Supplementary Estimate Memorandum

Parliamentary Works Grant

2022/23

Supplementary Estimates memorandum for Parliamentary Works Grant

1 Overview

1.1 Parliamentary Buildings (Restoration and Renewal) Act 2019

The purpose of this memorandum is to give background to the Parliamentary Works Grant for 2022-23. The format of this document follows the guidance from the Parliamentary Scrutiny Unit to provide wider context of the objectives and finances.

The Parliamentary Works Sponsor Body (PWSB) was formally established on 8th April 2020 by the Parliamentary Buildings (Restoration and Renewal) Act 2019 (R&R Act 2019). The Sponsor Body was abolished by Statutory Instrument 2022 1360 on 1 January 2023 and its budget and functions transferred to the Restoration and Renewal Client Team, a new joint department of the Houses of Parliament.

This Estimate:

1. Transfers the budget and functions of the Sponsor Body to the Client Team
2. Leaves the budget for the Delivery Authority in this Estimate
3. Renames this Estimate to The Parliamentary Works Grant Estimate (PWG)
4. Passes responsibility for this Estimate from the Accounting Officer of the Sponsor Body to joint ownership by the Corporate Officers of the Houses.

The PWG's Main Supply Estimate (HC 239) was laid in Parliament on 22nd May 2022 at £87.0m:

	Estimates		
£m	**2022-23**	**2021-22**	**2020-21**
Resource DEL Equivalent	84.0	149.6	120.2
Capital DEL Equivalent	3.0	6.0	6.0
Total	**87.0**	**155.6**	**126.2**

1.2 Phase 1 objectives

The R&R Act (2019) splits the programme into two phases:

Phase 1 — The period during which the Sponsor Body and the Delivery Authority formulate proposals relating to the design, cost and timing of Palace restoration and renewal works. At the end of Phase 1 the Sponsor Body will present those proposals to both Houses in the form of a Programme Business Case (PBC) for the Houses' approval.

Phase 2 — The period during which the Parliamentary building works are proposed to be carried out.

Following the decisions of the two Houses in 2022, the Programme has the following objectives:

1. Support the Transition Programme to both bring the sponsor function into a new in-house Joint Department and implement the new Programme governance structure,

2. Complete the programme of survey activity underway in the Palace and plan future programme of survey activity in order to inform design and construction options
3. Develop and evaluate a wide range of options for the works (including what the works will deliver and how they will be delivered)
4. Develop of a Strategic Case, supported by member/official engagement
5. for the Delivery Authority to develop the corporate capability ready to deliver Phase 2 of the Programme

Changes to the governance have seen a joint department of the two Houses established to replace the sponsorship function, with both Commissions jointly having oversight of the programme. A new R&R Programme Board is due to be set up once motions have been agreed in both Houses. Membership will combine parliamentary representation with independent major project and heritage conservation expertise.

In collaboration with Parliamentary colleagues, the Delivery Authority is developing a broad range of options for the scale, scope and delivery of restoration and renewal work. Once the scope has been determined, and the complex investigations on this huge project are complete and designs agreed, the proposed approach to the works and costs will be put to Members of both Houses for a decision to be made.

1.3 Spending controls

The PWG's spending is broken down into two different spending totals, for which approval is sought.

The spending totals are:

- Resource Departmental Expenditure Equivalent Limit ("**Resource DEL**"): funding which supports day-to-day operations for the year.
- Capital Departmental Expenditure Equivalent Limit ("**Capital DEL**"): investment in leases and infrastructure, both digital and office fit outs.

In addition, there is a net cash requirement, which is the maximum amount of cash that can be released from the Consolidated Fund to support operations.

1.4 Main areas of spending

The table below shows the main components of the PWG's 2022-23 expenditure based on our published quarter 2 Programme Performance Report (both RDEL and CDEL) after adjusting for the Supplementary Estimate, which completely removes the Sponsor Body from the budget.

Areas (£m)	**Forecast Out turn**	**Main Estimate**	**Supplementary Estimate**
Sponsor Body (to 31/12/2022, budget is full year)	0.0	7.0	**-7.0**
Programme Management	13.6	17.8	
Data and Digital – operational	15.1	16.5	
Data and Digital – investment	3.7	4.3	
Projects	29.8	31.7	
Corporate	11.4	11.7	
Central Adjustments	2.4	-5.0	
RDEL Total	**75.9**	**84.0**	

IFRS 16 lease additions and other assets	4.1	3.0	2.0
Total	**80.0**	**87.0**	**-5.0**

The Sponsor Body was abolished on 31 December 2022 and the whole year's budget and expenditure has transfered to the House of Commons (Admin) and House of Lords (Admin) budgets respectively.

1.5 Comparison of spending totals sought

The table below show how the totals sought for the PWG compare with this year's original budget and last year's out turn.

Heading	Revised budget	Difference to original budget		Difference to out turn 2021-22	
Resource DEL	£77.0m	-£7.0m	-8%	-£40.2m	-34%
Total Resource DEL	**£77.0m**	**-£7.0m**	**-8%**	**-£40.2m**	**-34%**
Capital DEL	£5.0m	+£2m	+67%	+3.8m	+301%
Total Capital DEL	**£5.0m**	**+£2m**	**+67%**	**+£3.8M**	**+301%**
Total	**£82.0m**	**-£5m**	**-6%**	**-£36.4m**	**-31%**
Net Cash Requirement	**£82.0m**	**-£5m**	**-6%**	**-£36.4m**	**-31%**

1.6 Key drivers of spending changes since original 2022/23 budget.

The budget underpinning the Main Estimate was prepared at pace, and in a period of considerable uncertainty and was based on a series of assumptions about the work to be carried out during the year. As none of the activities of the PWG are classed as trading, all numbers throughout are presented including irrecoverable VAT at 20%.

The key changes in spending are:

Lease on 64 Victoria Street

The Sponsor Body took on an agreement during 2021/22 to rent the 8th and 9th floors of 64 Victoria Street from the House of Commons until October 2023. That agreement has now been surrendered back to the House and a new lease taken by the Delivery Authority for 3 years from 1 January 2023. Accounting Standard IFRS 16 – Leases, requires the Delivery Authority to recognise the total lease obligation in full at this point, a £3m capital addition in year. This could not have been budgeted at Main Estimate as this is a new arrangement.

The surrender of the agreement by the Sponsor Body is a capital receipt but this does not need a separate budget in line with the treatment followed by the House of Commons in establishing a CDEL equivalent budget rather than separate lines.

Transfer of the Sponsor Body

The transfer of the budget and activities of the Sponsor Body to the new Joint department has been agreed to be a 'transfer by merger', as set out in the Government Financial Report Manual (FReM) and informed by the additional guidance in 'Accounting for business combinations under common control'.

The effect of this is:

1) This is the equivalent of a Machinery of Government transfer
2) The business combinations guidance flow chart shows that this is a transfer by merger, akin to the circumstances where a function of a department transfers to another Arm's Length Body, controlled by another department
3) This gives an accounting treatment where the Houses accounts will reflect the combined entity as if they had always been combined
4) No closing accounts are required for the Sponsor Body
5) A supplementary estimate and supporting memorandum will be required to explain the transfer as well as the changes in the Delivery Authority Grant Estimate

Therefore, the full year budget for the Sponsor Body (£7.0m RDEL equivalent and accumulated costs) will be transferred to the Administration Estimates of the two Houses via this supplementary estimate.

1.7 Spending Review and budgets.

The Chancellor announced the outcome of the Spending Review 2021 (SR21) on 27th October 2021. It was baselined from 2021-22 and covered plans for the years 2022-23 to 2024-25 for all government spending. PWG was included in aggregate with other Independent Bodies such as the Electoral Commission, House of Commons etc.

2 Spending detail

2.1 Explanations of changing in spending

There is no additional request for expenditure other than for technical reasons linked to transfer of power and function. A detailed review and scrutiny of spend at quarter three has resulted in no change to the overall Main Estimate spend envelope. This was achieved through driving savings and resourcing appropriately; both organisations have been able to deliver more and allow for these costs to be afforded within the original budgets agreed.

The costs of transition have been absorbed, largely through carrying vacancies in the Sponsor Body's communications, engagement and business case teams. It has also resulted in the Delivery Authority being able to deliver more design work than planned, within the same budgetary envelope, through delivery of a higher level of savings in the first half of the year so that the development of delivery options can be continued without requiring additional funding.

The only changes in spending since the Main Estimate are therefore, as detailed above:

1) Additional CDEL equivalent funding to recognise the lease liability assumed by the Delivery Authority for floors 8 and 9 of 64 Victoria Street.

2) Transfer of the full year budget for the Sponsor Body to the Administration Estimates of the two Houses.

2.2 Changes to contingent liabilities

The 2022-23 Annual Report and Accounts included the following contingent liabilities:

There is a contingent liability on property recharges from the House of Commons. The offices occupied by the programme are both opted to VAT by the superior landlord. The House is clarifying with HMRC whether this VAT is recoverable by them. If it is not, there may be a further charge of up to £280k.

3 Priorities and performance

3.1 Programme governance and reporting

Following the recommendations from the House Commissions and the debates, a new Governance structure has been adopted which:

- Establishes the new Client Team as a joint department of the two Houses
- Transfers ownership of the Delivery Authority jointly to the Corporate Officers
- Establishes a Programme Board with representatives from the Houses and external experts
- Establishes a Client Board comprised of the Commissions of each of the Houses

The Restoration & Renewal (R&R) Client Board was established in September 2022 following agreement by both Houses to introduce a new governance structure for the restoration and renewal of the Palace of Westminster.

This new governance structure compromises the R&R Client Board and an R&R Programme Board (which will be established in due course). These Boards will be integrated into existing Parliamentary structures through the two Houses' Commissions and supported by a new joint department called the R&R Client Team.

The R&R Client Board will meet at key points in the restoration and renewal programme and consider recommendations from the R&R Programme Board. It will delegate the day-to-day leadership for the restoration and renewal of the Palace to the new R&R Programme Board.

The R&R Programme Board's main delegated responsibilities will be to direct and have oversight of the restoration and renewal of the Palace of Westminster. The R&R Programme Board will bring together Parliamentary and lay members, with the right skills and expertise, particularly in major programmes, to fulfil its remit. The R&R Programme Board will engage, inform, mediate and translate between Parliament and the independent Delivery Authority which remains responsible for delivering the works specified by Parliament.

3.2 Performance against priorities

Apart from the Transition, which was successfully completed on 1 January 2023, full details of the performance against priorities will be given in the Delivery Authority annual report and accounts to be published after 31 March 2023.

3.3 Key contracts

An update on the breakdown of the Delivery Authority external expenditure by a) size of organisation and b) region for the current financial year to October 2022 is shown in the following tables:

a) breakdown by size

Company size	Suppliers	%	Spend £m	%
SME	90	66%	8.7	27%
Large	47	34%	23.4	73%
Total	**137**	**100**	**32.1**	**100**

b) regional spread of expenditure, including subcontracts but excluding items purchased from the House of Commons or Lords. This figure is calculated from the head office or billing address of the suppliers and so does not necessarily mean that this is where the work is actually being undertaken as we are engaged with many suppliers who have multiple work sites.

Region	Spend £m	%
London	13.1	40.8%
North West	9.3	28.9%
Scotland	4.1	12.8%
South East	2.8	8.9%
East	1.1	3.5%
West Midlands	0.6	1.9%
Wales	0.5	1.6%
South West	0.2	0.6%
Yorkshire	0.1	0.5%
East Midlands	0.1	0.3%
North East	0.0	0.0%
Total	**32.1**	**100.0**

4 Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by the Accounting Officers.

Accounting Officers

Parliamentary Works Grant

XX January 2023