



Finance Committee

Minutes

Tuesday 17 October 2023 at 12.30pm in Committee Room 4A

Present:

Lord Vaux of Harrowden (Chair)
Lord Altrincham
Earl of Courtown
Lord Davies of Brixton
Lord Lee of Trafford
Lord Stoneham of Droxford
Lord Tomlinson

together with the House of Commons Finance Committee.

Fehintola Akinlose (Finance and Procurement Director) and Andy Helliwell (Chief Operating Officer) were in attendance. Chris Elliott (Managing Director, Strategic Estates), Christine Evans (Director of Project Delivery, Strategic Estates) and James Deane (Business Finance Director, Strategic Estates) attended for item two. James Young (Chief of Staff, R&R Client Team) and Andy Piper (Technical Director, R&R Delivery Authority) attended for item three.

Apologies

Apologies were received from Lord Reay, Lord Kennedy of Southwark, and Lord Levene of Portsoken.

For Information: Strategic Estates Finance Strategy and Action Plan and Portfolio updates F/22-23/60 RESTRICTED: MANAGEMENT, F/22-23/61 RESTRICTED: MANAGEMENT

Chris Elliott introduced himself to the Committee as the Managing Director of Strategic Estates (SE). He highlighted the main priorities for SE going forward. These included workforce planning; improvements around predictability of cost; and resource efficiency. SE had recently launched a new benchmarking tool, developed with the Royal Institute of Chartered Surveyors, in order to be better able to compare itself to industry practice.

The Committee noted that SE was addressing the historic underspends seen in previous years and were now within 10% of the forecast budget. The Business Finance Director informed the Committee that SE would deliver even closer to the budget next year.

The Committee asked why costs for works can be high compared to what might be expected. There was concern that the Risk and Optimism Bias budgets included in the project business cases were always being used. The Managing Director responded

confirming that probability of costs would be a priority going forward. The Committee noted that SE currently operate at a P90 cost probability level, which means that they are cost cautious, but they were looking to lower the level as they gain confidence in the accuracy of individual project and programme budgets. A trial looking at alternative ways of accounting for Optimism Bias was underway.

The Committee noted that the Palace of Westminster has complexities which contribute to the high costs of works, but questioned whether enough robust challenge was being provided on heritage requirements for building works. The Committee was informed that SE were currently working with heritage teams on the Norman Shaw North project and the Portcullis House roof so that they can meet heritage requirements and balance them with the needs of the House; to create a functional, low cost, and time efficient solution.

The Committee noted that SE would aim to finish the first phase of Strategic Workforce Planning by the end of the financial year. **REDACTED**. SE were running a high number of vacancies and were working on competing better in the talent marketplace.

The Committee asked about the future use of the Victoria Tower. The Committee was reminded that the external works of the Tower could be undertaken independently of a decision being taken on the future use of the interior. The interior use of the Tower is yet to be decided. It was confirmed that the most disruptive working scenario for the external works could save £80m compared to the option with the most restricted working times.

The Committee asked about smaller works undertaken by SE and highlighted that the governance behind these can be time consuming. The Managing Director conformed that SE was looking at streamlining the process for small works so that they do not require such long business cases. This work also linked to one of the recommendations in the Morse Report, which suggests that SE adapts governance routes so that they are proportionate to the works being undertaken.

The Committee noted that Strategic Estates would use the supplementary estimate process to ensure the continuation of priority works in progress. This was considered the preferred option rather than allowing the focus on improving discipline in relation to the annual budget to stop projects.

The Committee was informed that all business cases undergo a Restoration and Renewal (R&R) test to ensure that the works cannot wait to form part of the R&R programme. The test was also used to identify the potential for nugatory spend on works which would later be replaced by R&R works. The current Strategic Estates planning assumption for R&R was that works would start on site in 2029.

The Committee asked about the phasing of the Lifts Programme, through which 60 lifts would be upgraded over 6 years. The timeframe was as a result of sequencing required to ensure that all parts of the estate remained accessible during the works. Further detail would be provided to those members interested.

The Committee was encouraged by the progress that had been made by SE but noted that they would like more information on how the expenditure is accounted for between the

two Houses. The Committee supported the steps being taken to improve the financial performance of SE and took note of the update.

For Discussion: Restoration and Renewal: R&R update and temporary accommodation priorities F/22-23/62 RESTRICTED: MANAGEMENT

James Young introduced the paper, which outlined the shortlisted delivery options for delivering R&R and temporary accommodation during R&R. The shortlisted options had been endorsed by the Client Board. It is expected that both Houses will be invited to debate the recommendations set out in the strategic case by the end of the year, including recommendations on temporary accommodation; in the interim the Finance Committees were being asked for comment on the end-state vision and the priorities for temporary accommodation. The Committee noted that it was a strategic case, with broad cost ranges instead of specific figures. A more detailed discussion on QEII would return to a future Finance Committee meeting. It was expected that a decision on which shortlisted option to proceed with would be brought to both Houses for agreement in 2025.

The Committee highlighted that the debate by the Houses in 2025 may be affected by the new Parliament after the General Election. The Committee expressed concern that a new Parliament could bring with it new thoughts, opinions and potentially opposition to previously agreed positions. The R&R team assured the Committee that they were expecting to progress the programme in the intervening period, which would provide greater certainty on the programme and its costs for the R&R Client Board and enable it to make future recommendations to both Houses. A recent presentation with potential contractors showed good levels of early market interest.

REDACTED.

The Committee questioned what had been learned from the Elizabeth Tower programme: what would happen if there were discoveries once the works began; and whether there would be scope for the options in the paper to change. The Committee was informed that lessons had been learnt from the Elizabeth Tower project and rigorous testing and surveys were being undertaken to better ascertain the risks and cost of the options. It was noted that the R&R Client Board was interested in seeing a pilot project being undertaken on part of the Palace in order to give the Programme the best understanding of the likely challenges it would face.

The R&R team also invited comment on the End-State Vision. The End-State Vision is a public engagement tool, outlining what the R&R programme achieves. The Committee challenged the vision, suggested that it did not go far enough, and that it needed more detail. The Committee asked the team to elaborate on the paragraph about the economic value of the works outside Westminster. The Committee was informed that the paragraph refers to opportunities such as offsite manufacturing, which would allow for investment in skills and businesses beyond London. Using approaches such as offsite manufacturing also provided financial and time efficiency benefits to the programme. The R&R team noted that they were happy to take forward member feedback on the Vision.

The Committee provided feedback on the R&R Programme.

Any other business

Lord Vaux noted that it would be his last joint meeting as Chair of the Lords Finance Committee, ahead of his term ending in January 2024. The next joint meeting would be in March 2024.

The Chair welcomed any feedback from Committee Members on how the joint meetings could be improved.

Small sections of these minutes have been redacted, usually for reasons such as commercial confidentiality and sensitive management information.

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