

# The Real eState with Peter Bill

14 September 2016

Will it really cost nearly £4 billion to refurbish the Palace of Westminster? Perhaps not, perhaps so. A close look at the budget reveals billions in padding, but think of the rumpus if it is exceeded. Padding often softens hard knocks.



On 8 September a joint committee of MPs and peers declared in favour of a £3.87 billion repair programme for the Palace of Westminster. Does that sound an awful lot to shift out the lawmakers in 2023, do the place up, and let them back in in 2030? Relax taxpayers. An examination shows parliamentarians, led by Chris Grayling MP and Baroness Stowell, have stuffed the budget with more padding than a 19th century cell for the criminally insane. Someone will need locking up if all the money is spent.

Property folk think in terms of cost per square foot when working up development appraisals. Meaningless in terms of the 1.2 million square feet Palace of Westminster, granted. But a budget breakdown in these terms will have some meaning to those who think this way. The all-up total is £3225 sq. ft. Construction costs are £675 sq. ft, a total of £810 million to be exact. Curious to know where the other £2550 sq. ft. is being spent? The remaining 80% of the cash? Yes, the other £3 billion.

A staggering £550 million - £458 sq. ft – has been added to pay for management and delivery. You might not think 15% is bad for what amounts to professional fees. Think about it being 70% of the building costs. A big lump that takes the running total to £1,360 million. Ah! But what about inflation. Yes, it's running at almost zero right now. But you never know, do you? An extra £740 million has also been added. A defensible 20% on the total cost of this 15-year project. But it's a whopping 55% on top of the running budget.

We've run up to £2.1 billion already. Now comes the bulky padding: Another £800 million has been added for what can only be described as "for luck." Or "risk" as the report puts it, saying the number has been calculated to account for the 50% change of risky things happening. Risks that go above and beyond the £740 million added for inflation, please note. The running total is now £2.9 billion, double the building and project management costs, please note. That just leaves £970 million to be explained away.

The remaining £970 million lies in the 'fair enough' category. Decant costs are put at £380 million, the only number that feels low. The remaining cash, isn't cash at all, it's fairy money. Parliament will pay the Treasury VAT of £590 million. One organ of the state handing over money to another. The fuss over the Olympic Delivery Authority budget that failed to include VAT has not been forgotten. Nor has the fact that when Gordon Brown was Chancellor he slipped £1 billion 'for luck' to into an ODA budget. Not needed.

The cost of delivering London 2012 was £6,780 million against the final budget of £8,099 million. Deloitte, as Driver Jonas, advised the ODA. Deloitte is today guiding parliamentarians on the Palace project. They have wisely recommended the setting up of a similar delivery authority. All will remember the initial ODA budget was £2.4 billion - and the headlines that followed when it kept being bust. On that basis, padding the budget does not feel like a bad idea after all. In fact, well done all for doing so. Quite understandable. Sorry for moaning.

Peter Bill

*Peter Bill is the author of Planet Property and former editor of Estates Gazette.*