened in 1945, but I am delighted to have a clerk of works. The world has got slightly more complicated. The technical solution that you are looking at here requires a great degree of potential developments in technical execution. If I look at BAA when I was there doing terminal 5, the very professional team of people who looked after a daily portfolio of projects, some of which were very big, were not in a position to be able to deliver terminal 5. Transport for London, which does a huge amount of work across the network, was not in a position to do Crossrail, and the ODA was set up independently. You really need to look at the complexity and the size of the risk you are managing, and work out whether this is business as usual, or whether it requires some special-purpose company to deliver it. My view is that this is complex and carries a high degree of risk, and therefore you need a special-purpose company.

If I look at my sponsor team on Crossrail and the sort of people who sit on it, they serially understand how to evaluate transport risks, how to look at solutions and how to process the sorts of decisions that are required as a sponsor. My observation is that one needs to think very carefully about the sponsor board that is set up for this programme. You need a level of expertise and stability in that sponsor team. The difficulty of having sponsors that come and go, and the cyclical nature of populating that team, should be a concern. If I look at my independent board that I report into, it carries people who are experts, who understand the risks and who look after the portfolio for the range of risks that we have, and there is a succession plan. Equally, perhaps to a slightly lesser extent, some consideration should be given to the requirements and expertise you need within your sponsor team.

Q22 **Chair:** Time is marching on, but could you tell us, Mr Wolstenholme, what the turnover has been on your sponsor board?

Andrew Wolstenholme: These are long programmes. I have been the chief executive for almost six years, and the director general has changed once. There has been a great deal of continuity with a lot of the characters around the Transport for London side of the sponsor team. That has been very helpful and, in part, is a reason for us to look at some of the success.

Philip Boswell: Very briefly, just to tie up a couple of key things for me on project management, Mr Meggs, you have a list of benchmarking projects. Who carried out the benchmarking? Was it another IPA?

Chair: I don't think this is a question for Mr Meggs. I think it is really for the next panel that is responsible.

Q23 **Philip Boswell:** Okay. The second question would be this. Generally, when it comes to estimates in the select phase, you are talking about the order of magnitude. What percentage of accuracy are we putting on that? Previously, I have done plus-minus 40%. Is that the kind of order of magnitude and accuracy that we can expect?

Tony Meggs: I think that is maybe a question for the next—

Q24 **Philip Boswell:** Not generically, because we spoke about that.

Tony Meggs: I think you are right—that sort of order of magnitude, absolutely.

Philip Boswell: Thank you.

Q25 **Chair:** Mr Wolstenholme, you had a good reputation at Crossrail for stakeholder engagement. Have you got any advice for those who will be managing this project in Parliament on how to keep stakeholders on board?

Andrew Wolstenholme: If I may say so, I think we have handled stakeholder engagement very well. It happens at a number of different levels. I make it my business to keep MPs, Ministers, Assembly Ministers and borough councils very much aligned with very strong communication. If you looked further down into our stakeholder management team, we look at communities and resident groups.

Q26 **Chair:** Sorry, that is what you did. What would you advise the team running this programme?

Andrew Wolstenholme: I think the narrative of what this project is and the value that it brings and the outcomes that it determines must be enhanced in a very strong communication plan to all of those people it is going to affect. Good stakeholder management to me is absolutely underpinned by the communication we do.

The reason people give us permission to build Crossrail in London is because, by and large, we are open, honest and truthful as to what it is we are going to do, and how we are going to affect people's lives, and we try to mitigate that as much as possible. It is stakeholder management underpinned by a very good communication plan, a strong outcome and a strong narrative.

Q27 **Chair:** This is the final question from me; you may not be able to answer it entirely. The skills that are needed in this building will be quite immense. There is project management, which we have talked about quite a lot. There are also some very specialist skills. I know you had a good supply chain arrangement. I am sure, Tony Meggs, you have got some experience. Again, what advice would you give those who are running it to ensure that the skills base is there for when this project starts, particularly the craft skills that will be needed on this site?

Andrew Wolstenholme: I know there is a concern, depending on what the total definition of the scope is, that there may not be some of the traditional skills available. I think one should turn this round: this is a project that is needed; it could become an absolute exemplar. We have talked about "what". If you look at the how, there is the opportunity to grow apprentices, to take on young unemployed people, to look at the business opportunities for SMEs and to get the environmental footprint right.

There is a fantastic opportunity to be very confident about this project, to use it as a benchmark project, and to have skills, as you said, Chair, sitting at the forefront. Wouldn't it be fantastic to look back at this, in however many years it takes, and say, "This is the benchmark project to look at, and from this we have internal opportunities both here in the UK and overseas"?

Q28 **Chair:** Mr Meggs, is there anything you want briefly to add to that?

Tony Meggs: The only thing I wanted to add is on the communications and public engagement around this project. When I found out the number of incidents that occur in this building, I chilled a bit.

Q29 **Chair:** Do you feel safe sitting here?

Tony Meggs: In terms of the general public understanding of the necessity of this project. Certainly, from my background and history, if I was overseeing an installation that apparently had 40 fires in the space of five years, I would be extremely anxious to do something about it; I know that people are doing something about it. In terms of the case, I don't think that has quite come across as powerfully as it might. This what we used to call habituation. One gets used to these things occurring, and we should not.

Chair: I think we will leave the skills one. Mr Wolstenholme gave a good response to that. I am sure there are other issues, not least around Brexit, but they are not really for this panel. I thank you very much for your generous time. I apologise for overrunning, but we were so interested, hanging on every word that you had to say. Your experience is very helpful in preparing us for our next panel, and for the House's eventual deliberations on this. I thank you for your time. You are very welcome to stay. The transcript of this hearing will be available on the website in the next couple of days, and we will obviously send you a copy. Our report will be out in the next few weeks.

Examination of witnesses

Witnesses: David Natzler, Martin Buck and Jennifer Wood.

Q30 **Chair:** Welcome to our second panel. Apologies that our first panel overran, but I think that those of you who were in the room will agree that it was very pertinent to what we will discuss.

The second panel includes the people responsible for getting the next phase started—I suppose that would be a simple summary—to make sure that this building is available for the future, or that decisions are made about what will happen.

From my left to right, first we have Martin Buck, who is an external consultant, and transition and strategy director at Crossrail Ltd; so we have a bit of a Crossrail festival in our Committee today. Then we have David Natzler, the Clerk of the House of Commons, and for those who are watching and who may not appreciate it, the Clerk is much more than a Clerk in normal terms; in fact, Mr Natzler effectively runs most of the House of Commons. He does so with an effective team of senior managers, but he is the top man. Then we have Jennifer Wood, who's a member of the restoration and renewal programme Board—an external member, so she is not connected directly to the House of Commons.

If anyone is following on Twitter, our hashtag is #restoration.

I wanted to start with you, Clerk, about the overall picture. Given the billions of pounds to be spent restoring this palace, why should we even contemplate it? It's a lot of taxpayers' money.

David Natzler: It is a lot of taxpayers' money, and those preparing the independent options assessment and no doubt the Joint Committee are very aware of that. The simple answer is that this is a huge national asset. It isn't a parliamentary asset; it doesn't belong to us. With respect, it doesn't belong to you and it doesn't belong to me; it belongs to the monarch and to the nation. And if we don't spend whatever money it takes to restore it to useable working and safe condition for the 21st century for Parliament to continue to occupy, there will be—quite soon—some sort of catastrophic failure and the building will have to be evacuated in some sort of emergency scenario. And we stand the risk of not being able to use it as the seat of the national Parliament, as we have for close on 200 years.

The public—and you're better judges than I am certainly, or any other officials—are broadly supportive of this, according to polling, and they understand it. They want this place to be properly looked after.

Q31 **Chair:** You say that—can you source where you get that public view?

David Natzler: Yes—there have been opinion polls and we can reach them to the Committee, but you probably put as little faith in the movement of opinion polls as anyone else. However, they are not saying that this is an appalling waste of money. What they're saying is, "Yes, you must do what is necessary to keep the building going, because we value it".

As you will also know, 1 million members of the public visit this place every year, so it's not an unknown building to the public; it's not a sort of secret sanctuary for parliamentarians. It is a public building, which we are incredibly privileged to occupy as a Parliament. That is my response.

Q32 **Chair:** The numbers that we've seen in the Joint Committee's report are very much preliminary numbers at this point; they're not enough to support a business case. I'm not sure, Mr Natzler, whether you want to answer this question, or one of your team: what are the next steps to make sure that we get robust numbers?

David Natzler: I will start and then maybe ask Jennifer to come in. We are awaiting something that we've been calling a decision in principle, which a previous witness called a selection. In other words, you have options, you then select one and then you go into a definition phase, where you work up all the massively detailed work that's needed to discover what it's actually going to cost.

So the figures presented are, as you rightly said, an order of magnitude intended for comparative purposes between different options. They are not the costs. We have 1,100 rooms in the palace. It is 28 acres of actual floor space, as opposed to 8 acres. It is the equivalent of an enormous skyscraper lying on its side. It is as big as HSBC in Canary Wharf and rather older. So what we next have to do, once we get the decision in principle—although it is not "we" who have to do this; this is where the further lot of experts come in—is go through effectively room by room, working out through 3D surveys, which we are about to start, what actually needs to be done and how much it might cost. Take a room like this: until we take the flock wallpaper off, we won't really know what lies behind it. When this was done in the House of Lords a few years ago, they took wallpaper off and the wall came away.

Now this is going to happen; that is, again, from our common experience. You just don't know what's behind the woodwork here. We know the windows, which is why they are sealed and you can never get fresh air in here. We know there are 3,800 bronze windows around the building. We know the air comes in and, in some of the external ones, the water comes in, but we still don't know exactly how much it is going to cost to make them fit for another 150 years. So that is the next phase: two years' detailed working out of a business case, with a full design, which can then be put to both Houses to sign off.

Chair: Jennifer Wood, do you want to add something?

Jennifer Wood: I am not too sure that there is much I can add to David's exemplary answer, but, yes, it will take quite a long time to go through that work. The 3D surveys have actually started and the model is being built, but it is a model that we need to have in place before we can start doing any of the work.

Q33 **Chair:** When you say a model, you mean a model approach to the work?

Jennifer Wood: No, a model of the building.

Chair: A model of the building, right.

Jennifer Wood: So that we can actually start to design what needs to be done. A large quantity of this work—about three quarters of the cost associated with it—is in the building services and the heating and the lighting, the drainage, the water supply and the air conditioning, wherever it is, that goes on in the building. Those are probably the most complicated bits to do. You can take off the wallpaper and know the wall is crumbling behind it, but there are areas where there are building services in this building that cannot be reached and have not been able to be reached for a long time. If anything went wrong in those, it would be very difficult to replace them. It is a complicated building even to start to understand, and it is going to require quite a lot of design work.

Q34 **Chair:** So two years is the rough timescale?

Jennifer Wood: Yes.

David Natzler: Two years—again, I would not like to be tied to that. I would hate it to be longer than two years.

Q35 **Chair:** And that is working up one of the preferred options, whichever one is the preferred option?

Jennifer Wood: Yes. If more than one option were taken forward, it would either increase the time, if we did them serially, or it would increase the cost if we had to do them in parallel. The biggest issue for us is to understand whether or not the Estates team actually has enough resources to support that—taking forward more than one option.

Q36 **Philip Boswell:** Obviously, Mr Natzler, you caught some of the previous meeting and the previous panel, where we heard experienced project managers tell us that they were in, effectively, select phase, and, Ms Wood, you have just mentioned that you would not want to take all those options forward because they would be more expensive, but proper process is completion of select as you select the option that you have properly investigated, properly analysed and substantiated—which is a goer and which is not.

I see, looking back to the process in the report, that the group was to "examine all the options for the essential refurbishment of the Palace of Westminster" and considered four options. On page 5, in the third paragraph of the summary of your own report, it says, "However, there is significantly more work"—that is the two years you mentioned, Mr Natzler, doubtless—"to be done by professionals before budgets can be set, buildings are vacated and works can commence." But you have already deleted one of the options before due process has been carried out. Are you convinced collectively, and can you tell me why you believe, that it is best not to consider moving the Parliament to another option, or is that a political decision or one that doesn't fall within the remit of the group? Is it politics or is it due project management process that may determine that decision?

David Natzler: Let me answer that. Before we began the process—so, back in 2012—the Commission of the House of Commons, which is the proper governing body here, and the Lords House Committee, which was then what they called their governing body, came to the overt conclusion that Parliament would stay at Westminster. That ruled out at that point the proposition of a new building anywhere else in the country. I do not know whether that is what you call a political decision or a project management decision, but it is the equivalent of a ministerial direction from the point of view of the Administration—I do not mean party political. If you want me to justify it—you can probably understand the reasoning behind it—the simplest point is that we would still have the Palace, or somebody would, and we would then have to spend masses of money on not only building a new Parliament building, which experience has shown can be more difficult than you may think at first, but moving the offices of the 400 Members on the Northern Estate to somewhere near that building and all of Government. To be candid, it is common sense—

Q37 **Chair:** Can you explain what the Northern Estate is? We know what it means, but others might not.

David Natzler: So, 400 of the 650 Members of Parliament, approximately, have offices in Portcullis House, the two Norman Shaw buildings and 1 Parliament Street.

Chair: Which you call the Northern Estate.

David Natzler: Yes, that's right. That was ruled out as an impractical option not worth pursuing at that early stage.

Q38 **Philip Boswell:** Fair enough. Mr Natzler, you mentioned earlier that you recognise the order of magnitude element or description of what work has been carried out in select phase. We heard that typically an order of magnitude estimate can potentially be 40%, even 50%, accuracy. That would be a competent professional's assessment of how accurate an estimate you can get when you have such a limit of estimations. When I look at the prices quoted in your report on page 39, with, if accurate, an order of magnitude adjustment of, say, 50% on that, there is no way to discern which is the best or most financially beneficial option. You can also add variables of taking the Treasury figures out, because—well, this just goes back to the Treasury bit. At the bottom of page 39, paragraph 80 says, "As a Committee, we have not simply taken these figures at face value, and we have spent a lot of time interrogating and challenging these numbers." Obviously, looking at the make-up of the Committee, professional experience and expertise was brought in to help make some of these decisions and put the figures together, but how much reliance can we put on these estimates? They are big numbers, and if it is plus or minus 50% the public purse ought to be concerned.

David Natzler: Before I ask Jennifer to talk about P10, P50 and P90—which I would rather she did because, unlike you, I am not a professional, although I think I understand—they are not prices. I am sorry to hold you up, but they are not prices, they are not costs. They are orders of magnitude figures intended for comparative purposes and to give a general feel based, so far as possible, on similar buildings and the scale of work required. Secondly, Mr Boswell, it is not my report; it is the report of the Joint Committee. What confidence you can put in them is really a P50 question.

Q39 **Mr Bacon:** Can you translate for the benefit of our viewers?

David Natzler: Jennifer is the expert on this; she will translate.

Jennifer Wood: I will do it very simply. P50 means that there is a 50% chance of it being delivered at that point—so there is a 50% chance that it could be more expensive or it could be less than that. P90 means that there is a 90% chance of delivery at or at about that price and a very small chance that it would be more than that 90% price. At this stage, it would be more normal to be considering options on a P90 than a P50. However, in terms of considering the options—we did look at this, I am on the Board and we did not make a recommendation, we left it to the Committee to consider and make that recommendation—what we saw was that, at P50 and at P90, the options were in the same order and probably have the benefit of being with us for a lot longer. A lot of the costs associated with the solutions come from items that aren't to do with construction. There is a variable on the delivery, the project management, inflation and various other things like that that add significantly to the cost of just doing the work. The longer those works go on, the more that is. That is what is driving the costs.

Q40 **Philip Boswell:** So you are looking at your P90 and your P10, and obviously as further project definition evolves, risks are reduced—you accurately determine what they are and you mitigate against them—but what is currently the highest figure? When you look at your risk analysis, how badly can this go wrong? At the top, option 1 is £5.7 billion. How badly can this go wrong? Where are your forecasts? On your Monte Carlo simulation analysis, or whatever you have done, how badly can this go wrong? Can it double?

Jennifer Wood: I'm sorry; I just don't have the information with me to answer that.

Q41 **Philip Boswell:** Okay. You have talked about P90, you have talked about P50, and there is also P10. The probability of any of these outcomes at the early phase of a project to refurbish an old building—with full dilapidation surveys not having been done, we don't know what is under the skin and we don't know what problems we are going to find, which could include structural defects—the problems with the movement next door—

David Natzler: Sorry, problems with—?

Philip Boswell: Movement.

Chair: Portcullis House.

Philip Boswell: Sorry, Portcullis House. I did one of the estimates a long time ago for building Portcullis House, and looking at the construction of it—I am not an expert, although I was a surveyor previously—there are certainly signs of movement there. Say there is movement here in the ground and there needs to be underpinning. These are the big unknowns in such a project. Is that in your risk analysis?

David Natzler: Yes. We believe the building to be structurally sound—beautifully built and structurally sound. That includes the Elizabeth Tower. This is a public session, and people have anxieties about these things. It also includes Portcullis House, which is built over an underground station. We believe them to be structurally very sound, so that is not in the nightmare scenario, but we will certainly find things we do not know. There are known unknowns.

You ask, "How badly wrong can it go?" The costs that we come back to the House with if we get a defined option in, say, two years' time could be more than the figures there, but I do not know whether you would think it was bad if they were less. Some £1 billion of those figures is attributable in the first place to inflation, which to a non-accountant does not sound like a financial cost; it is just that in the business of putting it off, figures go up. And a large slice is attributed to VAT, but VAT is simply a transfer from one part of the public sector to another. Those figures are of course frighteningly large. You are used to them in dealing with aircraft carriers, nuclear submarines and so on. So yes, the figures could be higher or lower. These are orders of magnitude for comparative purposes.

Say you looked at that table and said, "Does it give you the answer?" The answer of course is no. It gives you an idea. If you then look at feasibility and cost-effectiveness, it may help you judge what is the best all-round option, or the least bad all-round option. As an accounting officer, I am directed by the Treasury Officer of Accounts to use common sense, and I think that is what that table is intended to help Members do.

Q42 **Chair:** Sir Amyas, would you like to comment on that common-sense table?

Sir Amyas Morse: Let me put a comment in the form of a question. Are we comparing apples with apples? I know we have prepared these things for comparative purposes, but it seems to me that there are some material points of difference in them. We say, "We just prepared these for comparative purposes, so we shouldn't expect too much." I understand that, but still, given your knowledge of this and that you are going to make a very big comparative decision based on it, are they actually strictly comparable? I know they have been prepared in a similar way, but is the underlying nature of the risks in the different options such that they are really quite difficult to compare in this quite high-level way? I just would like to know what you think about that.

Jennifer Wood: I think in terms of the outcome, they are similar. The variabilities in the outcome were taken up with the 3B, 2B, 2C and 3C options, which were variations on what we considered to be the variety of work that could be done, with various degrees of betterment. So the absolute comparison was across the A line as well as the 1, 2 and 3 line.

Q43 **Chair:** Sorry, do you want to explain what you mean by "the A line" and "the 1, 2 and 3 line"?

Jennifer Wood: Option 1 was not decanting. Option 2 was a partial decant—one half first and the second half second. On the A, B and C line, A was the minimum amount of work to put the Palace of Westminster back into proper order—that was basically all of the system stuff but no betterment. The B line was some minor betterment; I cannot remember exactly what we considered, but it was improvements to various areas and, I think, some minor additional space to be added. 3C was the maximum additional things that one could do, including covering over courtyards and removing some of the later additions that have been added to it to provide more of what we considered to be improved space to the people who are using the building. That was essentially the matrix of options that were considered.

In depth, we wanted Option 1 to be looked at, although it became fairly evident very early on that an option without any kind of decant at all was technically and physically impossible to do. We looked at the other options with some betterment, and actually having no betterment or some betterment did not make a lot of difference to them. The technical work of replacing the M&E services was really the major issue in each of them.

Chair: David Natzler, did you want to add anything?

David Natzler: In summary, what it means is that it does not matter so much what you do, it is how you do it that makes the difference, which is what the Joint Committee came to consider in the end. Option 1A—whatever it is costing; they only looked at it because they were directed to do—suffers from the weakness that the building would not survive it. In medical terms, it is like if the operation might eventually have been successful but the patient would have died, because you would really be replacing stuff that you had only just begun to put in 20 years beforehand.

Q44 **Mr Bacon:** Sorry—under Option 1?

David Natzler: Yes.

Q45 **Mr Bacon:** Basically, if I read page 39, crudely to your point about how you do it being more important than what you do, page 39 appears to say that you could pay £2 billion less—£3.87 billion—and get a significantly enhanced building, or you could spend £2 billion more—£5.67 billion—and make no betterment at all. Am I reading that right?

Jennifer Wood: Yes.

Chair: I am going to alert witnesses and colleagues that we could aim to finish this session by 5 o'clock, which is what we originally intended. If we could have short and to-the-point answers and questions, that would be great.

Q46 **Philip Boswell:** I am still digging to get something; I will have another go. The cracked glass next door is an indicator of movement beyond tolerance.

Chair: By next door you mean Portcullis House.

Philip Boswell: Yes. That could be an indicator of ground movement. It is definitely going to be on your risk matrix, because it is one of the highest cost risks in any construction or restoration process. I have underpinned large sandstone buildings, and it is not fun and it is not cheap. What did you do to test or mitigate that risk? Admittedly, it is only at the select phase, which is a very early phase when looking at feasibility. Did you do any trial pits?

David Natzler: Just to be clear, is the question what did the programme do over the last three years to test for structural—

Philip Boswell: Yes. Because it is such a big risk now, the probability may be low on analysis, but the impact of something like a structural defect or risk is massive.

David Natzler: I think the best thing is that we can get you a technical note on the— I know you know this, but to be clear, we have not just started looking at the building about five years ago; we started in 1992 and it has been going on throughout since 1850. We take constant tests to make sure that the building is structurally sound. We have been surveying Elizabeth Tower in case it is moving, which it isn't—particularly when London Transport dug the big hole in the 1990s to worry us. I think it will predate the programme, which is why I would rather someone from Strategic Estates gave you satisfaction that they are constantly monitoring the structural soundness of the building.

Q47 **Philip Boswell:** I haven't checked all this, but I presume there are lessons learned and the published written evidence includes that previously gathered on structural testing and movement.

David Natzler: I am in a difficulty. What a Joint Committee chooses to report or look at is for it to decide, so I don't know. You would have to ask them. But we will make sure that you have that information.

Q48 **Philip Boswell:** We will move on to generic questions about how urgent the work is. I think you have already mentioned that it is critical, and I think we would agree. Certainly some of the anecdotal evidence suggests that it is urgent. Which elements of the building will be most costly to renovate? What are your big-ticket items?

David Natzler: As Jennifer has said, the big-ticket items are the least visible, unless you go to look at them. You probably have been to look at them. If not, you would be very—

Philip Boswell: I have not.

David Natzler: Well, perhaps we can make that offer. It is in the basement, and it is also in the 98 risers. It is the hundreds of miles of cabling, pipework and so on—the M&E systems, which cover about 50 distinct services provided around this village. That is what this is, so it is doing a complete village. That is the biggest cost. Approximately 65%—

Jennifer Wood: 75%.

David Natzler: —75% of the cost is going to be that, which, of course, once it is there will be invisible.

Q49 **Philip Boswell:** Probably going to be that.

David Natzler: Probably—I hope. Because that at least is foreseeable, but there will of course be unforeseeable other additional costs, and also things that are not as bad as we maybe feared to be restored. However, that is the biggest single cost, if that is a help.

In terms of improvements, that is quite a small financial feature. If, for example, we glazed a courtyard or two—that is a matter for the design—that is not going to be a particularly expensive option, but it massively improves the amenity. Disability access, which you will probably all know from your constituents coming here is very poor, will again cost some money, but again that is a fairly foreseeable amount once the design team have worked out the routes.

Q50 **Philip Boswell:** How much is currently being spent annually to keep this building safe and working?

David Natzler: We spend about £50 million to £60 million a year, and rising, which is about as much as we can spend. We could spend more, but simply because of the disruption it causes there is a limit to the amount we can spend every year. It is that scale of expenditure.

Q51 **Philip Boswell:** Okay. Do you all agree with the Joint Committee's recommendation that Option 3, the full decant, is the best option available?

David Natzler: Jennifer and Martin are independent and they can answer. I will have to wait for the House to decide, but I would like to say I am the accounting officer and what I would like is the solution that offers the best value for money, is the most feasible, and, as Clerk of the House, that which offers the minimum disruption to business—because my other task is to ensure that business of the House goes on. And, as the corporate officer and the responsible person for fire, I would like the option that offers the quickest possible protection against the risk of another—we have this building because of a fire—and which gets the asbestos safely out of the building as safely and sensibly as possible.

Philip Boswell: Mr Buck, do you agree that Option 3, a full decant, is the best option?

Martin Buck: I am relatively new to this process—I came to this about six months ago—so I do not have the benefit of all the background to it, but I would echo the comments made in the earlier session. Self-evidently, from a project management point of view, the best option appears to be decanting the building and being able to use the five years between now and the time at which we would be decanting so that we can do it as quickly and efficiently as we can, to get Parliament back into the building and enjoying the Palace in its renewed form.

To answer one of your earlier questions, some of the costs you referred to are going to be common to all the options anyway, so they do not really play into the options appraisal too much.

Q52 **Philip Boswell:** Following on from that, is staying on the Estate—an eight acre estate, I believe—a viable option? Can it be done?

Chair: Do you mean staying while the work is done?

Philip Boswell: I mean staying while the work is done, decanting and moving to different parts. As a consultant to the House of Commons, Mr Buck, can it be done?

Martin Buck: I think that depends on what you are trying to solve for and the constraints you are putting on. The work that was done by the Independent Options Appraisal was before my time but I know and have spoken to a number of the people involved, and I certainly have every confidence that that was done in a diligent and professional way and the information that they put forward is very credible and we should rely on that.

Q53 **Philip Boswell:** Okay. Same questions to Ms Wood on Option 3 and the option to stay.

Jennifer Wood: My role is to be an independent member of the board so I am not sure that I can have an opinion, but if I was recommending this to anyone else, I probably would say that you should seriously consider Option 3. As a taxpayer, I think you should be considering Option 3, because it is my money that is going to pay for it—several other peoples' money as well.

In terms of the second part of the question—I am sorry, can you just repeat that?

Q54 **Philip Boswell:** It was whether we could stay; we could use the eight-acre estate. Is that a viable option?

Jennifer Wood: There was a strong acknowledgement of the desire to stay on the footprint and we looked very hard at how that might be achieved, but in the end because of the amount of support that is needed to anything that stays on, we came to the conclusion that it would not be a realistic option, if you went for the full work.

Q55 **Philip Boswell:** Going back, then, you said we should look seriously at Option 3. However, I think we have established that the figures—and it was fiscal reasons you gave as the big issue—on an order of magnitude estimate are meaningless, because they can be completely deleted or changed if you get it 40% or 50% wrong or something else comes up. Do you still think that that estimate has a 40% variable on the prices that were presented? Do you think there would still be a distinctive price difference?

Jennifer Wood: They are not prices.

Q56 **Philip Boswell:** Not price; the estimates and forecasts. What are they there for but to help us make a decision?

Jennifer Wood: They are not really forecasts either. I think you need to understand the build-up of the magnitude costs to understand where the variables may lie. We have been talking very much about the risks that lie with the work that needs to be done and the chances of finding something that one wasn't expecting to find. The proportion of the cost as the actual physical works is a relatively small amount of that, probably around about £1 billion. Even if you are looking at risks that would increase that cost by 50%—

Q57 **Philip Boswell:** It is only the £1 billion that is affected.

Jennifer Wood: Yes.

Q58 **Philip Boswell:** That was going to be my next question. So what you are saying is that even if there are huge risks that we haven't identified, it would affect all of them equally, apart from that £1 billion that is the variable.

Jennifer Wood: Yes.

Philip Boswell: Okay.

Q59 **Mr Bacon:** On this point, you said earlier, Jennifer Wood, in answer to a question, that we should seriously think about decanting because among other things there was the cost to taxpayers to bear in mind. Yet in the documents we have in front of us, on page 39, which I referred to earlier, it says that the actual number is £1.8 billion cheaper; as well as being a significant betterment, Option 3C is £1.8 billion cheaper and Option 3B is significantly cheaper than that. And yet the Independent Options Appraisal says that Option 1 is cheaper—£1.2 billion cheaper. How do you account for the fact that these different groups of experts have already managed to come to quite diametrically opposed conclusions about which might end up being cheaper?

Jennifer Wood: I think it depends on how you are looking at the money. Option 1 is the cheaper because it is discounted rate across the 32-odd years that they have done it. It is questionable whether, unless you are actually going to—

Q60 **Mr Bacon:** Hang on. If you look at page 11 of 250 of the Independent Options Appraisal, one is comparing like with like. It is a net present cost value based on P50—a 50% estimate. True, it is £7.89 billion, but it is comparing apples with apples, because the Option 3C scenario is also a net present cost based on the 50% likelihood, and that is £9.11 billion.

Jennifer Wood: It is net present cost. One is the net present cost discounted across—

Q61 **Mr Bacon:** They are both net present cost. That's what it says.

Jennifer Wood: Yes, but one is discounted across 32 years.

David Natzler: One is discounted across about six years and one is across 32 years.

Mr Bacon: I see. That's the explanation.

David Natzler: If you put something off for—you are surrounded with accountants here. If you don't spend any money for a bit of time and you let the building fall down, it's cheaper. That defies common sense.

Q62 **Mr Bacon:** Does that account for the entire variance?

Jennifer Wood: Yes.

Chair: Does the Comptroller and Auditor General want to add anything?

Jennifer Wood: Would you mind if I added something? One of the other reasons that I would look very strongly at Option 3 as opposed to any of the other options is the amount of disruption that you could take in your business-as-usual scenario. You have just gone through the so-called interim project to do some emergency works on the M&E. I understand that you found it extremely disruptive to business, right the way through the Palace, both in the Lords and the Commons. There would be significantly more disruption if you were to stay in the Palace while any work was being carried out. We tried to quantify this, and we think that it would be somewhere in the order of five times as disruptive as the work that has just been carried out, which is a big consideration.

Q63 **Chair:** Does the Comptroller and Auditor General want to come in here?

Sir Amyas Morse: I tried to make this point earlier and obviously not very well, so I will try in this context. When we look at Option 1, we are looking at a very long timescale. That must surely mean that the chances of some of the catastrophic events happening and there needing to be a swift exit from part or all of the Palace are increased. I make reference now to the discussion by the earlier witnesses about the number of fires that have occurred and so forth. You just need a big one, and you are suddenly in a position where you have to decant very quickly without having planned it. That suddenly changes the numbers quite a bit, I would think. Is any of that risk actually taken into account in the comparative cost model, or is it just something to bear in mind?

Jennifer Wood: I do not believe that it was taken into account.

David Natzler: That is something to bear in mind.

Sir Amyas Morse: That is why I bring it up. I am not saying you should cost it all in, but over such a long period the probability must become significant of some sort of failure of this kind. I don't think you can say, "We'll take the discounting benefit of the very long period of time, but we ignore the fact that it raises the level of risk of some of these things happening."

David Natzler: Over 30 years, it is simply, in my mind, candidly not feasible—

Sir Amyas Morse: I would just be interested—

David Natzler: Can I just finish? It is actually not feasible that the Palace would continue to house both Houses of Parliament; it's not going to happen. If you say, "Here are another 30 years with lots of little groups and 14 different areas done at a time," asbestos will get into the air and we will close the place down and have an emergency decant at huge cost—you are absolutely right—unplanned, and then have to start again. It is a purely technical option that our advisers did only because we paid them to do it. I absolutely agree.

Q64 **Charlie Elphicke:** May I take issue with that, Mr Natzler? Mr Wolstenholme said it was not to be recommended that we should stay here and the work be done around us but that it was possible.

David Natzler: Everything is possible.

Charlie Elphicke: He is the chief executive of Crossrail—an expert; this is what he does.

David Natzler: What I do, Mr Elphicke, is Parliament. When he said it is possible—anything is possible. Obviously we have looked at recent propositions for how a footprint could be maintained within the Palace while masses of dangerous construction work goes on all around. Is it possible? Yes. If the Rijksmuseum in Amsterdam had said, "It is so important we keep The Night Watch constantly on show in the middle of this building site," and someone had said, "Can it be done?" someone would have said, "Yes." The question is: at what cost and at what risk? You can build polytunnels for Members to get through to an area swathed in plastic—completely closed to the public, obviously.

You mentioned cathedrals. If Canterbury Cathedral had to close but wanted to ensure that the tomb of Thomas à Becket was constantly available because of the flood of pilgrims, I am sure it would be possible. Anything is possible. The question is what it costs and what the risks are. Is it feasible? I am saying no.

Q65 **Charlie Elphicke:** I understand that point, and we can all understand from this report, what the steer is and what the thrust of this has been. Let me take you to page 39, where it sets out the costs. Again, a very clear steer is given that it would be a horrific thing for us to stay here and for works to be carried out around us. It would be far more expensive. But then we hear that that is not really true and not frank, because the actual net present value—when you take the amount of money that it would be in today's money—is less. We have heard from the Comptroller and Auditor General, the analysis that the National Audit Office has done, and analysis of the Independent Options Appraisal, that scenario 1 is not £5.67 billion in today's money and it is cheaper overall than the other scenarios.

David Natzler: Yes.

Q66 **Charlie Elphicke:** Do you accept that that is not frank?

David Natzler: No. I don't know what you mean by "not frank".

Q67 **Charlie Elphicke:** It is not accurate.

David Natzler: I am not going to criticise what a Joint Select Committee of both Houses has reported.

Q68 **Charlie Elphicke:** No, but I am saying, in terms of the net present value, any accountant—anyone who understands money—will say this is not how you do a presentation. You do not say, "Here is the total amount of money over the whole period"—

Chair: To be fair to Mr Natzler, it is not his Report. Can we let him comment nevertheless? Mr Natzler.

David Natzler: If you feel it is not frank, I am sorry. It seemed to me quite clear, when I read it, what it was saying. If you put expenditure off and spend a lot of money over 30 years, in accountancy terms it becomes cheaper, depending on the rate—well, any rate that you are bound to apply, whether it is 3% or 3.65%, the Treasury rate or some other rate. That is completely true. If you are looking for what might be, in accountancy terms, the cheapest option—if that was all you were looking for—you might well say "Let's go for Option 1 or a version of Option 1," if that is what the report was intended to set out. The report sets out, and obviously you have read it, that they also don't think it is feasible. In other words it is not possible because—it may be a foolish metaphor—the patient dies. The building will not last that long. With the systems failing, increasing risk of systems failure—from recollection, 2% every year—that means we are mounting and mounting the risk anyway. Even if we have a total decant in 2023 or so, I cannot guarantee that we will be here for the next five or six years. It will be on a wing and a prayer anyway, but anything beyond that—it is not worth a prayer.

Q69 **Charlie Elphicke:** I understand that, but what I am reflecting is substantial concern across the whole of the House of Commons, in all parties, that this is an important moment for our nation: we are retaking sovereignty; we are retaking independence; we are leaving the European Union. We are taking momentous decisions. Are we going to do that from the mother of Parliaments or somewhere else—dare I say it, effectively giving orders from a Portakabin?

David Natzler: Two answers to that: one—I think we will be leaving the European Union, presumably, in about two years' time. You will still be here in two years' time, I hope, and you will still be here in three, four, five and possibly six years' time. So if we have a total decant, by the time it happens we will well and truly have left the European Union. So I think that is not a very strong argument.

The Portakabin: the Joint Committee made a recommendation for, if there is a temporary Chamber, the nature of the Chamber. They said it should be, I think, relatively austere. We have no desire to make it the permanent Chamber. The idea is you would go into that Chamber, spend about six years there and get back as soon as possible into the historic Chamber. As for making decisions—and this may be beyond my accounting officer role—it does not really matter where you make decisions. The generation between 1945 and 1950 were sitting in the House of Lords, because the House of Commons was bombed out; but that did not seem to constrain the then Labour Government or the Conservative Opposition from engaging in proper parliamentary politics. It does matter when we get back to the Commons, but I think it is a weak argument, if I may say so, that you cannot make important decisions because you are not in the room you were always used to.

Q70 **Charlie Elphicke:** Can I then move on to the Independent Options Appraisal report? It is clear that it does not test value for money. What assessment of value for money would you expect to see before proceeding with this project, and do you think that there should be a full value-for-money assessment—or would you think that would be a normal and sensible thing to do?

David Natzler: I think over the next two years there will be, in essence, a value for money assessment. All the IOA was able to do was assess cost, which I think was frustrating for it—and it is recognised in the Joint Committee report. Value can only be attributed, in a building like this, to Members: what value do you place on certain things? What value do you place on better disability access and the feasibility of the option against, let us say, a very strong feeling that you wish to retain a foothold on some quasi-sacred soil and a totemistic determination to stay in a particular place? If you put a value on the latter of £500 million, and on the other—you have to balance those up. Once you have found an option and you can proceed to define the option and get a full design brief, it is easier to start assessing value for money.

Martin Buck: The culmination of that two years' work will be a full business case that will be based on an option that has been worked up to a high level of detail.

Q71 **Chair:** Who will do the value-for-money work? Have you thought about who might do that for you?

David Natzler: If we have our sponsor body and delivery authority, they will be between them responsible for ensuring that there is, for example, audit and assurance within all of those processes. So the sponsor body will have its own audit body of some sort.

Q72 **Chair:** So are you thinking of an audit committee for the sponsor body?

David Natzler: Yes.

Q73 **Chair:** The National Audit Office does value-for-money audits across Whitehall and the Comptroller and Auditor General is an Officer of the House. Have you considered asking the National Audit Office to do a value-for-money study?

David Natzler: The National Audit Office has been extremely co-operative and helpful from the beginning of this process.

Q74 **Chair:** But there has not been a formal bit of work done by the National Audit Office, as I understand it. I know you have had conversations.

David Natzler: There hasn't been a value-for-money audit because—

Q75 **Chair:** There is nothing to value at this point. I get that. But in a couple of years' time when you have the business case—

David Natzler: Absolutely. At any point when it seems appropriate to the Comptroller and Auditor General to come in, he will be extremely welcome.

Q76 **Chair:** But he has to be invited.

David Natzler: I just sort of invited him to the extent that I can as the accounting officer for the Commons and for my colleague in the Lords, because this is a bicameral project. I am absolutely certain I speak for David Beamish as well, but our pious hope is that as soon as possible a delivery authority and a sponsor body will take this away from our shoulders to another body, which will certainly be liable to audit by the National Audit Office. I cannot conceive that you would let it through the House of Commons in a Bill without ensuring that. It was always in the plan that the NAO should have very full access to everything that is going on, and you would therefore be an important part of the accountability mechanism.

Q77 **Charlie Elphicke:** That matters, because in this £3.5 billion figure of scenario 3B, the question for us is why should we treat that as any more reliable than the cost forecast for Portcullis House?

David Natzler: The 1998 building forecast for Portcullis House was exactly what actually came in. If you read the National Audit Office Report at the time in 2001, which was the last time the Clerk of the House of Commons appeared before your Committee, in construction costs it was 14% over the 1992 agreed figure. That is 14% more over than anyone would want it to be. The main point is that we are not building this. The confidence in any figure that is produced by the business case is going to be down to the delivery authority and the sponsor body. It is not down to the accounting officers of the two Houses, nor to Strategic Estates. There is no way that we are going to do this work, if I can put it crudely. That is why the idea is for the governance to have an equivalent to the Olympics and Crossrail and so on. They will do it. As was mentioned by the previous witnesses, I am sure you can have great confidence nowadays in the cadre of expert project managers who have brought projects in on time and to budget for vast enterprises such as this Palace.

Q78 **Charlie Elphicke:** In that case, how would you expect the delivery authority to arrive at a reasonable contingency allowance for the budget, considering the number of unknown unknowns out there?

Martin Buck: The answer is through risk analysis. I would add to what David has said that if you go back into the Crossrail experience and the costs that were validated in 2003-04 by Sir Adrian Montague and led to the project being given the go-ahead, the current forecast out-turn for the project that Andrew referred to earlier is still within the figure that was determined 13 years ago. We have got an awful lot better at understanding not only how to cost things, but how costs move over time. The sort of analysis that you referred to earlier was a part of that. The delivery authority will use state of the art measures for costing and calculating the funding that will be required. One of the issues that we will have to deal with at some time is at what P value—P50, P80, P90—the project is going to be funded. Crossrail was funded at around about P90, and that has served the project very well, in terms of giving it a very stable funding structure to get to here.

Q79 **Charlie Elphicke:** Finally, looking at the partial decant options, in your view and from your understanding of the matter, Mr Natzler, how practical are those options—and are they feasible to do and to take forward?

David Natzler: Well the Option 2 partial decant seemed to assume that one Chamber would move into someone else's Chamber, and that someone else would go away and never come back for about 12 to 15 years. I think there is a political issue as to how politically acceptable would be to the House of Lords. I think that is of whom we are speaking. They would be expected to just be off the premises for twice the time or more of a full decant while the Commons sat in the Lords and the Commons half of the building, if you like, was restored, and while the Commons then moved back into that and the Lords half was dealt with. It is a pretty unequal deal between the two Houses. That is a simple political point—it might be difficult to sell.

Also, the practical difficulties, which are set out here, were at least persuasive to me as a non-expert. Trying to replace a complete M&E system while you are also running half of the building, either on the old M&E system—

Q80 **Chair:** Sorry. Can you just explain M&E?

David Natzler: Mechanical and engineering and electrical and all of the pipeworks and the wires. Trying to run two at once—or three, if you have a temporary system—seems to me just doomed to failure.

Martin Buck: I think that is the point, for me, having come to this relatively recently. You may or may not be persuaded by the cost analysis that has been put in front of you, but actually the engineering and the analysis of the risk that you would be taking by trying to do things piecemeal is, for me, the most persuasive part of this.

Q81 **Charlie Elphicke:** How can the equivalent value be reliably calculated, given that it relies, it seems, on subjective judgments about the benefits?

David Natzler: That is probably a technical question. I think the answer is that they are subjective about the benefits. For people who think there is a benefit in remaining here, I am not quite clear how that benefit can be monetised. It is deeply felt by some people. What are you prepared to pay to keep people feeling content, hanging on to their comfort blanket? It is not you that is paying, it is all of us who are paying for it. It is quite difficult to monetise a feeling of comfort and continuity, which I do not dismiss as being unimportant, but it is really difficult to put a price and, therefore, a value on it. If necessary, what can be done is to put a cost on it.

Jennifer Wood: I come back to the issue of disruption, because I think that is something that perhaps also ought to be costed. It is possible to actually add in to either option the costs of an emergency decant. I know that there were always extant plans to be able to do that in the case of an emergency. Those could be added in, but the issue then is how you cost the disruption to the business of Parliament when that could be a totally unplanned event.

Q82 **Philip Boswell:** I will tidy up a few things before we move on to the IOA report and analysis. Mr Natzler, you articulated the long-standing understanding that there have been problems in the building that have been looked at for quite some period of time. Why are we discussing the long-term solution for dealing with them only now?

David Natzler: That is a very fair question. The Joint Committee obviously asked the same question, which you will have read. It was to do with priorities through the 1980s and 1990s. Through the 1980s and 1990s, we—that includes the parliamentary administration and, before that, the Government, who were in charge of the building—were concentrating on expanding the estate. When I arrived 40 years ago there was just the Palace and a few outbuildings. We then got the Norman Shaw North and South buildings, which was a huge enterprise then. We got them from the police and converted them. We got 1 Parliament Street, as it is now called, but which was actually a row of otherwise completely unconnected buildings. We got Derby Gate, which was another large project. Of course, we then built Portcullis House. There was a lot of attention on expanding the estate to find massively urgently needed space for Members, because of their increasing demand for space, and their staff.

Secondly, in the 1980s and 1990s, but particularly in the 1980s, more attention was paid to the internal appearance of the building. Those were the days in which—

Chair: The famous wallpaper.

David Natzler: Yes, although it was not just wallpaper, Chair. It was the wallpaper, the paintings—there was an appreciation of the Victorian heritage, which was relatively new then. Quite a lot of money and attention was given to that. In retrospect, of course, what the Government should have been doing in the 1980s was gradually spending money on replacing all the M&E systems, but that is what we didn't do.

To be fair, for several decades we have been talking, planning and trying to avoid coming to the point at which you say, "I'm sorry, but the decant does seem the best option because of disruption." We have had no opportunity to do the major works, because you can't do them without causing unacceptable disruption to parliamentary business. It is like a doctor saying to a patient, "How did you get to this state?" But the fact is that that is where we are.

Q83 **Philip Boswell:** In which case, we are obviously not focusing on the Palace. Would you agree that it has left the taxpayer with a much higher bill because we are doing it now instead of doing it in the '80s or '90s?

David Natzler: Yes. That is always the general lesson. If you just do patching and then reactive maintenance, it comes home to haunt you about 20 to 25 years later. We saw the lessons from the UN building in New York recently, where they spent billions. They realised that they had also been guilty of that. They had reacted to difficult maintenance problems year after year, and they hadn't gone for the sometimes more expensive option of doing it more fully. To be fair, it was the same thing: they didn't want to cause disruption to the core purpose of the building.

Q84 **Philip Boswell:** Okay. This is a question to your two colleagues, because you have already answered this, Mr Natzler. What will be the effect of Parliament further delaying its decision in principle on the project? Mr Natzler, you talked about an emergency shutdown, asbestos and fire. Mr Buck, what would you say, beyond Mr Natzler's answer?

Martin Buck: I guess my part of the story is to prepare for the next phase, in terms of putting the delivery and the responsible entities in place. If we were not in a position now to make a selection of the options, it may well be that that process would have to be delayed as well. To echo earlier comments, if you are continuing to work up options—I assume that would be the consequence of a delay—to gather more information for a later decision to be taken, we would need to understand what we are trying to solve. I think that most of that work has been done for the constraints that the original process was given. We need to understand what constraints we are trying to work within and what the requirements are, and then work up a plan to get to the next point.

Q85 **Philip Boswell:** Ms Wood, what would the effect of Parliament further delaying its decision in principle be on the project?

Jennifer Wood: Part of the work that was commissioned from the independent options appraisal people was to look at the risk of a failure of a major system, and it came out rather higher than anyone would have liked. We had the work we had done when we realised that it wasn't going to be an entirely smooth path from a report being produced to getting a decision in principle about which way we wanted to go. There was an even higher probability of a major system failure—I think it now stands at somewhere between 85% and 90%.

As I alluded to earlier, we had difficulty not so much looking at the plant—you can get to the plant itself; it is generally in rooms with a door you can open. The bigger issue is getting at the infrastructure that joins the plant with the radiator on the wall, for example. We did manage to find some areas to do a little non-destructive testing, and it was not looking good—the thickness of the pipes to carry heating water and things like that. It is not a happy story. You just keep on increasing your chances of a major system failure.

Q86 **Philip Boswell:** Before we move on to the independent options appraisal, I have one last issue to cover. Let's look a bit more at the positives. What would be the main benefits to the public of the restoration and renewal programme?

David Natzler: Potentially huge. We have mentioned disability access, which is a massive potential gain. There are a lot of thoughts, as yet uncrystallised in a design brief, on how to make the place more welcoming, accessible, open and viewable—not necessarily viewable live, but more viewable to the public. As you probably know, the archives will be coming out of the archive tower—storing archives vertically is not ideal. We intend to create some sort of new archive centre, which could be the basis for some sort of mixed archives and visitors' centre—another long-held ambition for all our visitors here, both those paying and those coming as guests of the House.

I do not want to frighten anybody, but the place will also be much safer. If we have proper fire compartmentation, it will be a great deal safer for everyone. The benefits will be that for the next 150 years we will continue to have a Parliament in this fantastic building that people love to work in and visit.

Philip Boswell: You have already covered my last point.

David Natzler: I am sorry.

Q87 **Philip Boswell:** No, that is fantastic. I just have one final point. How will you reassure taxpayers that the work is not spilling over into unnecessary extravagance? For example, in the House of Lords there is too much gilt—sadly with no "u" in it, but never mind. How can you assure us that you are going to keep a cap on costs? What are you going to do?

David Natzler: That is down to the governance bodies that we hope will be set up—maybe Martin can say more about those. We have a sponsor board and a delivery authority that, in turn, will be responsible to some sort of joint commission of both Houses, which will agree the annual budget. I am absolutely confident that they will look at it thoroughly.

Secondly, I am very confident that the National Audit Office, in its usual austere way, will run the rule over everything to ensure that we do not spend more money on gilding the royal throne area in the House of Lords than is necessary to maintain its decency. Although it will not be entirely a public sector body, the normal public sector audit procedures will, I am sure, ensure that there is no gold-plating.

Martin Buck: That is the work of the next two years: to come up with that budget. That budget will then be embedded within what we call a project development agreement between the sponsor board and the delivery authority. The sponsor board is responsible for controlling change to that. The delivery authority will have a defined performance output that it will be working to, and the sponsor board will be the controller of change to it.

Q88 **Chair:** You mentioned the sponsor board. We had some good evidence from our previous witnesses about the importance of a strong, stable sponsor board. What is the proposal for going forward on this proposed governance structure, given that there has been a proposal to include people on the sponsor board who may not be in their posts for the long term because of the nature of them, so you may lose longevity?

David Natzler: The idea of the sponsor board is still being developed in conjunction with the Government. If we introduce it through legislation, it will obviously be for them to determine what they put in the Bill, although not necessarily what appears in the Act. As was said, the idea is to have a handful of Members of both Houses, but overwhelmingly to have a lot of external expertise there as well. One proposition is that the Members of both Houses should be appointed by letters patent and therefore only removable by address. They will not be there ex officio but as individuals, so they will not constantly be shifted every time a particular party—

Q89 **Chair:** Regardless of whether they hold their seat, for example?

David Natzler: Potentially, or potentially not. That is a matter for the statute that sets them up. It might be that they would have to still be a Member of one House or the other.

Chair: A promotion to the peerage looms for people in marginal seats, then!

David Natzler: But that is the idea, to provide stability. Martin is our governance expert. It is stability—absolutely right—that everybody will want to provide for that body.

Q90 **Chair:** So, Mr Buck, there would be a Government representative, a representative from both Houses and who else?

Martin Buck: That is still being worked up at the moment. The IPA are being very helpful in helping us think those things through.

Q91 **Chair:** We heard very clearly from Tony Meggs that it should be people with expertise. With all due respect, most Members of this House—Mr Boswell excluded—are not experts in big project management.

David Natzler: It is plainly intended now that the majority of the body will not be Members of either House, or indeed officers of either House. It will be what you call experts, by which I mean quantity surveyors and so on—the leading people who are used to that sort of work and are not particularly or necessarily attuned to Parliament. The Members will be there to represent the principal, but not the only, stakeholders, and the others will be there to exercise the disciplinary oversight of the delivery authority.

Martin Buck: The essence of this comes down to the Cabinet Office's own guidance saying that five out of eight common causes of failure come down to weak governance in major projects like this. This is all about trying to create a clear customer and deliverer relationship. The sponsor board will be the customer for this project.

Q92 **Chair:** There is one thing about project management, and there is another about dealing with 650 Members of Parliament and eight hundred and something Members of the House of Lords, who will all want to have some oversight, say and input. What is your message to us mere MPs, Clerk of the House?

David Natzler: As members of the Public Accounts Committee, you are a stakeholder, evidently, and a welcome one. Once the design at stage 2 is tied down and signed off, the major cause of extra cost—as we also know, and as you know better than anyone—is people fiddling and wanting a different sort of aircraft with different wings to fly off the carrier. We are not going to have that, and the sponsor body is there to say, "No. We are independent, although we listen to lots of people."

Q93 **Mr Bacon:** I have two quick questions. First, we have not yet got to the point where it is locked and where people cannot have their view.

David Natzler: Absolutely not.

Q94 **Mr Bacon:** Perhaps I should know this already, but I have not come across it. What mechanism is there to ensure that Members of Parliament can input their views—Members of Parliament are known for having views, and they work in this Palace and know it—and that everybody can have their say and be heard?

David Natzler: One mechanism there has been is obviously the Joint Committee, to which a number of Members gave informal evidence and some submitted memorandums. I very much hope that there will soon be a debate, which is a traditional way for Members of both Houses to express their views in public, although sometimes maybe quite briefly, depending on time. If there is then a selected option or something like it, over the two years or so of working out the detailed business case, I anticipate that the sponsor body will have some sort of consultative forum, which will be particularly for Members but also for the public, who are keenly interested, and the heritage bodies and our neighbours. There will be formal mechanisms for stakeholder engagement.

Q95 **Mr Bacon:** If you look at the Treasury building, which was the subject of a major refurb and which this Committee did reports on, the use of the light wells, which were basically wasted spaces, made a big difference. Of course, this Palace is full of such light wells. There are major opportunities for betterment, as Jennifer Wood was saying earlier.

David Natzler: Absolutely. If that is an insight you have—well, it is an insight you have.

Mr Bacon: I have just said it. I am full of insights, Mr Natzler.

David Natzler: Here is an extraordinarily good example of how insights can develop. Obviously people have thought of the light wells, the courtyards and so on, but nobody knows this building better than the Members and staff who dwell in it, have lived in it for many years and love it.

Q96 **Mr Bacon:** Absent any view on whether this is actually going to be what happens, were we to move to the option with Richmond House being the temporary House of Commons, there is a reference in the Joint Committee report to the courtyard of Richmond House being used as the temporary Chamber site. For clarity, are we talking about the area to the north of Richmond House, between there and the south door of the Ministry of Defence, or are we talking about the other side?

David Natzler: I am very glad you ask. It is to the south. It is within Richmond House itself. It is currently surrounded by buildings.

Mr Bacon: I am looking at an aerial photograph of it. So it is the one that is surrounded on all sides.

David Natzler: Broadly, yes.

Q97 **Mr Bacon:** And that is big enough?

David Natzler: Just about. It meets the footprint of the Chamber. Again, we must be candid. It would not be big enough also to meet the overhangs on either side of the Chamber, which is the enormous Press Gallery and the large Public Gallery, but it is big enough—

Q98 **Mr Bacon:** So we'll be keeping the press out for a few years, will we?

David Natzler: Absolutely not. No decisions have been taken and nor can they be until we get some sort of decision in principle, but that is where the idea is that the temporary Chamber would be built.

Q99 **Mr Bacon:** At the front of Richmond House there are some very grand offices. Has any thought been given to who would get those? Would they be officials or MPs?

David Natzler: Two answers, without being too speculative—

Mr Bacon: There is one for each day of the week.

David Natzler: No, not quite. Some of them will probably be for Committee rooms, because we will need more Committee rooms. Almost the biggest challenge is that you are not going to get many rooms like this one, and this is one of smaller ones here—

Mr Bacon: That's a good idea. We'll bag the best one. We'll go in and have a look.

David Natzler: And in a jocular tone, the Chair of the Public Accounts Committee traditionally gets—

Mr Bacon: The posh office, yes.

Chair: It is okay; I am used to working from a laptop in Hackney—the Shoreditch way of working.

Q100 **Mr Bacon:** The report also refers to the fact that Norman Shaw South, Norman Shaw North, Derby Gate and 1 Parliament Street are also subject to a refurb. You referred to the fact that there are 200 Members of Parliament currently in offices on the northern estate. Presumably if that is being refurbed, they have to move too—as well as the people in the Palace.

David Natzler: Before.

Mr Bacon: Not in one go—it will be phased.

David Natzler: It isn't simple, but it is, in essence, quite simple. First of all we will decant or, in other words, remove the 200 or so Members and their staff from the northern estate—that is to say, not Portcullis House but the Norman Shaw North and South and 1 Parliament Street buildings—and put them into Richmond House, which by then we will have done up sufficiently to take most of those people. When the northern estate refurbishment has been completed in 2022-23, they will then either move back into Norman Shaw North and South or 1 Parliament Street to make space for the Members who will then be decanted from the Palace –

Q101 **Mr Bacon:** So the people who are going to be in Palace will keep on having offices in the Palace until—

David Natzler: Until there is a decant—until 2023-24. We don't know—it is up to your accommodation Whips and not up to us—the exact pattern of move and whether people from the Palace go to the northern estate, people from the Palace go to Richmond House or a bit of both. That is up to the accommodation—

Q102 **Mr Bacon:** But the total decant would allow for the northern estate to be done first so that the people in the Palace would stay where they were until that moment.

David Natzler: Absolutely. The people in the Palace are not going anywhere until—

Mr Bacon: As an MP with an office in the Palace, I am quite grateful for that.

David Natzler: I think I am right in saying that at the moment Portcullis House is not affected, so there are 200 Members there. I think I am right in saying that we intend to leave 53 Parliament Street—it is the most recently refurbished building—as it is.

Philip Boswell: We intend to leave it too.

Q103 **Chair:** I am aware that we are about to vote, so I want to ask a couple of quick questions and please can we have very quick answers. One is on skills. In all the work that has been done so far, has there been any analysis of the skills—craft skills and others—that will be needed to manage a project of this type and of whether there is a supply chain for that in the UK as we currently stand?

Jennifer Wood: There has been a very high-level assessment of the sort of quantum of people that we will need for this. It will not surprise you to know that we probably do not currently have that quantity of skills.

Q104 **Chair:** We will be competing with Buckingham Palace and a few other big projects.

Jennifer Wood: I think Buckingham Palace might steal a march on us. However, as Andrew Wolstenholme said, we should spin it around—this actually gives us a really good opportunity to increase the level of skills that we have in those areas in this country.

Q105 **Chair:** Who will be doing that because, with respect, it won't be the Clerk of the House?

David Natzler: That is not for the House to be doing, but the Joint Committee report was extremely clear that this is a massive national apprenticeship opportunity. It makes it a UK-wide scheme, so that it is not just people in London and the south-east who would expect to come and work here, whether learning or—

Q106 **Mr Bacon:** Will that extend all the way to Scotland?

David Natzler: Absolutely.

Mr Bacon: Haven't they got their own Parliament?

Q107 **Chair:** We don't have time to get diverted, I am afraid, because we are running out of time. It is all very well saying that it is a fantastic opportunity and there are going to be apprenticeship schemes, but somebody has got to do that. With Crossrail, as Mr Buck will know, a lot of work was done to develop that supply chain of product as well as skills. Is there going to be a stonemasonry academy that somebody sets up? Who does that? Which body will get that sort of work going?

David Natzler: The answer is the sponsor body and the delivery authority—not the House of Commons, alas, as much as we would like to do it. It will be down to them to do it.

Q108 **Mr Bacon:** But they will have a remit to make sure that those things are done.

David Natzler: They will. I suspect the remit will be written into law and, if it is not, I have no doubt that in its passage through the House, Members will take the opportunity to—

Q109 **Philip Boswell:** With all due respect, you talk about opportunities but trades take four years to get a level of craftsmanship that we would expect here. We are a long way off providing those people. Then potentially there is Brexit, and you are already fighting Crossrail and all these major projects in this area. Will you be analysing availability of workers—particularly if we are pushing EU workers out—given the shortages that we anticipate in other sectors and construction?

David Natzler: We won't be, but that will unquestionably be addressed in the business case. There is an element of feasibility. Evidently it would be foolish to have these plans without being certain. Just to remind us, 70% of the work, although skilled, is not for new skills. Not everyone is gilding, which is a lovely skill. Some are plumbers and electricians, and a lot are—

Philip Boswell: They are the most difficult to find.

Chair: Especially post-Brexit.

Charlie Elphicke: With work permits, it will be wholly possible, won't it, to ensure that we get all the skilled people that we need from all around the world?

Chair: We are about to vote. Mr Boswell has one last quick question.

Q110 **Philip Boswell:** We have covered a lot of the general stuff, but particular to the findings of the independent options appraisal, can you explain why the Joint Committee concluded that Option 3 was the cheapest, whereas the IOA concluded that Option 1 was the cheapest?

David Natzler: I think we have been through that on the basis of the fact that it is an accountancy issue, as to how you account for what is cheapest, which is not to say that it does not have any meaning, but it is about spreading something over 32 years—expenditure deferred comes out as cheaper, rather than concentrating it all in a six or seven-year span.

Q111 **Philip Boswell:** We heard from this group that it depends how you look at the numbers and what figures you use.

David Natzler: I would call it a book entry issue, but that is a non-technical term.

Q112 **Philip Boswell:** Given that we lack the definition, we still have a long way to go before we can make an informed decision—I think we would all agree with that.

David Natzler: Well, I don't think you are asking us to agree to that.

Philip Boswell: It should be an observation.

David Natzler: Thank you.

Q113 **Chair:** I want to put down some practicalities. You talked about benefits to the public, but who will be responsible for communicating the benefits? You talked about the opinion polls, Mr Natzler, but what else would you do? The stakeholder management is not just 650 Members.

David Natzler: The programme has a very active stakeholder management group and has been communicating very actively. It will be easier for them to move into the next phase when we have a decision in principle, and then they will be actively communicating, but not until we know what it is that we are going to do. So far we have been very actively communicating—I think successfully—the problems with the building, particularly to the press, but through them to the public, which is why I believe they are broadly sympathetic to the idea. Once we know if we are to have a total decant, then we have something to communicate.

Q114 **Chair:** Finally, just to be absolutely clear on the next steps, you are talking about two years—once there has been a decision by both Houses as to which option or options to pursue, whichever option or options come out. If it was more than one, would each of those then be worked up to a full business case? Would that be the approach?

David Natzler: Yes.

Q115 **Chair:** And that would take about two years, or possibly longer, Ms Wood, if you felt that there were not the skills.

David Natzler: We very much hope that it will not be longer, because if it is longer there is a risk that we miss the opportunity to move out during the 2020 Parliament, and there is a desire to ensure that any Member, either at the beginning of one Parliament or at the end of the next, has a chance to serve in the so-called historic Commons Chamber.

Q116 **Chair:** When will there be the full business case? You do not want to be pinned down to a date, but what is the range of time for getting the full business case—for argument's sake, let us say for one option, first of all? You have talked about a two-year period.

David Natzler: I think we would hope to bring it to the House around January 2019. I appreciate that is not an ideal time—

Q117 **Chair:** Does that rely on having a decision soon?

David Natzler: If there is a decision in principle. If there is some sort of uncertainty, that may make the work either longer, as Jennifer said, or more expensive. That is a choice that would have to be made. Given the urgency, it might be that we would have to swallow it and simply spend money on following up, effectively, one, two or one and a half options at once.

Q118 **Chair:** So you are aiming in January 2019 to have a final business case signed off.

David Natzler: By both Houses. And to have a budget and a concept design.

Q119 **Chair:** The project authority and the sponsor board would be in place. They could then, if necessary—I would hope that they would—invite the National Audit Office in. Well, they would be subject to the National Audit Office's value for money work. Then the role of this Committee and of Parliament would be to scrutinise that.

David Natzler: Yes. That sounds—

Q120 **Chair:** If it did not meet those deadlines, are you wedded to this principle of being between Parliaments? Is that an absolute decision or is it just a desire?

David Natzler: It is a very strong desire expressed by many Members and by Ministers. Obviously, again, it is about values, and what you are willing to monetise, but there is a strong feeling that it would be a pity if a Member served for an entire Parliament without serving in the historic Chamber.

Q121 **Chair:** So that is the hardest deadline that exists at the moment.

David Natzler: The programme has always been planned to straddle two Parliaments, but if we missed that deadline, it would obviously be for the Houses, particularly the House of Commons, to decide whether they were willing to sacrifice that principle.

Q122 **Chair:** My final question is to the Treasury Officer of Accounts. Mr Brown, you have heard the whole discussion today. What is the role of the Treasury in assuring this and ensuring that, given that it is taxpayers' money that is being spent, it will be monitored by you and your colleagues?

Richard Brown: We will provide as much assistance as your House looks for on programme planning and delivery and so on. There is also the question about the Treasury's interest, because the sums that we are talking about are sufficiently large that they could have a material impact on the public finances, and at the moment we have not come to a conclusion within the Treasury about exactly how we would want to exert influence there, but it is something that we are considering accurately along with IPA colleagues.

Q123 **Chair:** Given the nature of this building, the complexity of it and all the things we have been discussing this afternoon, is there, dare I say it, a blank cheque? *[Laughter.]*

Mr Bacon: Be careful, Mr Brown, this could be a career-limiting answer.

Chair: Sorry, blank cheques and Treasury officials absolutely do not go together. However, there is a serious point. This is a UNESCO site. The Government have the responsibility for an assurance that the UNESCO site is preserved, although there is little statutorily to enforce that. It is the commitment, internationally.

Richard Brown: The short answer to that is that the success of the programme will depend on the quality of governance. That is what Tony Meggs said at the beginning. It is very important to get that right. If you get that right, everything will go swimmingly, I am sure. If you don't, things will not go so well.

Chair: Mr Boswell, did you want to ask something?

Q124 **Philip Boswell:** Why was it okay to throw loads and loads of money at the Olympics but not here?

Richard Brown: Actually, I don't think that is what happened. If you look back at what happened, you will see that a lot of effort was put into ensuring that people kept within reasonable limits of expenditure.

Q125 **Chair:** Basically, the Treasury is going to be working hard at this point, as the business case—

Richard Brown: The Treasury will be here to help.

David Natzler: Just to add, the Treasury has already been very helpful. We are currently in almost daily discussions—

Q126 **Chair:** As the Clerk of the House responsible for this, you could hardly say anything different, Mr Natzler. That was a good plea. Sorry, I interrupted you. Please continue.

David Natzler: If it was not true, I would not say it. They have been helpful. I am not saying that anyone is rolling over, but we are discussing in particular the governance and the details of what might go into a Bill and so on. They have been very constructive discussions, as with the IPA. There is some issue with whether it is a parliamentary project or a Government project, which can be wearying. Because of its expense, sometimes people want to be all over it, and then they want to move away from it. I want to end on the line that this is a national project, so everyone is trying to co-operate to ensure that we get the right answer and do the right thing by the Palace.

Chair: Amen to that. I thank you very much for your time. We will be producing our Report fairly quickly, hopefully in the next two and a half to three weeks—something like that. We will ensure that you get a copy of that. Our transcript will be up—I don't need to tell the Clerk of the House this—on the website in the next couple of days, although *Hansard* might be incentivised to do it even faster, given that you are the principal witness. I thank you for your time and thank you all for coming to the hearing.