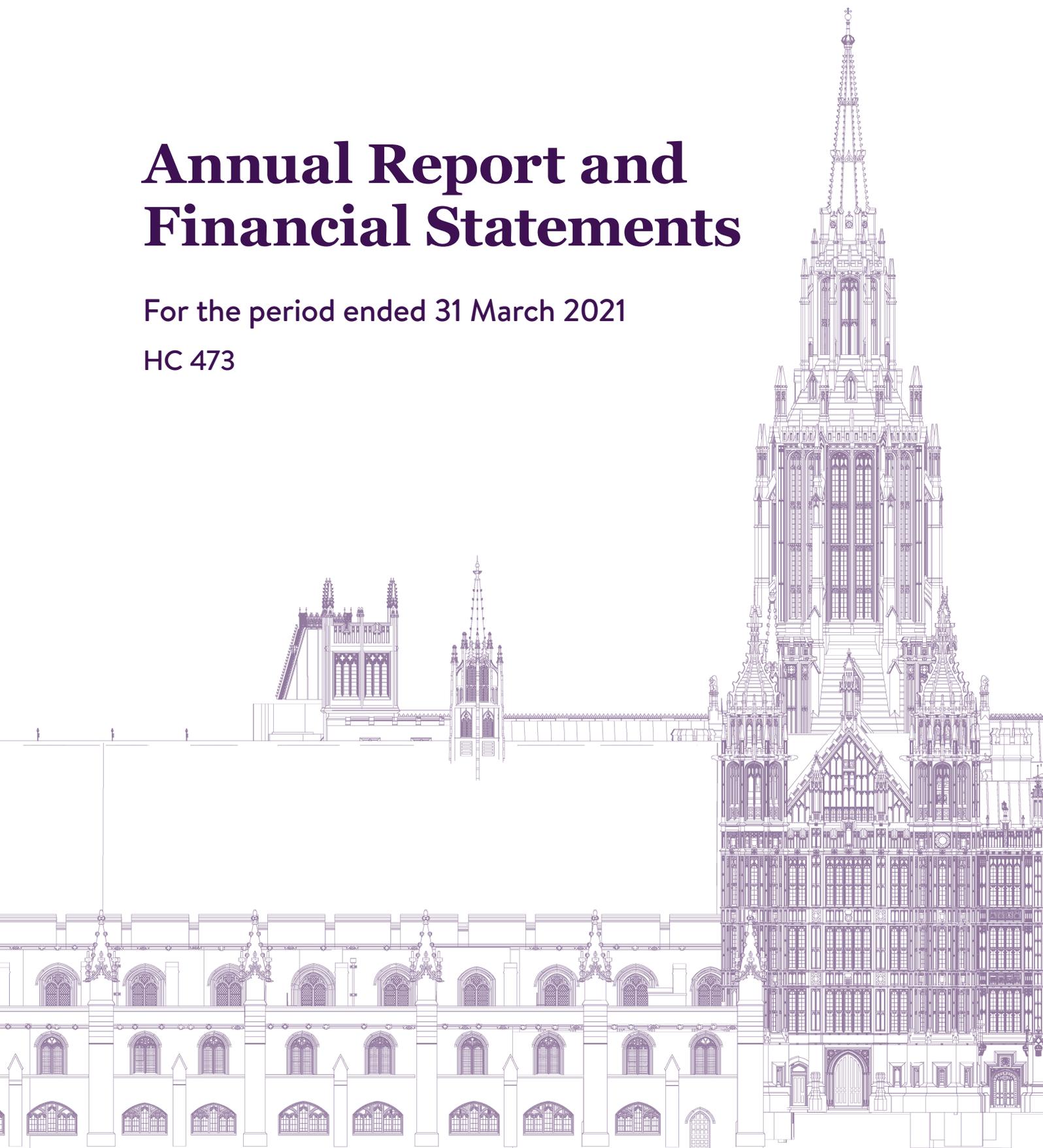


Annual Report and Financial Statements

For the period ended 31 March 2021

HC 473



HOUSES OF PARLIAMENT
R&R DELIVERY AUTHORITY



HOUSES OF PARLIAMENT
R&R DELIVERY AUTHORITY

Restoration and Renewal Delivery Authority Limited
Annual Report and Financial Statements

For the period ended 31 March 2021

Presented to Parliament pursuant to Schedule 2 of the
Parliamentary Buildings (Restoration and Renewal) Act 2019

Ordered by House of Commons to be printed on 19 July 2021



HOUSES OF PARLIAMENT
R&R DELIVERY AUTHORITY

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Company Information

Directors

Mike Brown CBE MVO (appointed April 2020)
David Goldstone CBE (appointed April 2020)
Dr Simon Thurley CBE (appointed April 2020)
Matthew White (appointed April 2020)
Simon Wright OBE (appointed April 2020)
Anne Baldock (appointed May 2020)
Dr Stephen Duckworth OBE (appointed May 2020)
Anne McMeel (appointed May 2020)
Neil Sachdev MBE (appointed May 2020)
Tanya Coff (appointed December 2020)

Secretary

Jane Mee

Company Number

12559954

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External Auditors

Comptroller & Auditor General



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Introduction

The Restoration and Renewal Delivery Authority Limited (the Delivery Authority) is a private company limited by guarantee and incorporated under the Companies Act 2006 with company registration number 12559954. The Delivery Authority is domiciled in the UK and registered in England and Wales.

This Annual Report and Accounts relates to the period from incorporation, which took place on 16 April 2020, to the Delivery Authority's financial year end of 31 March 2021. Costs incurred by the Restoration and Renewal Programme prior to the Delivery Authority's inception were borne by the House of Commons and House of Lords up to 30th April 2020 and not recharged to the Delivery Authority, aside from the recharge of IT setup costs incurred.

The Delivery Authority was incorporated to deliver the restoration and renewal of the Palace of Westminster and related works on behalf of the Houses of Parliament, including the associated enabling works (the decant of the House of Lords and the decant of the Palace's Heritage Collections).

The Delivery Authority reports to Parliament via the Parliamentary Works Sponsor Body (the Sponsor Body), a statutory corporation established under the Parliamentary Buildings (Restoration and Renewal) Act 2019 ('the R&R Act'). The Sponsor Body is the Delivery Authority's sole member and guarantor.

Some of the Delivery Authority's governance requirements are set by the R&R Act and others are set out in the Parliamentary Relationship Agreement ('PRA'), which governs the relationship between the Sponsor Body and the Houses of Parliament. The Delivery Authority's relationship with the Sponsor Body is defined in the Programme Delivery Agreement ('PDA') and it is this PDA which flows down the governance requirements set out in the PRA into the Delivery Authority's governance structure. Both the PRA and PDA are governance agreements which are required under the R&R Act.

As a private limited company, the Delivery Authority prepares its accounts in accordance with the Companies Act 2006, although additional disclosures are made herein following a direction by the Sponsor Body that the Delivery Authority follows the 'Corporate Governance in Central Government Departments: Code of Good Practice' in the preparation of this report and accounts, and also to incorporate additional disclosures as requested by the Sponsor Body to ensure further transparency, including the inclusion of a Remuneration and Employee Report.

This document is intended to provide the user with enough information to understand the Delivery Authority's financial position, but more detailed information on the Restoration and Renewal Programme ('the Programme') is available in the Sponsor Body's Annual Report and Accounts.



Chair's Foreword

Mike Brown CBE MVO

The work needed to preserve the world-famous Palace of Westminster for future generations remains urgent: the estate is deteriorating faster than it can be repaired, costing around £2million per week to keep the building going in the absence of a full-scale restoration and renewal. More than 40,000 problems with the building have been reported since the start of 2017. The longer this work is left, the greater the risk of serious fire, flooding or injury.

This has been a pivotal year for the Restoration and Renewal Programme, following the Sponsor Body and Delivery Authority becoming substantive in April 2020. I am delighted that we have been able to recruit such a high quality, experienced and diverse senior team, all of whom are now in post, and that significant progress has been made on the preparatory works needed before the main Parliamentary building works phase. I am proud to be reporting on our progress.

As well as the work we have done this year to understand the condition of the Palace and take forward key elements of the Programme, I am absolutely passionate about our ambitions to create jobs, apprenticeships and skills in towns, cities and communities right around the UK. It is vital that we show that this is a programme that will offer benefits to the whole country, and that our supply chain will be UK-wide and open to businesses of all sizes.

The Delivery Authority will continue to take forward our historic task with a laser focus on value for money, accountability and assurance – and we will make sure that Restoration and Renewal involves and inspires the whole of the UK.

Signed

.....

Mike Brown CBE MVO
Chair
12 July 2021



Chief Executive Officer's Review

David Goldstone CBE

Since the Parliamentary Buildings (Restoration and Renewal) Act was passed in 2019, we have made great progress towards saving these historic buildings, part of a UNESCO World Heritage site, as a working home for the UK's Parliament.

The Delivery Authority is embarked on a programme that will include more than a hundred surveys to properly understand the condition of the Palace of Westminster. We have made significant progress on the technical and non-technical aspects of the design of the future Palace as well as progressing plans for the decant of the House of Lords and of the Palace's Heritage Collections.

The Strategic Review of the Programme has brought vital clarity on the way forward as we progress through this first phase of Restoration and Renewal. Our strong focus is on the essential works and securing value for money as we work on the detailed and costed restoration and renewal plan which will be brought to Parliament before the main building phase commences.

The initial phases of any major project are the ones where the foundations for success are laid. Our careful planning, investigations into the Palace, progress on key decant projects and development of robust governance, assurance and scrutiny are essential in enabling us to deliver the Programme in line with Parliament's wishes and with value for money in relation to the nation's finances.

Signed

.....
David Goldstone CBE
Chief Executive Officer
12 July 2021



Strategic Report

Review of the business

The Parliamentary Buildings (Restoration and Renewal) Act was passed in 2019, establishing the Parliamentary Works Sponsor Body (the ‘Sponsor Body’) and the Restoration and Renewal Delivery Authority Limited (the ‘Delivery Authority’), to deliver the necessary works to restore and renew the Palace of Westminster. The Sponsor Body is a suitably empowered organisation, separate from Parliament, with Board representation from both Houses, as well as from independent members, providing scrutiny and oversight of the delivery of the Programme. The Delivery Authority is a company limited by sole guarantee of the Sponsor Body and is a separate, arm’s-length organisation with the technical expertise to manage the delivery of the necessary design, planning and works for the Restoration and Renewal Programme (R&R or ‘the Programme’). Similar two-tier governance models were used successfully to deliver the works necessary for the London 2012 Olympic Games and other major programmes.

The Programme has clear phases, in line with best practice learned from other major programmes. In our current Phase 1, we are undertaking the detailed work, including over a hundred detailed surveys and the building of a digital model of the Palace, required to develop the detailed and costed restoration plan (also known as the Programme Business Case) which will be presented to Parliament for it to approve. This phase includes plans for the decant of the Palace’s works of art and other heritage artefacts, and will conclude after the Programme Business Case is presented to Parliament in 2023.

The Programme will enter Phase 2 after Parliament has voted on and agreed the detailed and costed plan. Phase 2 will be the main Parliamentary building works phase, including the preparation of alternative locations for Members and Parliamentary colleagues. Once the Parliamentary building works are complete, the Palace will be ‘handed back’, and focus will be on protection of the historic buildings into the future.

This has been a pivotal year for the Delivery Authority. The organisation was made substantive in April 2020 and is now fully established, with all members of its Board and senior team now in post. We are pleased to have achieved a good level of diversity in those appointments to the Board and senior team made by the Delivery Authority.

Substantial progress has been made, including on technical and non-technical aspects of the project such as developing elements of the future design of the Palace, progressing surveys of the Palace, progressing the House of Lords and Heritage Collections Decant projects, developing our approach to creating jobs, skills and social value and on the objectives and governance for the Programme. This has been achieved in spite of the COVID-19 pandemic thanks to the adoption of flexible working practices, enabling the business to mitigate the effects of the pandemic with no significant impacts upon the organisation’s control environment or the planned delivery timescales.



Strategic Report (continued)

The Strategic Review of the Programme, carried out in 2020 and published in the first part of 2021, has established vital clarity on the way forward to deliver R&R. It has brought forward a clear range of objectives that will form the basis for options to be considered by the Houses of Parliament, looked again and in detail at the need for a period when the Palace may need to be vacated, and identified ways in which any period of necessary move from the Palace can be minimised, and brought further clarity about governance and accountabilities.

We are continuing to develop the detailed and costed plan for the delivery of the R&R Programme upon which Parliament will vote. As we take forward that work, our focus will be on the essential works which will restore the Palace while ensuring value for money. We have established a rigorous approach to value for money, essential to the nation's finances at this time. We are rightly subject to robust audit and assurance processes, including by the National Audit Office. We are also committed to ensuring that the whole of the UK benefits from the Programme, through the new jobs, skills and apprenticeships that will be created across the nation, and have established how we will ensure our supply chain is UK-wide and open to businesses of all sizes.

We will start the main building works phase when Parliament has agreed the detailed and costed restoration and renewal plan, and while we work towards this milestone the Delivery Authority has made significant progress on surveying the Palace and developing design options which have been completed, assured, and issued to the Sponsor Body. These options cover the concept design work to produce a series of options across a wide range of design areas, including building systems, fire safety, security, building conservation, catering, external realm, participation by visitors and educational organisations, working space, and logistics facilities. These have been compiled into proposed scheme options, based on the 'essential' and 'stretch' objectives outlined in the Strategic Review. This has enabled the Delivery Authority to agree with the Sponsor Body a detailed timeline for this first phase of the Programme, so that the detailed and costed plan can be prepared to align with the recommendations of the Strategic Review.

An initial 4D animation of the Palace has been completed to illustrate how elements of the construction works could be sequenced. This is the first stage in understanding the interfaces and complexities of logistics and construction planning in a constrained and sensitive environment. We have completed a first phase of surveys of the Palace, including intrusive investigations and desktop studies, and in total more than forty survey scopes have been approved by the R&R technical team. Eight surveys have been progressed this year which is lower than planned due to COVID-19 restrictions for on-site working. We are in the process of finalising the next phase of surveys, which includes more than sixty proposed investigations.

For further intrusive surveys, procurement information required to specify and manage the work was completed and the procurement is now making good progress, with the invitations to tender having been made available through the government's web-portal. The approach is targeted at driving value for money and social value with the majority of the tenderers being SMEs. To further demonstrate our commitment to suppliers of all sizes, the Delivery Authority has since the reporting period become a signatory of the Prompt Payment Code.



Strategic Report (continued)

We have completed the concept design stage of the House of Lords decant project, to provide designs, costs estimates and scheduling information for the options for remodelling of the QEII Conference Centre. This information is now supporting the work of the Sponsor Body in engaging with House of Lords officers and members. Following the recommendations of the Strategic Review, a new more minimal intervention option for the QEII is in the preliminary stages of concept design and estimating, and will be completed in the next period, allowing down-selection of options and the preferred scheme to be used to be updated to complete the concept design stage.

The Delivery Authority will keep the Palace's heritage collections safe in a different location while restoration works take place. The team is fully engaged on developing the necessary standards and procedures for future preparation and transport of the heritage items and is currently assessing capacity and other requirements. Working closely with Parliamentary colleagues and the Sponsor Body, we are bringing all the different strands of heritage care together into a clear roadmap for a future potential storage and conservation facility which will support the Estate Masterplan and make the collections more accessible to Members and the public.

We have made progress on Data and Digital capabilities which will ensure the success of the programme by safely and securely managing design details and heritage assets, enabling efficient delivery across a diverse supply chain, keeping colleagues safe by detecting health and safety risks early, minimising build costs and operating costs, and avoiding future delays, as well as establishing exceptionally strong cyber defences.

We have completed the early stages of building a secure, unified digital platform with a Data Factory at its heart – a single platform and data source which will be used by all stakeholders and users, from our smallest suppliers around the country to colleagues in Parliament.

We are committed to creating jobs and apprenticeships around the UK, building skills and supporting specialist crafts in our restoration of the Palace, and published our Skills, Employment and Education Strategy in late 2020. The Delivery Authority has undertaken a preliminary assessment of skills and capabilities across more than 6,000 employers and 500 training providers, to develop a deep understanding of the skills currently held in businesses and organisations, together with an emerging picture of capability gaps in the construction and specialist heritage and conservation areas.

We have announced a partnership with the Social Mobility Foundation (SMF), which will create at least ten 12-month paid internships and 20 work experience placements for young people from disadvantaged backgrounds, including people living in social mobility 'coldspots', over the next two years. We are currently recruiting for intern posts across the Programme. We have also launched a shared apprenticeship programme, under which up to 160 apprentices will be employed and placed with some 300 small and medium sized businesses in the heritage and construction sectors who want to support on-the-job learning, but face challenges in employing apprentices themselves. Our current focus is on recruiting and onboarding the first cohort of interns and apprentices in the current calendar year, along with apprentices for the Delivery Authority and Sponsor Body.



Strategic Report (continued)

From a financial perspective, the Delivery Authority is funded exclusively by the Sponsor Body, which in turn obtains its funding through vote of Parliament. This means that the Delivery Authority reports zero profit, with all of its costs offset by funding received with any excess funding deferred until the following financial year, as detailed in the financial statements below.

Section 172(1) Statement

The Companies Act (Miscellaneous Reporting) Regulations 2018 apply to the Delivery Authority. As such the directors of the company are required to report how they have considered their duties under s172 of the Companies Act during the reporting period. In doing so directors should have regard to certain matters, including:

- The likely consequence of any decision in the long term;
- The interest of the organisation's employees;
- The need to foster the company's relationships with suppliers and others;
- The impact of the organisation's operations on the community and the environment;
- The desirability of the organisation's maintaining a reputation for high standards of conduct.

As this is the first year of incorporation of the company, the formal governance of the company and the constitution of the Board have been established to facilitate proper consideration by the Board of the impact of the company's operations in the context of these factors and the Governance Statement details key relevant decisions that have been taken and matters that have been considered at Board and Committee level during this year (see Governance Statement reference paragraphs 3.13, 3.34.3, 3.34.6, 3.34.9, 3.34.12.).

The Board's engagement with its parent, the Sponsor Body, and through it the key stakeholders, the Houses of Parliament, is provided for in the PDA (see Introduction). Additionally, during the reporting period there was extensive engagement with the Sponsor Body as described in the Strategic Report and the Governance Statement both generally and in the course of the Strategic Review which, as outlined in the Strategic Report, was focused on ensuring an aligned approach between the Delivery Authority and the Houses of Parliament.

As such the Board of Directors of the Delivery Authority consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and the matters set out in s.172 (1)(a-f) of the Companies Act.



Strategic Report (continued)

Principal risks and uncertainties

As a newly created organisation, we are developing our approach to risk and assurance. This includes building up the capability of our teams to ensure we can deliver on our overall strategic objective of delivering the Programme to time, cost, user requirements and value for money. We are placing a particular focus on the interfaces with the Houses, as these are critical in managing the risks and maximising the opportunities and benefits from the R&R Programme.

We are also learning from other major programmes in the UK and around the world to ensure that we learn from their challenges and build upon their successes. Our work with the Government's Infrastructure and Projects Authority, and other industry bodies, allows us access to lessons from the major UK government programmes and we are also inviting challenge of our approach from external experts through gateway reviews.

We are benchmarking against other major programmes through a range of activities:

- Detailed benchmarking by cost consultants as estimates for our work are developed. This includes using industry standard benchmarks for types and quantity of work.
- Lessons from other major projects and programmes on the approaches that they used to create cost and time estimates and what happened in delivery to affect those initial estimates.
- Top-down benchmarks using external academic input to inform what level of risk and uncertainty to apply to our cost and time estimates at this early stage to give us a range of potential outcomes.

The R&R Programme is at an early design and development stage where the focus is to understand and establish the potential scope of the Programme and to develop initial designs to inform a detailed and costed restoration and renewal plan (also known as the Programme Business Case). The further the Programme can progress at this stage towards the fullest possible understanding of the requirements from Parliament and other users of the Palace and the current condition of the Palace, the better our estimates will be and the more the risk of delivery in later stages of the Programme can be reduced.



Strategic Report (continued)

To manage the risks we face and to give confidence to our Board and stakeholders that our Programme will deliver the expected benefits and value for money to a forecast time and cost, we have put in place a Programme assurance regime. Assurance in the Sponsor Body and Delivery Authority is structured in line with the industry best practice 'three lines of defence' model and is in line with the guidance contained in 'Managing Public Money' and the 'Audit and Risk Assurance Committee Handbook' published by HM Treasury. Our approach is also in line with the Institute of Internal Auditors' Three Lines Model.

The principal risks and uncertainties for the Delivery Authority are set out in the Governance Statement on page 41.

Signed on behalf of the Board

.....
David Goldstone CBE
Chief Executive Office
12 July 2021



Directors' Report

The Directors of the Delivery Authority present their Directors' report and financial statements for the period ended 31 March 2021.

Directors

The Directors of the Delivery Authority are the non-executive Board members and those Executive Team members whose details are set out on page 5.

Register of interests

The Executive Team and Board members must complete a declaration of interests. There were no declarations of significant company directorships or other interests that may have conflicted with their management responsibilities. Related Party interests are disclosed in Note 12 to the financial statements and section 3.12 of the Governance statement.

Financial results

During the period the Delivery Authority has incurred £75m of expenditure and received £74m of grant funding, and recovered £1m of recharges, from the Sponsor Body in line with these costs, resulting in a zero profit position for the year, which was as anticipated. The costs incurred were £26m lower than the original budget as a result of initiating the Strategic Review, which resulted in certain planned activities being deferred into the subsequent financial year or stopped.

The results for the period are set out from page 61.

Financial risk management objectives and policies

The Delivery Authority is exposed to limited financial risk as it is funded by monies received from its parent, which in turn is funded by amounts voted annually by Parliament. However, robust policies are still in place to ensure that the Delivery Authority's expenditure is appropriately monitored and controlled, as part of the organisation's commitment to ensuring Value for Money and safeguarding its assets against fraud and impropriety.

Likely future developments in the business

The Delivery Authority continues to focus on its key phase 1 objective, which is the development of a fully costed Programme Business Case (PBC) for the restoration and renewal of the Palace of Westminster. This will continue until the completion of phase 1 in 2023 and the approval of the PBC by Parliament, whereupon phase 2 of the programme will commence with the undertaking of the necessary works.



Directors' Report (continued)

From a research and development perspective, the organisation will continue to explore cost effective and innovative solutions to ensure the design of the restoration is safe, efficient and delivers value for money.

Personal data incidents

There were no notifiable personal data breaches under GDPR or the Data Protection Act 2018 in the period.

Auditor of the Restoration and Renewal Delivery Authority Limited

The R&R Act appointed the Comptroller & Auditor General (C&AG) as the Delivery Authority's external auditor. The audit is undertaken on behalf of the C&AG by the National Audit Office, and it has been agreed that the National Audit Office will not charge a cash fee to the Delivery Authority, but will instead charge notional fees to the Sponsor Body for the audit of both organisations. There is therefore no auditor's remuneration reported in the Income Statement of the accounts. The total notional cost of the Delivery Authority audit is £70,000. No remuneration has been provided to the National Audit Office for non-audit services.

Employees

The number of employees and related costs can be found in Note 3 to the financial statements.

Disabled persons

The Delivery Authority is a Disability Confident Employer and welcomes applications from disabled people. We offer a guaranteed interview scheme for those candidates who meet the essential criteria for the role. Throughout the employee lifecycle, starting at recruitment, we offer workplace adjustments to remove and mitigate the physical and digital barriers experienced, and to facilitate a working environment where people can work at their best.

In the event of an employee becoming disabled while in our employment, every effort is made to ensure that their employment within the Company continues. We actively work towards the equality of outcome for disabled people including in training, career development and promotion. We proactively promote a positive and inclusive work culture enabling all to work with dignity and respect as outlined in our Equality, Diversity and Inclusion policy.



Directors' Report (continued)

Statement of Directors' and Accounting Officer's responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The Directors and Accounting Officer are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors and the Accounting Officer to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards.

Under company law the Directors and Accounting Officer must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors and Accounting Officer are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors and Accounting Officer are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material mis-statement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors and Accounting Officer are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.



Directors' Report (continued)

The Directors and Accounting Officer confirm that they have followed all the above requirements. For the avoidance of doubt, the Directors and Accounting Officer confirm that they believe that the Annual Report and Accounts as a whole are fair, balanced and understandable and that they take personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable.

Statement of disclosure to auditor

The Directors who held office at the date of approval of this Directors' report, including the Accounting Officer, confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Signed on behalf of the Board



.....

David Goldstone CBE
Chief Executive Officer and Accounting Officer
12 July 2021



Governance Statement

1 Statement by Accounting Officer

- 1.1 The R&R Act requires that the Sponsor Body appoint an executive director of the Delivery Authority to act as Accounting Officer for the Delivery Authority and I was formally appointed as Accounting Officer on taking up my appointment as CEO of the Delivery Authority on 1 July 2020. Following incorporation of the Delivery Authority, and prior to my appointment, Matthew White was the Accounting Officer.
- 1.2 As Accounting Officer for the Delivery Authority, I have responsibility for reporting on the governance structure adopted and utilised by the organisation in the discharge of its functions. I confirm that, as far as I am aware, there is no relevant audit information of which the Delivery Authority's auditors are unaware, and that I believe I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Delivery Authority's auditors are aware of that information. I also confirm that I believe that the Annual Report and Accounts as a whole are fair, balanced and understandable and that I take personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable.
- 1.3 In addition to my close day-to-day involvement with and oversight of the Delivery Authority's operations, this governance statement draws on a number of sources of information including, but not limited to:
 - 1.3.1 Feedback received from the Board of Directors;
 - 1.3.2 Reports made by the Chairs of each Board Committee; and
 - 1.3.3 Internal and external reviews and audits of corporate governance practices thus far adopted.
- 1.4 I am satisfied that appropriate and robust corporate governance practices have been adopted by the Delivery Authority during this reporting period. These practices and controls have been developed to support office-based and remote working, given the increased requirement for the latter during the pandemic. These practices include whistleblowing arrangements, which are legal requirements and represent best practice. Along with other aspects of legal compliance, this is an area where training will be implemented to reinforce understanding and awareness. No incidents of whistleblowing occurred during the period.



Governance Statement (continued)

- 1.5 At the end of the financial year the Delivery Authority had been incorporated for less than one year. Whilst I believe the current governance arrangements are appropriate, we are still maturing as an organisation and I am committed to ensuring good practice governance arrangements continue to be adopted and implemented, being particularly mindful of the Programme's high profile and the need to spend public money wisely to deliver Value for Money. I will continue to manage and monitor the governance practices as the organisation matures.
- 1.6 Some key areas that are being progressed include:
- 1.6.1 establishing a new Board Committee in relation to Finance;
 - 1.6.2 clarifying the governance framework and approval routes that feed into the Board and Board Committees;
 - 1.6.3 developing integrated risk, assurance and audit reporting;
 - 1.6.4 implementing our new risk management system; and
 - 1.6.5 strengthening our compliance management arrangements.

2 Governance Framework

Initial Incorporation

- 2.1 In line with the statutory obligation placed on the Sponsor Body, the Delivery Authority was incorporated on 16 April 2020 as a private company limited by guarantee without share capital.
- 2.2 Prior to the Delivery Authority's incorporation, a significant amount of preparatory work relating to future Delivery Authority operations was undertaken by the shadow Sponsor Body. Some employees involved in this preparatory work were subsequently appointed to the Delivery Authority Board and/or Executive Team. This experience, coupled with new appointments bringing a wealth of independent experience, enabled the Delivery Authority to immediately progress with its mandate upon incorporation.



Governance Statement (continued)

- 2.3 The R&R Act provides that the Delivery Authority's duties are "*to formulate proposals relating to Palace restoration works*" and "*to carry out the Parliamentary building works in line with the requirements of the Sponsor Body*". The R&R Act provides the Delivery Authority power to do "*whatever it considers appropriate*" to achieve these purposes so long as it acts in accordance with the Programme Delivery Agreement (PDA) with the Sponsor Body, and the Delivery Authority's Memorandum and Articles of Association. It follows that the Delivery Authority holds extensive powers to operate, and it is for this reason that appropriate corporate governance models were put in place upon incorporation to work alongside the provisions of the R&R Act, the PDA, and the Delivery Authority's Memorandum and Articles of Association.
- 2.4 Given its relatively recent incorporation, the organisation is continuing to review and, where appropriate, refine procedures and practices established at incorporation. At the first post-incorporation meeting of the Delivery Authority Board of Directors (the 'Board') in April 2020 the Board Regulations (which regulate the proceedings of the Board and its Committees and the responsibilities and authority of Officers by way of a Scheme of Delegation) and a number of policies (including a Board Code of Conduct) were adopted. The Scheme of Delegation was updated by the Board in February 2021.

Corporate Governance in Central Government Departments: Code of Good Practice

- 2.5 The Sponsor Body has recently directed that the Delivery Authority is to comply with the Corporate Governance in Central Government Departments Code of Good Practice (the 'Code'); the PDA is being updated to include this requirement. The Code outlines a number of principles which provide fundamental corporate governance procedures to evidence a hallmark of good governance. These principles are categorised as followed:
- 2.5.1 Accountability;
 - 2.5.2 Role, Composition, and Effectiveness of the Board;
 - 2.5.3 Management of Risk; and
 - 2.5.4 Dealings with Arm's Length Bodies.
- 2.6 Further details – such as indicative behaviours and supporting provisions – are also included to outline how the principles can be achieved and provide examples of how a department can evidence compliance.



Governance Statement (continued)

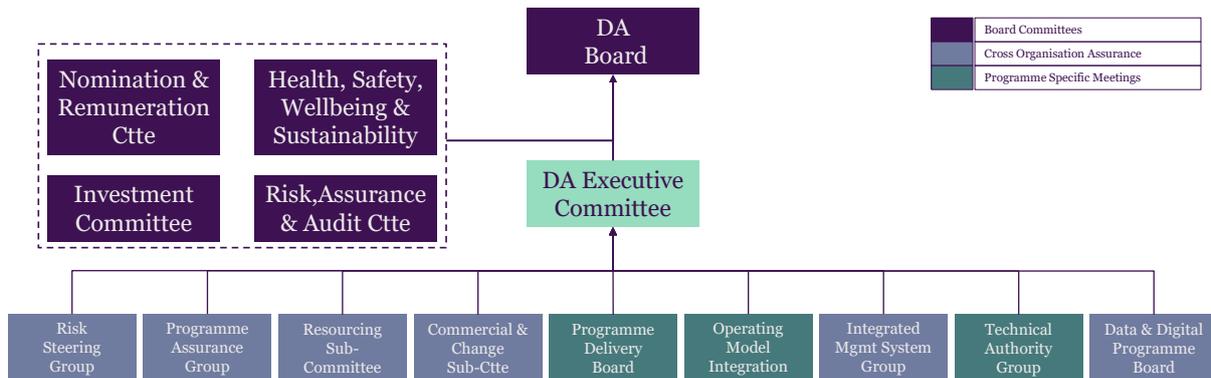
- 2.7 The Code is mainly aimed at central government department boards, and therefore, given the specific nature of the Delivery Authority's status, role and its operations and expenditure, (including its incorporation as a private company and arm's length status from Parliament), there are aspects of the Code which are not applicable to the Delivery Authority and there are instances where it is not appropriate to follow the indicative behaviours or supporting provisions because they are specific to the operation of central government departments only. Accordingly, the Delivery Authority has complied with all the principles contained within the Code, but implementation of such principles has been tailored to the particular nature of the Delivery Authority.
- 2.8 Some examples of this tailored implementation are set out below:
- 2.8.1 *Accountability: the Code requires that the "minister in charge of the department is responsible and answerable to Parliament for the exercise of the powers on which the administration of that department depends". The Delivery Authority does not have a minister in charge of its operation; the Board is answerable to the Sponsor Body, and by extension Parliament, through the provisions of the PDA, its Articles of Association and the R&R Act.*
- 2.8.2 *Management of Risk: the Code requires that "the board should be supported by an internal audit service operating to Public Sector Internal Audit Standards". The R&R Act contains specific auditing provisions which apply to the Delivery Authority. An Internal Audit Opinion is provided in section 6 of this Governance Statement.*
- 2.8.3 *Arm's length bodies: the Code requires "Where part of the business of the department is conducted with and through arm's length bodies (ALBs), the department's board should ensure that there are robust governance arrangements with each ALB board. These arrangements should set out the terms of their relationship in accordance with the principles and standards set out in Partnerships between departments and arm's length bodies: code of good practice". As the Delivery Authority is not a government department, compliance with that code of practice would not be appropriate. Nonetheless, the Delivery Authority has in place various mechanisms when procuring arm's length contracts and arrangements including a Procurement Policy which governs this practice.*
- 2.9 Accordingly, I believe that the principles of the Code are complied with, but where supporting provisions directly relate to the operation of central government departments (and are therefore not applicable to the Delivery Authority), alternative arrangements have been adopted by the Delivery Authority to ensure compliance.



Governance Statement (continued)

Governance Structure

2.10 The diagram below shows the governance structure that was established during the year.



3 Board and Committees

Non-Executive Directors			
 Mike Brown CBE MVO Chair; Sponsor Body Appointed	 Anne Baldoek	 Dr Stephen Duckworth OBE	 Anne McMeel
 Neil Sachdev MBE	 Dr Simon Thurley CBE Sponsor Body Appointee	 Simon Wright OBE Sponsor Body Appointee	Key to Committees △ Investment □ Health, Safety, Wellbeing and Sustainability ○ Risk, Assurance and Audit ◇ Nominations & Remuneration ⊗ Chair of Committee
Executive Directors			
 Tanya Coff Chief Financial Officer	 David Goldstone CBE Chief Executive	 Matthew White Programme Director	



Governance Statement (continued)

The Board

- 3.1 The Board is responsible for ensuring the effectiveness of the governance and internal workings of the Delivery Authority.
- 3.2 The Delivery Authority was initially incorporated with five Directors, as follows:
 - 3.2.1 Mike Brown CBE MVO (Non-Executive Chair, appointed by the Sponsor Body);
 - 3.2.2 Dr Simon Thurley CBE (Non-Executive Director; Sponsor Body appointee);
 - 3.2.3 Simon Wright OBE (Non-Executive Director, Sponsor Body appointee);
 - 3.2.4 David Goldstone CBE (Chief Executive); and
 - 3.2.5 Matthew White (Programme Director).
- 3.3 Soon after incorporation the following were appointed as further Non-Executive Directors:
 - 3.3.1 Anne Baldock;
 - 3.3.2 Dr Stephen Duckworth OBE;
 - 3.3.3 Anne McMeel; and
 - 3.3.4 Neil Sachdev MBE.
- 3.4 Tanya Coff, the Delivery Authority's Chief Financial Officer, was appointed as an Executive Director in December 2020 following a Board decision that this would provide appropriate financial scrutiny and oversight at Board level. Following Tanya's appointment, the Board was considered to be fully constituted and complete (with ten Directors appointed).
- 3.5 Save in the case of Matthew White (who was already in post as Programme Director), each Director appointed was selected following an open recruitment process to ensure that they were appropriately qualified and brought the necessary experience to their appointment.
- 3.6 The Board's composition of a Non-Executive Chair, six other Non-Executive Directors of which two are appointed by the Sponsor Body, and three Executive Directors complies with the requirements prescribed by the R&R Act and provides an appropriate balance of skills, experience, independence and knowledge to enable the Board to discharge its duties effectively and diligently. Moreover, the Non-Executive Directors have sufficient experience and skills, individually and collectively, to enable them to provide the necessary guidance, oversight and advice for the Board to operate effectively. The Board complies with its legal obligation to use its independent judgement on all matters before it and is encouraged to engage in challenging discussions to ensure robust consideration is given to all those matters presented to it.



Governance Statement (continued)

- 3.7 Following an external review and to provide additional rigour to the good governance in place, the Board recently approved the appointment of a Senior Independent Director and Anne Baldock was appointed to this role. Anne will be available to act as an independent intermediary for Directors and to lead the assessment of the Chair's performance.
- 3.8 A number of events, outside the regular Board meetings, have been put in place to ensure each member of the Board is aware of the Delivery Authority's work and the Programme details; for example, tours of the Palace of Westminster and ongoing information sharing sessions where Board members are able to learn about the Restoration and Renewal Programme from a practical perspective. This ensures decisions are taken at Board level with suitable practical knowledge of the Programme. Additionally, each member of the Board is encouraged to ensure that their knowledge of best practices and regulatory developments is kept up to date.
- 3.9 Each member of the Board is appointed with full knowledge of their expected commitment to the Delivery Authority, and each committed sufficient time to the Delivery Authority to enable them to discharge their duties effectively.
- 3.10 Since incorporation, the Board has met twelve times. The attendance of each Director is as follows:

Name	Number of meetings attended (since appointment)
Mike Brown	12 of 12
Anne Baldock	11 of 11
Stephen Duckworth	11 of 11
Anne McMeel	11 of 11
Neil Sachdev	11 of 11
Simon Thurley	11 of 12
Simon Wright	12 of 12
Tanya Coff	4 of 4
David Goldstone	12 of 12
Matthew White	11 of 12



Governance Statement (continued)

- 3.11 The Delivery Authority maintains a register of interests for Directors. At the start of each Board and Board Committee meeting, the Chair asks Directors to declare any changes to their interests. Additionally, the General Counsel contacts all Directors every six months to confirm their entry is correct and up to date. The register was verified and updated in March 2021. This process ensures that any conflict of interests and outside employments of our Directors are declared and recorded. During our first year of incorporation an employee Code of Conduct has been developed and is now in place. This includes requirements in relation to conflicts of interest. We plan to further develop aspects of this to ensure that the relevant requirements of the Civil Service Management Code are appropriately addressed. All employees are required to complete mandatory online training relating to Code of Conduct.
- 3.12 Disclosure of an interest of one Board member was deemed to constitute a Related Party and as such is detailed in the Related Parties Note to the financial statements, as well as being disclosed here:

Name of Director	Name of company or organisation	Position held	Type of interest e.g. pay, fees, shareholding	Other relevant information
Mike Brown	Mott MacDonald	Independent Member of the Shareholder Committee	Fees	None

- 3.13 Every decision taken by the Board is recorded in a decision tracker which allocates each decision a unique reference number and summary of the decision taken. Papers presented to the Board are also allocated unique paper references. Both these practices ensure Board decisions are easily located for review at future meetings and provide for clear corporate governance records.



Governance Statement (continued)

- 3.14 The Board considered the following significant matters in the period since incorporation:
- 3.14.1 Approval and adoption of a Code of Conduct and Scheme of Delegation as well as noting other initial set up documents and policies for its continued operation;
 - 3.14.2 Approved the establishment of the Board Committees (as explained in further detail below);
 - 3.14.3 Approved various personnel appointments, including the Chief Executive Officer, Chief Finance Officer and General Counsel;
 - 3.14.4 Endorsed changes to the PDA following the six-month review;
 - 3.14.5 Received a monthly programme report which includes an update on the status and mitigations of the key risks.
 - 3.14.6 Approved the proposed Programme's Strategic Milestones;
 - 3.14.7 Noted updates in relation to the Strategic Review of the Programme;
 - 3.14.8 Approved a Business Plan (and subsequent updates thereto);
 - 3.14.9 Approved the Risk Appetite Statement;
 - 3.14.10 Approved the Intrusive Surveys Framework Procurement Strategy; and
 - 3.14.11 Endorsed the Programme's Phase 1 timeline and noted the Task Briefs issued by the Sponsor Body to the Delivery Authority to instruct specific packages of work to be undertaken.

External review of Board effectiveness

- 3.15 In July 2020 the Chair of the Delivery Authority commissioned an external review of its corporate governance practices.
- 3.16 As part of its assessment, the external review interviewed all members of the Board. A report drafted as a result of the external review includes early perceptions of the governance arrangements adopted and recommendations for further development.



Governance Statement (continued)

- 3.17 The recommendations for further development concentrated around clarifying the strategic focus of the Board (including setting annual objectives and a review process to encourage a self-critical approach to performance; such self-review having been undertaken in part as detailed above), developing the Board dynamic (which has been undertaken through further appointments made to the Board and the Executive Team as detailed above), appointing a Senior Independent Director focussed on Board performance and ensuring an appropriate level of information is presented to the Board which is an ongoing priority.
- 3.18 The commissioning of this external review and the ongoing work to address its recommendations is evidence that the Delivery Authority is steadfast in ensuring its corporate governance is as effective as possible and will be continuously improved.

Internal review of Board effectiveness

- 3.19 In late 2020 an internal review of the working of the Board and its Committees was undertaken, including by way of a questionnaire being distributed to each Director. The questionnaire asked for feedback from each Director regarding their opinion on what is going well; what could be improved; and what areas to focus on in relation to both the Board and each of the Board Committees. Feedback was requested in relation to:
- 3.19.1 The quality of information provided to the Board, including both regular reports and other (less routine) papers;
 - 3.19.2 Meetings, discussions and the role of the Chair;
 - 3.19.3 Level of interactions with other Directors;
 - 3.19.4 Level of interactions with the Executive Team;
 - 3.19.5 Relevance of items discussed; and
 - 3.19.6 Relationship with the Sponsor Body.
- 3.20 Responses were overwhelmingly positive and the Board was widely of the view that internal governance was good and that the information the Board received was appropriate to support the Board's functions. Areas for improvement and for additional focus have been collated and are being reviewed to improve governance going into the next financial year.



Governance Statement (continued)

- 3.21 Some areas for improvement have already been addressed and other areas are being actively considered as of the date of this report, such as:
- 3.21.1 Creating a central depository for all Board papers which can be accessed by Board members;
 - 3.21.2 Standardisation of which items necessitate a Board paper and which require verbal noting only, as well as standardisation of the structure of Board papers and the minutes and actions arising from such meetings; and
 - 3.21.3 Ensuring the level of detail within Board papers is appropriate to ensure the Board is not overwhelmed with extraneous information and that important items are awarded sufficient consideration and discussion. The creation of the central depository of Board papers will aid this and procedures will be reviewed to make full use of this resource.
- 3.22 Throughout the reporting period the Board and its Committees have met virtually due to the Covid-19 pandemic restrictions. The use of virtual meetings has not materially hindered the effectiveness of the Board meetings and such meetings have continued to be held regularly. The Board intends to commence meeting in person when it is appropriate to do so.

Executive Team

- 3.23 The Executive Team, led by David Goldstone, carries out the executive functions required and supports the Board in the day-to-day operations of the Delivery Authority. The Programme Director, Matthew White, was in post from incorporation, having worked for the Houses of Parliament, and other members of the Executive Team were appointed through an open recruitment process. The Executive Team comprises of experienced individuals with suitable skill to enable the Delivery Authority to achieve its challenging objectives and complex programme of work.
- 3.24 The Executive Team regularly reports directly to the Board through Chief Executive, Chief Financial Officer and Programme Director Reports which are discussed, scrutinised and noted at Board meetings. The Board can further request any member of the Executive Team to attend a Board meeting to provide an update on any matter should the Board consider this advantageous. Where it is necessary for the Board to make a decision on a particular matter, the Board is able to make an enquiry to the relevant Executive Team member or department and can request any further information it may require in order to satisfy itself that it holds sufficient detail on any proposed decision in order to make an informed and accurate decision.



Governance Statement (continued)

Company Secretary

- 3.25 At incorporation, external counsel was engaged to undertake necessary company secretary work and registrations. Jane Mee, General Counsel, was appointed as the Company Secretary on 1 February 2021 and continues to be supported by external counsel where appropriate.

Board Committees

- 3.26 In June 2020 the Board approved the establishment of four Committees to support the Board and ensure a robust governance system is in place. The Committees established were:
- 3.26.1 Investment Committee;
 - 3.26.2 Health, Safety, Wellbeing and Sustainability Committee;
 - 3.26.3 Risk, Assurance and Audit Committee; and
 - 3.26.4 Nominations & Remuneration Committee.
- 3.27 The Board reviewed and approved Terms of Reference for each Committee. Each Committee's Terms of Reference outline its membership, purpose, responsibilities, and reporting procedures.
- 3.28 In March 2021, the Board agreed that a Finance Committee would be established in the new financial year to provide oversight and scrutiny of the Delivery Authority's financial performance.



Governance Statement (continued)

3.29 Attendance at the Committee meetings by the appointed Members of those Committees during the period has been as follows:

Name	Committee			
	Investment	Health Safety, Wellbeing and Sustainability	Risk, Assurance and Audit	Nominations & Remuneration
DA Board Members				
Mike Brown	n/a	3 of 3	n/a	3 of 3
Anne Baldock	n/a	n/a	4 of 4	3 of 3
Stephen Duckworth	6 of 6	3 of 3	n/a	3 of 3
Anne McMeel	n/a	n/a	4 of 4	n/a
Neil Sachdev	6 of 6	3 of 3	n/a	n/a
Simon Thurley	n/a	n/a	3 of 4	n/a
Simon Wright	6 of 6	n/a	n/a	n/a
Tanya Coff	3 of 3	n/a	n/a	n/a
David Goldstone	6 of 6	3 of 3	n/a	n/a
Matthew White	6 of 6	3 of 3	n/a	n/a
Other Committee Members				
Health, Safety & Wellbeing Director	n/a	3 of 3	n/a	n/a
Head of Sustainability	n/a	3 of 3	n/a	n/a



Governance Statement (continued)

In addition, certain Board Members attended meetings of Committees of which they are not standing members, as detailed below:

Name	Committee			
	Investment	Health Safety, Wellbeing and Sustainability	Risk, Assurance and Audit	Nominations & Remuneration
DA Board Members				
Mike Brown	5 of 6	n/a	3 of 4	n/a
Anne Baldock	n/a	n/a	n/a	n/a
Stephen Duckworth	n/a	n/a	n/a	n/a
Anne McMeel	n/a	n/a	n/a	n/a
Neil Sachdev	n/a	n/a	n/a	n/a
Simon Thurley	n/a	n/a	n/a	n/a
Simon Wright	n/a	n/a	n/a	n/a
Tanya Coff	n/a	n/a	2 of 2	n/a
David Goldstone	n/a	n/a	4 of 4	3 of 3
Matthew White	n/a	n/a	4 of 4	n/a



Governance Statement (continued)

- 3.30 In addition to the Members attendance for each Committee outlined in the table above, each Committee meeting has further Attendees which includes Executive Team members.
- 3.31 Every decision taken by each Committee is recorded in a decision tracker which allocates each decision a unique reference number and summary of the decision taken. In addition to oversight of each Committee's meeting minutes, this decision tracker ensures the Board is made aware of summary decisions taken.
- 3.32 Each Committee's Terms of Reference provide for a reporting mechanism from that Committee into the Board. Presently, this mechanism varies between Committee and a review into the reporting mechanisms to ensure they are appropriate for each Committee (as well as the wider internal governance of the Delivery Authority) will take place in the upcoming financial year.
- 3.33 Each Committee is also required to undertake a review of their effectiveness each year. Such effectiveness review will evaluate the first twelve months' operation of each Committee. In the period to which this governance statement relates the Board undertook an effectiveness review (as detailed above) and this effectiveness review included a review of each Committee. There will be a further effectiveness review commissioned in the new financial year.
- 3.34 A summary of the Board Committees is included below.

Investment Committee

- 3.34.1 **Membership:** The Investment Committee is chaired by Neil Sachdev and also comprises two other Non-Executive Directors, the Chief Executive, the Chief Financial Officer and the Programme Director.
- 3.34.2 **Purpose, Scope and Responsibilities:** Advise on, assist, make recommendations to and report to the Board in order to provide it with oversight and assurance of the Delivery Authority's exercising of budgeting, contingency management, commitment authority and procurement authority.



Governance Statement (continued)

3.34.3 The Investment Committee considered the following significant matters during the period:

- (a) Approval and adoption of its Terms of Reference as well as noting other initial set up documents and policies for its continued operation, including:
 - (i) Procurement Policy Code;
 - (ii) Financial Reports;
 - (iii) KPIs & Reports; and
 - (iv) Draft Delivery Authority Business Plan.
- (b) Endorsed the Intrusive Surveys Framework Procurement Strategy.
- (c) Endorsed the proposed Value for Money Framework.
- (d) Considered the proposed strategies for compensation for third parties affected by the House of Lords decant location.
- (e) Considered the task orders and incentive strategies for major suppliers.
- (f) Initial development of the Programme support strategy (including the role of delivery partners).
- (g) Consideration of supply chain development across the UK and developing a UK-wide strategy.
- (h) Continued development of skills within the supply chain.

Health, Safety, Wellbeing and Sustainability Committee

3.34.4 Membership: The Health, Safety, Wellbeing and Sustainability Committee is chaired by Stephen Duckworth and also comprises the Board Chair, one other Non-Executive Director, the Chief Executive, the Programme Director, the Health, Safety & Wellbeing Director and the Head of Sustainability.

3.34.5 Purpose, Scope and Responsibilities: All Health, Safety, Wellbeing and Sustainability matters related to the planning and delivery of the works to be undertaken for the Programme.



Governance Statement (continued)

- 3.34.6 **The Health, Safety, Wellbeing and Sustainability Committee considered the following significant matters during the period:**
- (a) Approval and adoption of its Terms of Reference as well as noting other initial set up documents and policies for its continued operation, including:
 - (i) Health, Safety and Wellbeing Strategy;
 - (ii) Health and Safety Accountabilities;
 - (iii) Sustainability Policies and Strategies; and
 - (iv) Occupational Health Updates.
 - (b) Noted the update on Skills and Apprenticeships.
 - (c) Approval to develop a 'blended approach' to the provision of occupational health services, shared between contractors and the Delivery Authority.
 - (d) Noted the Update and Plan for the R&R Sustainability Mini Conference.
 - (e) Noted the Emergency Plan Update.
 - (f) Noted the Sustainability Update.
 - (g) Noted the Sociotechnical approach to Health & Safety to be developed in partnership with Heriot Watt University.

Risk, Assurance and Audit Committee

3.34.7 **Membership:** The Risk, Assurance and Audit Committee is chaired by Anne McMeel and also comprises two other Non-Executive Directors.

3.34.8 **Purpose, Scope and Responsibilities:** Advise on, assist, make recommendations and report to the Board on the adequacy of the Delivery Authority risk management, internal control, management effectiveness and governance arrangements to support the achievement of the strategic goals and objectives. The Committee also oversees the relationship between the Delivery Authority and its external auditor.

The Risk, Assurance and Audit Committee also consults with the Nominations and Remunerations Committee to review the management of the Delivery Authority's performance framework to measure corporate and programme performance and has oversight on behalf of the Board on security matters.



Governance Statement (continued)

3.34.9 The Risk, Assurance and Audit Committee considered the following significant matters during the period:

- (a) Approval and adoption of its Terms of Reference as well as noting other initial set up documents and policies for its continued operation, including:
 - (i) Delivery Authority Risk Management; and
 - (ii) Internal Audit Plan.
- (b) Updates to the Scheme of Authorities and Delegation Levels.
- (c) Approval of the Internal Audit Charter.
- (d) Approval of the Internal Audit Strategic Plan 2021-24 and Internal Audit Plan 2021/22.
- (e) The initial development of the Annual Report & Accounts.
- (f) Considered audit planning report from external auditors.
- (g) Endorsed the organisational risk appetite statement.
- (h) Considered the Programme assurance strategy.
- (i) Received updates on assurance activities and strategic risks.
- (j) Endorsed the proposed approach to compliance management.

Joint Audit Committee with the Sponsor Body: During the period, in addition to the Delivery Authority Risk, Assurance and Audit Committee meetings and the Sponsor Body Board's own Audit & Assurance Committee meetings, joint meetings of the two committees were held. This was deemed valuable in the early stages of establishment of the two bodies to build a shared understanding of the control environment and the interaction of strategic and operational risk across the two organisations. Having established this foundation, it has been agreed that these meetings will stop, with the expectation of an informal joint discussion twice per year to ensure continued alignment, and to review shared risks. There will be reporting from the Delivery Authority Committee into the Sponsor Body Committee, with Delivery Authority representatives attending the Sponsor Body Committee for relevant agenda items. The Delivery Authority representatives will feedback from the Sponsor Body Committee to the Delivery Authority Committee as appropriate. This was considered the best way of achieving coordination, information sharing and assurance, whilst maintaining the transparency of the formal delegation and reporting arrangements. This model will be kept under regular review.



Governance Statement (continued)

Nominations & Remuneration Committee

- 3.34.10 **Membership:** The Nominations & Remuneration Committee is chaired by Anne Baldock. The Terms of Reference requires the Committee to also comprise of the Board Chair, two other Non-Executive Directors and an independent member. However, at the Committee's July 2020 meeting it was agreed that three members was sufficient until determined otherwise. This will be reviewed periodically but, in any event, will be reviewed as part of the upcoming effectiveness review.
- 3.34.11 **Purpose, Scope and Responsibilities:** Advise on, assist, make recommendations and report to the Delivery Authority in relation to: the process for selection, evaluation and retention of Directors; reviewing and monitoring the implementation of the Delivery Authority's strategy as it pertains to the selection, evaluation and retention of employees; approving remuneration and general oversight thereof; oversight and approvals for performance related pay and discretionary bonuses; and undertaking periodic reviews of pension arrangements.
- 3.34.12 **The Nominations & Remuneration Committee considered the following significant matters during the period:**
- (a) Approval and adoption of its Terms of Reference.
 - (b) Executive recruitment.
 - (c) Performance review process and related discretionary bonuses arrangements.
 - (d) Pensions and benefits policy.
 - (e) Remuneration and bonuses policies and payments.

Relationship with the Sponsor Body

- 3.35 The R&R Act requires that the constitution of the Delivery Authority must include provision that ensures the only member and guarantor is the Sponsor Body. This is reflected in article 22.1 of the Delivery Authority's Articles of Association which further confirms that membership is not transferable.
- 3.36 In operating under a sole member structure, the Delivery Authority and Sponsor Body entered into a Programme Delivery Agreement ("**PDA**") to regulate the relationship between the two entities. This PDA is the core governing document between the Sponsor Body and the Delivery Authority and provides for Sponsor Body oversight and scrutiny of the day-to-day operations of the Delivery Authority.



Governance Statement (continued)

- 3.37 The PDA sets out the terms of legal agreement, ways of working and deliverables between the Sponsor Body and the Delivery Authority and is in effect the 'delivery contract' and governing document between the two entities. It is also the vehicle by which obligations on the Sponsor Body from the Parliamentary Relationship Agreement can flow down to the Delivery Authority. The PDA places certain obligations on the Delivery Authority and outlines the operating framework for its ongoing governance. As a private company incorporated under the Companies Act 2006, the Delivery Authority is obliged to comply with that Act, and, following the Sponsor Body's recent direction as noted in Paragraph 2.5 of this Governance Statement, the PDA will require the Delivery Authority to comply with a number of additional disclosure elements of the Government Financial Reporting Manual and the Corporate Governance in Central Government Departments Code of Good Practice.
- 3.38 Over the course of this financial year (being the first year that both the Sponsor Body and Delivery Authority have been formally established), the relationship between the two entities has continued to be reviewed and revised where appropriate. One mechanism for such evaluation is through the review of the PDA which is a process for reviewing and amending the relationship between the two entities included in the PDA. An initial review of the PDA was undertaken in December 2020 and the next is being carried out during the 2021/2022 financial year. There continues to be focus on ensuring collaborative working between the two entities but also appropriate separation in their operations where this is necessary and/or advantageous, for example to ensure proper oversight and scrutiny of the Delivery Authority by the Sponsor Body.

4 Business feedback on performance, controls and use of resources

- 4.1 In March 2021 all Executive Directors completed a questionnaire asking for their opinion on the functioning and appropriateness of the control environment, spanning the following areas:
- 4.1.1 Budget and use of resources;
 - 4.1.2 Risk and risk management;
 - 4.1.3 Governance structure, policies and processes;
 - 4.1.4 Governance and controls;
 - 4.1.5 Culture, capability and standards; and
 - 4.1.6 Fraud, bribery and corruption.



Governance Statement (continued)

- 4.2 The responses indicate good confidence in the control environment, with ‘largely appropriate and largely confident’ being the most common responses. Responses varied between areas and directorates and a number of items were identified for improvement. A number of improvements are already underway. This is appropriate and in line with expectation given the relative youth of the organisation.
- 4.3 Some of the key themes of responses are summarised below:
- 4.3.1 There are clear objectives; clear processes for managing changes to budgets, resources and outputs; and forecasts are regularly reviewed.
 - 4.3.2 Financial controls currently rely on relatively high levels of manual intervention and are now being made more systematic. Financial structures and planning processes are being strengthened and organisation structures and headcount reviewed.
 - 4.3.3 The main financial and fraud risks are addressed through appropriate governance forums and financial controls.
 - 4.3.4 Risk and assurance management arrangements are in place and functioning, and are now being further developed to provide greater visibility and assurance to the DA Board, the Risk, Assurance & Audit Committee and the Executive Team of key areas of risk, mitigations and trends. This will be supported by a new Programme-wide risk management system that is currently being implemented. Additional monthly risk reviews in directorates are also planned.
 - 4.3.5 Performance management of the largest suppliers is robust, while that for other suppliers is being strengthened, including where appropriate by ensuring that clear deliverables and/or KPIs are in place at contract award. Monthly contract status reporting to the DA Executive Team and Investment Committee is in place.
 - 4.3.6 Reporting on compliance with the Code of Conduct and mandatory training requirements is planned, to give Directors more visibility of these areas. Cultural reinforcement will also be key in these areas.
 - 4.3.7 Induction training is in place and is being continually reviewed and improved. Capability development, succession planning and learning and development are still at an early stage and are more challenging in teams with a high proportion of contractors.
 - 4.3.8 Payroll processes are considered to be robust and there have been no suspected cases of fraud, bribery or corruption in the period.



Governance Statement (continued)

5 Strategic Risk Management

5.1 The Delivery Authority's strategic risks are those which may impact on its ability to achieve the Programme's overall strategic objective to restore and renew the Houses of Parliament to be fit for the future, by delivering to time, cost, user requirements and value for money. The Risk Management process to date has identified Risk Areas, as per the table below and assigned ownership of these areas to a member of the DA Executive Team or agreed delegate. Actual risks are reviewed monthly with the Sponsor Body and regular risk reporting is provided to the Risk, Assurance & Audit Committee and to the Board. The DA Board has agreed appropriate levels of risk appetite for each of these risk areas.

Risk Area	Description
Clarity and Definition of Requirements	If user requirements* are not clearly articulated and agreed by stakeholders prior to submission of the Business Case, there is risk that we will be unable to deliver a suitable and acceptable solution. There is also additional risk from any changes to the requirements after PBC, potentially driving cost and prolongation. (*Sponsor's Requirements and User Requirements are terms from the PRA and PDA respectively. The final requirements are set upon approval of the detailed and costed plans for a particular scheme as part of the Programme Business Case process. Sponsor's Requirements tend to be outcome based and User Requirements respond to these outcomes with measurable operational metrics. As an example, User Requirements will define a particular and measurable amount of accommodation required. If the need is not clearly articulated, there is risk that Palace schemes are either cautiously over-designed, driving up cost and schedule estimates, or optimistically under-designed and not providing the minimum accommodation needed to have a functional Parliament.)
People, Organisational Maturity & Development	Due to the Programme requirements continually developing, there is risk that the Delivery Authority cannot maintain the suitable levels of capability and capacity within the teams to manage the current requirements as well as plan for the future.
Interface and Interdependency	Interfaces and dependency risks stem from the boundary between the work of the R&R programme, other delivery mechanisms for infrastructure and other works on and adjacent to the parliamentary estate.



Governance Statement (continued)

Risk Area	Description
Execution phase and delivery solution	Accepting designs without considering their technical feasibility, heritage impacts or delivery consequences, puts us at risk of taking forward technical solutions that could be difficult to get statutory approvals for or could be problematic to build. Other risks identified in this area include mitigation of catastrophic failures that could impact on Parliament's future business continuity or long-lasting reputational damage because of poor design solutions.
Health, Safety and Security	We must ensure that Health, Safety and Security is considered at all stages of the project. There is risk that if we fail to do so, we will be unable to deliver a safe, secure and sustainable project and solution. This would result in the programme being open to potential delay, cost escalation and reputational damage.
Funding, Fraud, Theft and Financial Impropriety	The consequences of fraud and theft can be significant and particularly so on a high profile publicly funded programme such as this.
Stakeholder consent and Statutory approval	As a high-profile Programme, there is risk that town planning or other statutory consents are delayed or are subject to negotiation, change or rejection. This could lead to delays to the Programme and possible changes to scope and design to incorporate concerns raised by the consent granting body.
Provision of evidence to support the Business Case	There is risk to the ability to generate sufficient evidence and technical information to support the generation of the scheme design, cost and schedule. This would result in the business case, which is the method by which approval is generated for the Programme, not being accepted. It will be at this point that the greatest level of media and external scrutiny will be received.
Commercial & Procurement	Effective Commercial and Procurement functions allow the organisation to effectively engage the services required by the programme to deliver the work. This is essential but also exposes the organisation to operational, transactional and strategic risk. Erroneous choice of contracting strategy or levels of risk transfer may lead to sub optimal outcomes and impact on our ability to deliver value for money.
Information Management & Cyber Security	The Programme is high profile and holds sensitive information. Consequently, there is risk to the storage and management of that information.



Governance Statement (continued)

- 5.2 Currently, the most significant areas of risk for the Delivery Authority are *Interfaces and Interdependencies, Stakeholder Consent and Statutory Approvals* and *Clarity and definition of requirements*. These are derived from the challenges around managing the interfaces with projects outside the programme, the complexity of the stakeholder environment and the statutory consents required, and getting consensus from the House Authorities on user requirements and aspects such as the approach to vacating the Palace.
- 5.3 With the exception of *Provision of evidence to support the Business Case*, all of the current risks areas in the table above apply to all phases of the programme. As we move between the phases of the programme, the risk areas will be reviewed, and with it their priority for management attention.
- 5.4 Where risks cannot be eliminated, mitigations are identified to minimise threats and maximise opportunities. Key workstreams undertaken in order to mitigate risk include the Strategic Review, development of a requirements management framework, ongoing engagement with the Houses, and integration of R&R workstreams.
- 5.5 A summary of current risks to the programme, and their impact and mitigation is included in the consolidated Annual Report and Accounts of the Sponsor Body, which are laid before Parliament.
- 5.6 The organisation continues to mature its risk management process. This includes regular review of current or emerging risks, development of detailed mitigation plans and regular reporting and review with the DA Board, Risk Assurance & Audit Committee and Sponsor Body.

6 Internal Audit opinion

- 6.1 In compiling this governance statement I have also been informed by the work of Internal Audit. In his annual report, the Head of Internal Audit stated the following:

- 6.1.1 “Due to the newness of both the organisation and the Internal Audit function, 2020/21 has been unique. The work of Internal Audit during the year has been focussed on delivering what was necessary to produce an annual Internal Audit Opinion.

The 2020/21 financial year was one of inauguration and development, and it is not expected that all systems and processes would be designed and operating at the same level as a more mature organisation. Despite this, I can provide reasonable assurance on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control, and confirm that controls are satisfactory and, where areas of possible weakness were identified, management agreed to timely action plans to improve the overall control environment.”



Governance Statement (continued)

7 Integrated Assurance

- 7.1 From June 2020 there has been a monthly meeting of the Programme Assurance Group to monitor the assurance activities of the business. Discussions are based around a multi-party, multi-discipline Assurance Intervention Schedule, incorporating assurance across programme design, estimates, technical, Data and Digital, and Information Management. It also tracks assurance provided by external parties and the Sponsor Body.
- 7.2 The Heads of Risk Management, Programme Assurance and Internal Audit are all new appointments to the business during the period and have brought good practice examples of other major programmes and organisations to the organisation to enhance its approach to integrated assurance. They also meet the Sponsor Body's Head of Programme Risk and Assurance regularly to develop maturity in this area.
- 7.3 In addition, an Internal Audit review of Assurance Mapping has been undertaken; this concluded that "there has been a significant amount of work done so far already to map the governance structure". It acknowledged that the organisation was going through a state of change, and therefore risks and assurances would also change but it confirmed that "there was no risk during our review which appeared to lack significant assurances overall".
- 7.4 Building upon this audit, a project recently commenced focussing on developing the integrated assurance approach. This will review, update and develop as necessary the organisation's Three Lines of Defence Model, an Integrated Assurance Plan, and standardised frameworks and reporting. The results of this work, together with the findings arising from assurance activities, will feed into the Delivery Authority Executive Team and the Risk, Assurance & Audit Committee.

8 Information Governance

- 8.1 Information Governance arrangements continue to mature. These arrangements are under constant review as the Programme proceeds and capabilities increase.
- 8.2 An Information Governance Strategy has been developed which addresses the information governance requirements of the Sponsor Body and Delivery Authority, including its supply chain and service providers. Jointly agreed with both Houses, it incorporates Parliamentary requirements for information governance and information management and transfer.
- 8.3 This is enabled by a Data Sharing Agreement between the Houses, Sponsor Body and Delivery Authority. This is the key agreement which ensures data flows through the Programme to stakeholders, partners and supplier as securely and efficiently as possible. Suppliers will be regularly audited to ensure compliance once part of the Programme.



Governance Statement (continued)

- 8.4 Following on from the completion of the Strategic Threat Assessment, both the Cyber Security Strategy and Cyber Risk Appetite and Tolerance statements for the Programme have been developed. These statements provide a frame of reference for the types and quantity of cyber risk that the Programme is comfortable operating with day-to-day, and the threshold below which the Programme would be unable to meet its objectives and obligations.
- 8.5 The Cyber Security Strategy covers all data and systems produced, managed, controlled or processed within both the Sponsor Body and the Delivery Authority. The intent of the strategy is to deliver a set of capabilities that safeguard the digital assets within the Programme and its supply chain in accordance with the risk appetite of the Programme. This will ensure the Programme can maintain a cybersecurity posture that protects the Sponsor Body and Delivery Authority against the strategic cyber threat landscape.
- 8.6 All changes, new systems and solutions require accreditation at an appropriate level. The approach to assessing risk and obtaining approval varies depending on the potential business impact of the solution, the type of data being processed and whether it is a solution that is specific to Programme data only.

9 Value for Money

- 9.1 In April 2020 the NAO published a Value for Money report titled “Palace of Westminster Restoration & Renewal Programme” which described the risks to securing Value for Money for the programme and recommended how these risks can be reduced and the potential impact of not doing so. The report was the basis for a Public Accounts Committee hearing in July 2020 and a Report published on 2 October 2020. The Delivery Authority is supporting the Sponsor Body in ensuring that the recommendations from both reports are incorporated in the Delivery Authority’s workplans.

Signed

.....
David Goldstone CBE
Accounting Officer
12 July 2021



Remuneration and Employee Report

Introduction

This report has been prepared in accordance with the requirements of the Companies Act 2006 and includes additional disclosures for transparency.

The company's approach to remuneration is designed to support a performance focussed approach to delivery. Prior to incorporation, the Delivery Authority's proposed pay and grading structure was independently benchmarked to suitable external organisations and other major programmes.

Remuneration policy

In accordance with Schedule 2 of the R&R Act, the Delivery Authority can appoint employees on such terms and conditions as it may determine.

In setting the Remuneration Policy, the Board determined that the Delivery Authority should, with consideration of it being a public body, provide a stable pay and reward framework that will attract and retain the high-calibre employees necessary to enable the company to achieve its strategic priorities and fulfil its remit.

The company undertakes benchmarking of pay and reward structures, looking at key comparators (for example for other major programmes and project environments) in relevant private and public sector settings. Salaries for employees of the Delivery Authority are generally positioned at median to upper quartile across relevant comparators. The company recognises that a market premium may be necessary for highly specialised, technical posts and/or where skills are in short supply.

To optimise operational flexibility, the Delivery Authority has a broad band pay structure which is reflective of the relatively flat organisation structure. In line with our commitment to transparency, the pay and grading ranges, for employees below Board Directors and the Executive Team, are published on the R&R website and are refreshed as needed. The current ranges are shown below and include the number of people at each grade:

Grade	Pay range	No. of people at 31 March 2021
4	£90,000 - £135,000	10
3	£60,000 - £95,000	9
2	£40,000 - £65,000	15
1	£25,000 - £45,000	31

Figures in table have been subject to audit.

Contracts of employment for all employees of the Delivery Authority refer to an annual review of base salary to take effect from the 1 April each year. After careful consideration with the Executive Team, the Nominations & Remuneration Committee decided that there would not be a general pay award for the 2021-22 financial year.



Remuneration and Employee Report (continued)

Components of remuneration

Salary

The basic salary for employees is determined by considering each person's responsibilities and experience, together with relevant market benchmarking analysis. All salaries will be reviewed each year and any changes will be effective 1 April. There were no increases in basic salary for the period under review.

Life Assurance

All employees receive life assurance as a standard benefit. The value of life assurance is not disclosed in the remuneration tables because it is not treated by HM Revenue & Customs as a taxable emolument.

Pension

Employees of the Delivery Authority are eligible to participate in a defined contribution pension scheme, which is managed on the Company's behalf by Aviva. Employees are automatically enrolled in the pension scheme on their first day of employment unless they decide to opt out. Contributions are made via salary sacrifice arrangements and are matched by the Delivery Authority at a ratio of 2:1. The total of the employee's salary sacrifice and the Delivery Authority's contribution is paid into the pension scheme as an employer's contribution, to a maximum of 15%.

Pensions for those who were seconded from the House of Commons and House of Lords during the period were covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The Scheme is an unfunded defined benefit scheme and liability rests with their employer, and not the Delivery Authority.

No Non-Executive Director received a pension benefit from the Delivery Authority for the period under review.

Performance-related Payments

The Delivery Authority does not provide a long-term incentive plan scheme for any of its employees. All employees, including the Executive Directors, participate in an annual performance related bonus scheme, which allows for recognition of high performers in any year without raising base salary levels. This is calculated as a percentage of salary (non-pensionable). Any discretionary bonus paid will be subject to individual and corporate performance.

Considering the coronavirus pandemic and its ongoing economic impact, and the fact that the Delivery Authority is a newly-incorporated organisation, the decision was taken to generally defer payment of discretionary bonuses related to performance for the period ending 31 March 2021 until the next financial year. No Executive Director received a bonus for the year under review.



Remuneration and Employee Report (continued)

Remuneration of Directors

The following table details the remuneration paid to the Board of Directors of the Delivery Authority:

Name	Role title	Date appointed*	Annual salary (£000)	Total payments made during year		
				Salary (£000)	Pension benefits** (£000)	Total remuneration*** (£000)
Mike Brown	Chairman (Non-Executive Director)	01-May-20	250	182	-	182
Dr Simon Thurley	Non-Executive Director	01-May-20	20	18	-	18
Simon Wright	Non-Executive Director	01-May-20	20	18	-	18
Anne Baldock	Non-Executive Director	18-May-20	30	26	-	26
Dr Stephen Duckworth	Non-Executive Director	18-May-20	30	26	-	26
Anne McMeel	Non-Executive Director	18-May-20	30	26	-	26
Neil Sachdev	Non-Executive Director	18-May-20	30	26	-	26
David Goldstone	Chief Executive Officer	16-Apr-20	300	225	18	243
Tanya Coff	Chief Financial Officer	07-Dec-20	220	70	7	77
Matthew White	Programme Director	01-May-20	220	202	9	211

Figures in table have been subject to audit.

*Remuneration paid reflects the date of appointment of directors, save in the case of Mike Brown and David Goldstone, for whom remuneration commenced upon their taking up their roles in July 2020.

**Pension benefits represent the Delivery Authority's contributions to employee pension schemes.

***No other benefits in kind or bonuses were paid during the period.

The following table details remuneration of other members of the Executive Team of the Delivery Authority who are not Board Directors:

Name	Role title	Date appointed	Annual salary (£000)	Total payments made during year		
				Salary (£000)	Pension benefits* (£000)	Total remuneration** (£000)
Martin Bellamy	Chief Information Officer	16-Feb-21	200	24	1	25
Janet Campbell	HR Director	01-Sep-20	170	99	6	105
Andy Haynes	Commercial Director	01-Sep-20	200	117	12	129
Jane Mee	General Counsel	07-Dec-20	210	67	4	71

Figures in table have been subject to audit.

*Pension benefits represent the Delivery Authority's contributions to employee pension schemes.

**No other benefits in kind or bonuses were paid during the period.

The gender split for our Board and Executive Directors, as well as the rest of our workforce, is as follows:

	Male	Female
Non-Executive Directors	5	2
Executive Directors	2	1
Executive (not on Board)	2	2
Other direct employees	24	41
Total	33	46



Remuneration and Employee Report (continued)

Employee numbers and costs

Audited employee numbers and costs appear in Note 3 of the financial statements on page 73.

Employee turnover and exit packages (subject to audit)

There was no employee turnover during the year as there were no leavers from the Delivery Authority. No exit packages were paid during the period.

Fair Pay Disclosure (subject to audit)

The Delivery Authority believes in fair pay. We track this through monitoring a fair pay ratio, comparing the highest-paid individual in the company and the median remuneration of the rest of the company. The fair pay disclosure data is shown below:

	As at March 2021
Highest paid individual's annualised remuneration (£000)	300
Median annualised remuneration (£000)	45
Remuneration ratio	6.67

Figures in table have been subject to audit.

For clarity, these calculations do not include the costs of interim employees, as agreed with the Sponsor Body (see separate disclosure below relating to off-payroll engagements).

The median remuneration excludes the highest paid individual and is based on annualised, full-time equivalent remuneration as at the end the financial year.

The annual remuneration of the highest-paid director as at 31 March 2021 was £300,000. This was 6.67 times the median remuneration of £45,000 for the company's workforce.

As at 31 March 2021, annual remuneration ranged from £20,000 to £300,000. This reflects the full-year equivalent remuneration of an individual as at the 31 March rather the total amount paid to any individual during the financial year. The remuneration figure includes base salary and benefits in kind. It excludes any employer pension contributions.

As at 31 March 2021, no employee had a remuneration package more than the highest paid director.

As this was the first period of operation of the Delivery Authority, there are no prior year comparisons.



Remuneration and Employee Report (continued)

Consultancy

The Delivery Authority has engaged suppliers to provide professional services during the period, which meet the definition of consultancy as per the published Public Expenditure System (PES) guidance. The values of these services is £43.6m, as disclosed in Note 4 to the financial statements.

Off-payroll engagements

As well as the direct employees detailed above, during the period the Delivery Authority also employed a number of colleagues seconded from the House of Commons and House of Lords, as well as colleagues employed on interim contracts. Details of the cost of these other employees is disclosed in Note 3 to the financial statements, and further detail on the off-payroll engagements of interim employees is disclosed below. All interim contractors have been treated as inside the scope of IR 35 legislation, aside from as detailed below.

Where professional services have been delivered by suppliers, their staff are not included in the employee numbers reported in Note 3, and have been treated as outside the scope of IR 35 legislation following management's assessment of these contracts. However, following the novation of contracts from the House of Commons upon the establishment of the Delivery Authority, management has reviewed these contracts and issued new assessments on their status. Where the new assessment differs from the previous assessment, management are working with HMRC to resolve any process queries and potential liabilities relating to these contracts, and have disclosed a contingent liability in the Notes to the financial statements.



Remuneration and Employee Report (continued)

Disclosure of off-payroll engagements

Number of existing engagements as of 31 March 2021	28
Of which:	
Number that have existed for less than one year at time of reporting	28
Number that have existed for between one and two years at time of reporting	-
Number that have existed for between two and three years at time of reporting	-
Number that have existed for between three and four years at time of reporting	-
Number that have existed for four or more years at time of reporting	-
Number of new engagements between 8 April 2020 and 31 March 2021	43
Number of the above which were not subject to off-payroll legislation	-
Number of the above which were subject to off-payroll legislation and assessed as being within the scope of IR35	43
Number of the above which were subject to off-payroll legislation and assessed as being outside the scope of IR35	-
The number that were engaged directly (via PSC contracted to the department) and are on the departmental payroll	-
Number of engagements reassessed for consistency / assurance purposes during the year	43
The number that saw a change to IR35 status following a consistency review	3
Number of off-payroll engagements of board members and/or senior officials with significant financial responsibility, during the financial year	4
Number of individuals that have been deemed 'board members and/or, senior officials with significant financial responsibility', during the financial year. This figure should include both off-payroll and on-payroll engagements	18

Where individuals have operated in Director roles, further details of their roles and amounts paid to them are detailed below. It should be noted that Gurdip Juty performed the role of Chief Operating Officer of the Sponsor Body, whilst also covering the role of Delivery Authority Chief Financial Officer, during the period; his remuneration is disclosed in the Sponsor Body Annual Report and Accounts.

Name	Role filled as interim	Period	Total amount paid (£000)
Harold Pearce	Commercial Director	1 May 20-30 Nov 20	161
Wendy Cartwright	HR Director	1 May 20-2 Oct 20	168
Charles Timson	Chief Information Officer	1 May 20-31 Jan 21	218



Remuneration and Employee Report (continued)

Values and behaviours

The Delivery Authority and Sponsor Body launched joint organisational values and behaviours in April 2021. There are four values:

- **We act with integrity...** we do things right, remaining focused on health, safety, and value for money,
- **We are inspiring...** we lead by example, looking to improve, taking planned risks, and celebrating successes,
- **We achieve together...** we work collectively and respond to, learn from, and embrace change, and
- **We can be ourselves...** we are inclusive and treat others with respect.

Our values play an important part in inspiring and motivating everyone who works on the Programme. The behaviours set expectations of how we will work with each other and hold ourselves to account for our actions, collectively and individually.

They also give clear signals about our expectations on how other organisations will work with us, what we will place emphasis on in our relationship with them and how, in turn, they should seek to work with others while connected to the R&R Programme of work.



Remuneration and Employee Report (continued)

Equality, diversity and inclusion

The Delivery Authority, working in partnership with the Sponsor Body, is committed to creating a Programme environment that embraces the strength and skills in our differences, and to creating a sense of belonging for everyone.

Our first Annual Equality, Diversity and Inclusion (EDI) report sets out our progress against the Public Sector Equality Duty (PSED) commitment under the Equality Act 2010. Our Commitment to PSED is embedded in the PRA between Parliament and the Sponsor Body, and in the PDA between the Sponsor Body and Delivery Authority.

The Equality Act 2010 requires specific consideration of the impact of our activities for people who identify with one or more of the nine protected characteristics, and under the PSED to take proactive steps to:

- Eliminate unlawful discrimination, harassment and victimisation and any other conduct prohibited by the Act;
- Advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- Foster good relations between people who share a protected characteristic and people who do not share it.

Our annual Equality, Diversity and Inclusion (EDI) action plan, our objectives and our general approach are ambitious for the start-up of new organisations embarking on a major programme. However, we believe this area is fundamental to our success. EDI is central to the Programme and throughout the delivery of the restoration and renewal works.

The EDI Annual Report includes workforce data for all organisations working on the Programme; it includes data for employees of the Delivery Authority and the Sponsor Body, as well as data from our suppliers such as BDP, Jacobs and Airwalk.

For the reporting period under review, the Delivery Authority does not meet the requirements to publish its gender pay gap. However, it is our intention to voluntarily publish our gender pay gap data in March 2022.



Remuneration and Employee Report (continued)

Employee involvement and consultation

Those working on the Programme are encouraged to help ensure that we have a diversity of perspectives in our work. We hold a monthly interactive All Hands meeting and use this to inform and consult colleagues on a wide range of topics. Engagement surveys and colleague-led focus groups have been used to inform our approach to post-pandemic ways of working.

The Delivery Authority will introduce a People Survey which will include suitable metrics to be reported on in future years.

Sickness absence data

Our aim is to treat employees who are ill with sympathy and fairness, while encouraging them to take the time needed to recover their health. We do not have data for the number of working days lost in the current reporting period and expect to report this from 2021/22 onwards.

Employment policies and processes

The Delivery Authority is committed to ensuring that its employees are treated fairly, with dignity and respect. We have adopted gender neutral language in all HR policies, and these will be reviewed during the next 12 months to ensure that they are reflective of our new values. We are developing our family-friendly policies (such as maternity, paternity, adoption and shared parental leave policies) and will ensure that these are inclusive and reflective of modern families.

The Delivery Authority has been awarded Disability Confident Employer status for taking all the core actions to be a disability confident employer, which includes the full and fair consideration to applications for employment made by disabled persons.

As a member of the Business Disability Forum, line managers have access to excellent resources and advice on managing disability in the workplace. Our Workplace Adjustments Policy enables colleagues to request specific adjustments to support their employment.

Signed

.....
David Goldstone CBE
Chief Executive Officer
12 July 2021



The Certificate and Report of the Comptroller and Auditor General to the Sole Member of the Restoration and Renewal Delivery Authority Limited and to the Houses of Parliament

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE SOLE MEMBER OF THE RESTORATION AND RENEWAL DELIVERY AUTHORITY LIMITED AND TO THE HOUSES OF PARLIAMENT

Opinion on financial statements

I certify that I have audited the financial statements of The Restoration and Renewal Delivery Authority Limited (the Delivery Authority) for the year ended 31 March 2021 under the Parliamentary Buildings (Restoration and Renewal) Act 2019. The financial statements comprise the Income Statement, Balance Sheet, Cashflow Statement, Statement of Changes in Equity and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

I have also audited the information in the Remuneration and Employee Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.



The Certificate and Report of the Comptroller and Auditor General (continued)

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Delivery Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Delivery Authority's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Delivery Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the directors and Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

Other Information

The other information comprises information included in the Annual Report, but does not include the parts of the of the Remuneration and Employee Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The directors and Accounting Officer are responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.



The Certificate and Report of the Comptroller and Auditor General (continued)

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Remuneration and Employee Report to be audited have been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements

Matters on which I report by exception

In the light of the knowledge and understanding of the Delivery Authority and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Employee Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance; or
- I have not received all of the information and explanations I require for my audit.

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' and Accounting Officer's responsibilities in respect of the Strategic report, the Directors' report and the financial statements, the directors and Accounting Officer are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view.
- such internal control as the directors and Accounting Officer determine is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error.



The Certificate and Report of the Comptroller and Auditor General (continued)

- assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board and the Accounting Officer either anticipates that the services provided by the Delivery Authority will not continue to be provided in the future, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Parliamentary Buildings (Restoration and Renewal) Act 2019.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- inquiring of management, the Delivery Authority's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Delivery Authority's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Delivery Authority's controls relating to the Parliamentary Buildings (Restoration and Renewal) Act 2019, the Companies Act 2006 and Managing Public Money;
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and potential bias in accounting estimates; and



The Certificate and Report of the Comptroller and Auditor General (continued)

- obtaining an understanding of the Delivery Authority's framework of authority as well as other legal and regulatory frameworks that the Delivery Authority operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Delivery Authority. The key laws and regulations I considered in this context included the Parliamentary Buildings (Restoration and Renewal) Act 2019, the Companies Act 2006, Managing Public Money, Employment Law, and tax Legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



The Certificate and Report of the Comptroller and Auditor General (continued)

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General

Date

14 July 2021

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP



Income Statement

For the period ended 31 March 2021

	Note	£000
Income		
Grant Income	2	(74,203)
Other Income	2	(854)
Total Income		<u>(75,057)</u>
Operating Expenditure		
Employee costs	3	10,152
Purchases of goods and services	4	61,996
Other expenses	4	2,201
Depreciation and impairments	4	708
Total operating expenditure		<u>75,057</u>
Net Expenditure		<u>-</u>
Total comprehensive net income		<u>-</u>

No other transactions to be recorded.

The Notes on pages 65 to 81 form part of these accounts.



Balance Sheet

As at 31 March 2021

	Note	£000
Non-current assets		
Property, plant, and equipment		5
Intangible assets	5	<u>4,510</u>
Total non-current assets		<u>4,515</u>
Current assets		
Trade and other receivables	7	1,891
Accrued income	8	854
Cash and cash equivalents	9	<u>17,525</u>
Total current assets		<u>20,270</u>
Total assets		<u>24,785</u>
Current liabilities		
Trade and other payables	10	<u>(24,785)</u>
Total current liabilities		<u>(24,785)</u>
Total assets less current liabilities		<u>-</u>
Taxpayers' equity and other reserves		
General fund		<u>-</u>
Total equity		<u>-</u>

These accounts are exempt from the requirements of Part 16 of the Companies Act. They are subject to audit by the Comptroller & Auditor General under Schedule 2 of the Parliamentary Buildings (Restoration and Renewal) Act 2019.

The Notes on pages 65 to 81 form part of these accounts.

The financial statements were approved by the Board on 12 July 2021, and were signed on its behalf by:

.....
David Goldstone CBE
Chief Executive Officer



Cash Flow Statement

For the period ended 31 March 2021

	Note	£000
Cash flows from operating activities		
Net expenditure		-
Adjustments for non-cash transactions:		
Non-cash costs	4	708
(Increase) in trade and other receivables	7	(1,891)
(Increase) in accrued income	8	(854)
Increase in trade and other payables	10	24,785
Net cash flows from operating activities		<u>22,748</u>
Cash flows from investing activities		
Purchase of property, plant, and equipment		(6)
Purchase of intangible assets	5	(5,217)
Net cash outflows from investing activities		<u>(5,223)</u>
Net increase in cash and cash equivalents in the period		<u>17,525</u>
Net increase in cash and cash equivalents in the period		<u>17,525</u>
Cash and cash equivalents at the beginning of the period	9	-
Cash and cash equivalents at the end of the period	9	<u>17,525</u>

The Notes on pages 65 to 81 form part of these accounts.



Statement of Changes in Equity

For the period ended 31 March 2021

General fund	£000
Opening balance at 1 April 2020	-
Comprehensive net income during period	-
Closing balance as at 31 March 2021	-

The organisation's only reserve is the general fund, which has a zero balance at the end of this period as grant funding received is recognised as income to the extent that expenditure has been incurred during the year. Funding received in excess of expenditure for the year is recognised as deferred income.



Notes to the Financial Statements

1 Accounting policies

1.1 Basis of preparation

The Restoration and Renewal Delivery Authority Limited (Delivery Authority) is a private company limited by guarantee, and is consolidated within the accounts of its parent and sole member, the Parliamentary Works Sponsor Body (Sponsor Body).

The Delivery Authority was created to deliver the restoration and renewal of the Palace of Westminster and related works on behalf of the Houses of Parliament, including the associated enabling works (the decant of the House of Lords and the decant of the Palace's Heritage Collections).

As a private limited company, the Delivery Authority prepares its accounts in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Companies Act 2006 applicable to companies reporting under IFRS. Additional disclosures are made following a direction by the Sponsor Body that the Delivery Authority follows the 'Corporate Governance in Central Government Departments: Code of Good Practice' in the preparation of this report and accounts, and also to incorporate additional disclosures as requested by the Sponsor Body to ensure further transparency, including the inclusion of a Remuneration and Employee Report.

This Annual Report and Accounts relates to the period from incorporation, which took place on 16 April 2020, to the Delivery Authority's financial year end of 31 March 2021.

The policies adopted by the Delivery Authority are described below. They have been applied consistently in dealing with items that are considered material to the financial statements.

1.2 Accounting convention

These accounts have been prepared on a going concern basis as outlined in Note 1.4 and under the historical cost convention, except as otherwise set out in the accounting policies. Figures are presented in pounds sterling and are rounded to the nearest £1,000.



Notes to the Financial Statements (continued)

1.3 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements and assumptions that affect the amounts reported for assets and liabilities at the end of the reporting period to 31 March, and for amounts reported for income and expenses during the period. In the process of applying the Delivery Authority's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

During Phase 1 of the Programme, the Delivery Authority's expenditure relates to the preparation of a detailed and costed plan, in the form of an Programme Business Case (PBC) for the proposed restoration and renewal works to the Palace of Westminster, and the associated enabling projects (specifically the decant of the House of Lords and of the Palace's Heritage Collections).

Management have assessed this expenditure and determined that work on the PBC is akin to the 'research' stage of the project, and as such all costs are expensed during the period (aside from those capitalised as detailed in Notes 1.5 and 1.6).

1.4 Going concern

The Delivery Authority's Balance Sheet shows a net zero position. Funding for the Delivery Authority is provided by the Sponsor Body in accordance with the mechanisms described within the R&R Act and within the Programme Delivery Agreement (PDA) held between the two entities, which permit the Sponsor Body to fund the Delivery Authority's activities via funding voted by Parliament annually in Supply and Appropriation Acts, in common with other parts of government.

Approval for amounts required for 2021-22 was given by Parliament on 13 May 2021.

For future years, the R&R Act (2019) requires the Sponsor Body to oversee the delivery of the Parliamentary Building works by the Delivery Authority and the Strategic Review, published in March 2021 reaffirmed the need for the work and set a clearer, strategic direction. As the country recovers from the pandemic the programme will be mindful of the conflicting pressures on government funds and will ensure its proposals offer the best value for money possible.

In the light of this, there is no reason to believe that future approvals will not be made and it has accordingly been considered appropriate to adopt the going concern basis for the preparation of these Financial Statements.



Notes to the Financial Statements (continued)

COVID-19, which was declared a pandemic by the World Health Organisation (WHO) on 11 March 2020, has impacted millions of people, touching every country and every community, and having a significant impact on global financial markets and wider economies. The additional pressure the pandemic has created on the nation's finances makes it even more important that we place value for money and a focus on essential works at the heart of our approach. The pandemic has created a challenging environment for the organisation's first period of existence, requiring the Delivery Authority to leverage technology to enable remote working. However, we note that the organisation's going concern status is unaffected by these impacts, as its only assets are IT assets which it does not intend to sell or dispose of in the open market, and because all of its funding is obtained from its parent who obtains its funding from Parliament.

1.5 Property, plant and equipment

Property, plant and equipment (PPE) is initially recognised at cost if it is intended for use on a continuing basis and its original carrying value, on an individual or asset pool basis where appropriate, exceeds the relevant capitalisation threshold of £2,500. Costs comprise the amount of cash paid to acquire the asset and includes all costs directly attributable to bringing them into working condition.

Valuation of PPE

PPE is carried at the lower of cost and fair value except for assets under construction which are held at cost – for clarity, there are no assets under construction held at the end of the financial year.

Depreciation of PPE

Depreciation is calculated to write down the costs of the assets to their estimated residual value on a straight-line basis over their expected useful lives.



Notes to the Financial Statements (continued)

1.6 Intangible non-current assets

An intangible asset is an asset that is not physical in nature. In the Delivery Authority, intangible assets consist of the organisation's IT infrastructure.

All intangible assets are currently assessed to have a finite life and are assessed for impairment. The amortisation period and the amortisation method are reviewed at least annually at each financial year end, as well as the appropriateness of the historic cost method as a proxy for fair value.

Intangible assets are capitalised on an individual or asset pool basis where appropriate, where their cost exceeds the relevant capitalisation threshold of £2,500, and are amortised on a straight-line basis over their useful economic life of 5 years, with amortisation commencing in the month of acquisition.

Where the Delivery Authority makes payments in respect of the use of cloud computing services purchased from a third-party service provider (which may include the use of software, the use of an operating environment in which the Delivery Authority can develop its own software, or the use of digital processing capability), then these are not capitalised as the Delivery Authority has no legal title to, or rights to control of, the underlying assets associated with these services.

Where the company has incurred additional implementation costs to adapt third-party service provider systems to enable us to use the service, there is scope for capitalisation of these costs if they meet the criteria of development activities per International Accounting Standard (IAS) 38 (Intangible Assets). These are considered on a case-by-case basis.

1.7 Leases

The Delivery Authority has adopted IFRS 16, in line with Companies Act requirements.

At the inception of a contract the Delivery Authority assesses whether a contract contains a lease. A contract contains a lease if the contract conveys the right for the Delivery Authority to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Delivery Authority assesses whether:

- the asset is greater in value than the Delivery Authority's capitalisation threshold, which is £2,500.
- the contract involves the use of an identified asset, which is physically distinct or represents substantially all of the capacity of a distinct asset and there are no substantive substitution rights.
- the contract conveys the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use.
- the lessee has the right to direct the use of the asset.

The Delivery Authority has assessed all of its contracts and determined that it does not have any leases as defined by IFRS 16.



Notes to the Financial Statements (continued)

1.8 Insurance contracts

The Delivery Authority has determined that it has no contracts that will be impacted by the implementation of IFRS 17 from 1 January 2022, which requires insurance contract liabilities to be calculated as the present value of future insurance cash flows with a provision for risk.

1.9 Cash and cash equivalents

Cash and cash equivalents comprise current balances held at the Government Banking Service that are readily convertible to known amounts of cash with insignificant risk of change in value. The carrying amount of these assets approximates to their Fair Value.

1.10 Prepayments

Costs relating to services spanning future periods, e.g. software licences, are prepaid where the cost is in excess of £10,000. Amounts below this value are expensed in the period the cost is incurred.

1.11 Grants and deferred income

All expenditure is financed by funding obtained from the Sponsor Body, which in turn is obtained from Parliament through the annual Appropriation Act. This funding is treated as grant income in accordance with IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance' as management have determined that the Delivery Authority has an entitlement to this income where it has incurred costs in the delivery of its objectives.

The Delivery Authority therefore recognises the funding received from the Sponsor Body as grant income in the Income Statement to the extent that it has financed the Delivery Authority's expenditure during the financial year. Where the amount of funding obtained exceeds the Delivery Authority's expenditure (due to underspends against the agreed budget), this difference is recognised in the Balance Sheet as deferred income.

Where the income has been used to fund capital purchases, income is recognised in the Income Statement in line with the depreciated/amortised amounts. The remainder is deferred as part of the overall deferred income balance, separately identified in the Notes to the Balance Sheet.

1.12 Employee costs

Employee costs include wages and salaries, social security costs and pension costs. All short-term employee costs payable at the year end, which will be paid within one year from the date of reporting, are recognised in the Income Statement in accordance with IAS 19 Employee Benefits. These include any accrued leave entitlements.

Employees of the Delivery Authority are eligible to participate in a Defined Contribution pension scheme, which is managed on the Company's behalf by Aviva. Employees are automatically enrolled in the pension scheme on their first day of employment unless they decide to opt out. The costs of the Delivery Authority's employer's contributions to this scheme are expensed during the period.



Notes to the Financial Statements (continued)

1.13 Other expenses

Operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

1.14 Taxation

The Delivery Authority is subject to Corporation Tax on taxable profits.

The Delivery Authority does not generate any profits and therefore its Corporation Tax return will be a nil return, as its activities are all funded by the Sponsor Body, and its recharges to the Sponsor Body for services provided are at cost with zero profit markup. Its deferred tax balance is therefore also a zero balance.

The main activities of the Delivery Authority are not classed as trading for the purposes of VAT and output tax on sales does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

The recharges for services provided to the Sponsor Body are classed as trading for the purposes of VAT and will attract output tax; this output tax will be offset by the input tax recovered on the amounts initially incurred.

1.15 Financial instruments, assets and liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are recognised in the Balance Sheet when the Delivery Authority becomes a party to the contractual provisions of an instrument, in accordance with IFRS 9.

The Delivery Authority holds financial assets (see Notes 7, 8 and 9) in the following categories:

- Cash and cash equivalent, as detailed under 1.9 above.

The Delivery Authority holds financial liabilities (see Note 10) in the following category:

- Trade and other payables

Trade and other payables are recognised at fair value, which represent liabilities for goods and services provided to the Delivery Authority prior to the financial year end that are unpaid. Trade and other payables are non-interest bearing, their carrying value approximates their fair value.

Accruals are recognised for expenditure incurred for goods and services delivered prior to the financial year end and that have not been invoiced. This includes an employee leave accrual, whereby the Delivery Authority has calculated the expected cost of the annual leave entitlement by assessing the amounts of outstanding leave for each employee.



Notes to the Financial Statements (continued)

1.16 Recharges

The House of Commons recharges costs to the Delivery Authority on a quarterly basis. These costs include seconded employee costs until secondment agreements are terminated and miscellaneous recharges where certain works are carried out on behalf of the Delivery Authority (for example, surveys). These costs are expensed by the Delivery Authority except where they related to capital assets i.e. IT infrastructure developed as part of the company setup, which have been capitalised as outlined in Notes 1.5 and 1.6.

The House of Commons also charges the Sponsor Body for the occupation of premises at 7 Millbank as per the lease agreement, and the Sponsor Body recharges an appropriate percentage of this cost to the Delivery Authority as described below.

The Sponsor Body and the Delivery Authority supply each other with services and the cost of these services are significant to the Group. Management has specifically assessed the recharging mechanism between the two entities. The Sponsor Body recharges the Delivery Authority for premises costs at 7 Millbank and, in management's view, using the floor space area has been considered as an appropriate basis of recharging those costs. This cost is expensed by the Delivery Authority.

The Delivery Authority recharges the Sponsor Body for Digital and Corporate costs, including hosting and maintenance of the ERP system, as well as the provision of various corporate support services such as HR and Accounts Payable support. The costs of these services are recharged by the Delivery Authority to its parent at cost as agreed by management. These recharges are treated by the Delivery Authority as income for services supplied in accordance with IFRS 15, reported under 'Other Income' in the Income Statement.



Notes to the Financial Statements (continued)

2. Income

	£000
Total Income	
Funds received from SB	(85,152)
Deferred Income - Capital funding	4,515
Deferred Income - Revenue funding	6,434
Total Grant income	(74,203)
Recharges to Sponsor Body	(854)
Total Income	(75,057)



Notes to the Financial Statements (continued)

3. Employee costs

	£000
Employee Costs (payroll and seconded employees)	
Basic pay	3,692
NI	416
Pension	530
Other benefits	53
Interim employees	5,461
Total employee cost	10,152

Employee remuneration

The cost of people employed by the Delivery Authority is disclosed in the table below. The Delivery Authority is recharged the full costs of all House of Commons and House of Lords employees seconded for the period of their secondment. The costs shown below also include irrecoverable VAT suffered on seconded and interim employees.

Category	Directly employed staff (£000)	Seconded staff (£000)	Interim staff (£000)	Total (£000)
Wages and salaries	2,294	1,398	5,461	9,153
Employer's NI contributions	266	150	-	416
Employer's pension contributions	157	373	-	530
Other benefits	49	4	-	53
Total	2,766	1,925	5,461	10,152



Notes to the Financial Statements (continued)

Employee numbers

The Delivery Authority employs a mixture of people, comprising direct employees and employees seconded from the House of Commons and House of Lords (whose costs are analysed above), and individuals engaged on interim contracts to support the setup of the organisation. Over the course of the year, as planned, the number of direct employees has increased, with reduced dependence on seconded and interim individuals.

The average and closing numbers of full time equivalent (FTE) persons employed during the period 1 May 2020 to 31 March 2021 was as follows:

Type	Average FTE	Closing FTE
Direct (excluding Non-Executive Directors)	27.3	72.0
Seconded	32.9	8.0
Interim	29.6	28.4
Total	89.8	108.4



Notes to the Financial Statements (continued)

4. Expenditure

	£000
Employee costs	10,152
Professional fees**	43,578
Surveys	210
Other outsourced services	65
Other professional fees	22
IT development and support	13,060
IT maintenance	2,493
IT purchases	2,166
Other IT support and maintenance	76
Legal costs	326
Purchase of goods and services	61,996
Premises costs	1,789
Insurance costs	23
Learning and Development	8
Media costs	4
Other costs	377
Other expenditure	2,201
Depreciation and amortisation	708
Non-cash items	708
Total expenditure*	75,057

*The audit of the financial statements totalled £70k and this cost has been met by the Sponsor Body and is accounted for in the Sponsor Body financial statements. No non-audit services have been provided by the Comptroller & Auditor General.

**Professional fees primarily consist of the costs of services provided by our integrated delivery partner, Jacobs (£21.5m), and design services provided by BDP (£19.1m). The remaining professional fees relate to various lower-value services procured from suppliers during the year, such as systems and process design support and recruitment services.



Notes to the Financial Statements (continued)

5. Intangible assets

	IT infrastructure	Total
	£000	£000
Intangible assets		
Cost or valuation		
As at 1 April 2020	-	-
Additions	5,217	5,217
Disposals	-	-
Revaluations	-	-
Reclassifications	-	-
Transfers	-	-
As at 31 March 2021	5,217	5,217
Amortisation	-	-
As at 1 April 2020	-	-
Charged in period	(707)	(707)
Disposals	-	-
Impairments	-	-
Reclassifications	-	-
Transfers	-	-
As at 31 March 2021	(707)	(707)
Carrying amount at 31 March 2021	4,510	4,510



Notes to the Financial Statements (continued)

6. Financial Instruments

As the cash requirements of the Delivery Authority are met through grant funding received from its parent, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the expected purchase and usage requirements and the Delivery Authority is therefore exposed to minimal credit, liquidity or market risk.

Liquidity Risk

The Delivery Authority is financed by resources voted annually by Parliament. As such it is not exposed to significant liquidity risks.

Interest Rate Risk

All of the Delivery Authority's financial assets and liabilities carry fixed or nil rates of interest and so it is therefore not exposed to significant interest rate risk.

Foreign Currency Risk

Foreign currency does not form part of the Delivery Authority's assets or liabilities and as such it is not exposed to any significant exchange risks.

Fair Values

The fair values of the Delivery Authority's primary financial assets and liabilities as at 31 March 2021 are the same as the book values shown in the Balance Sheet.



Notes to the Financial Statements (continued)

7. Trade and other receivables

	£000
Trade and other receivables	
Receivables	1,380
Prepayments	511
Total trade and other receivables	<u>1,891</u>

8. Accrued Income

	£000
Accrued Income	
Balance as at 1 st April 2020	-
Income from recharges to Sponsor Body accrued in the year	854
Accrued Income not required written back	-
Accrued Income received in the period	-
Balance at 31 March	<u>854</u>

9. Cash and Cash Equivalents

	£000
Cash and cash equivalents	
Balance as at 1 st April 2020	-
Net change in cash and cash equivalents	17,525
Balance as at 31 March 2021	<u>17,525</u>

The following balances were held at:

GBS	17,525
Balance as at 31 March 2021	<u>17,525</u>



Notes to the Financial Statements (continued)

10. Trade and other payables

	£000
Amounts falling due within one year	
Trade payables	(695)
Other payables	(324)
Accruals	(12,817)
Deferred Income - Capital funding	(4,515)
Deferred Income - Revenue funding	(6,434)
Total trade and other payables	<u>(24,785)</u>

11. Contingent liabilities

There is a contingent liability for performance-related payments relating to 2020-21. As detailed in the Remuneration and Employee Report, the Delivery Authority operates a discretionary scheme which allows for recognition of high performers in any year without raising base salary levels. Any discretionary bonuses paid are subject to individual and corporate performance. Given the coronavirus pandemic and its ongoing economic impact, as well as the Delivery Authority's status as a new organisation, the decision was taken to generally defer payment of discretionary bonuses related to performance until 2021-22. There is therefore the potential that payments in 2021-22 will also cover performance during the period of individuals' employment during the 2020-21 year. It is not possible to quantify the likely value of these payments (if any) given that they depend on a range of factors, including the performance of the organisation and individuals within it, and that employees may leave the organisation during the coming year, but the maximum value of any such payments will not be significant.

There is a further contingent liability relating to the implementation of the Inland Revenue IR 35 requirements for contractors and supply chain engagements. As detailed in the Remuneration and Employee Report, following the novation of contracts from the House of Commons, the Delivery Authority has reviewed all contracts and issued new assessments on their status, and management are working with HMRC to resolve any process queries and potential liabilities relating to these contracts and assessments. The maximum liability is not considered to be significant.



Notes to the Financial Statements (continued)

12. Related Party transactions

Related Parties are defined under IAS 24 as either the individuals who exercise control or influence over an entity, or other entities that meet certain criteria such as being part of the same Group.

IAS 24 requires companies to disclose, in respect of individuals, any management compensation, and this requirement has been fulfilled in the Remuneration and Employee Report.

IAS 24 also requires companies to disclose, in respect of entities, any relationships and transactions between Related Parties.

The Sponsor Body is a Related Party of the Delivery Authority because it is the Delivery Authority's parent. In the period, the following transactions have been undertaken between the organisations:

- The Sponsor Body has provided grant funding to the Delivery Authority in return for the delivery of its objectives under the Programme Delivery Agreement, totalling £85.1m. This funding has been recognised as income in the Income Statement to the extent that it has been offset by costs incurred, with the remainder taken to deferred income, as detailed in Note 2.
- The Sponsor Body has recharged £1.9m of premises costs to the Delivery Authority, which represent the Delivery Authority's share of the Group's premises in the period, and which have been recognised in the Delivery Authority's Income Statement.
- The Delivery Authority has provided services to the Sponsor Body costing £0.9m, specifically IT support services and other corporate support (for HR, Commercial and Finance services). These costs have been charged to the Sponsor Body at a zero markup, with the recharges appearing in the Income Statement and as accrued income in the Balance Sheet (as they have not yet been invoiced, although the amounts have been agreed and accrued in the Sponsor Body accounts).

The House of Commons is also a Related Party of the Delivery Authority as it exercises control and influence over the Delivery Authority, given that Parliament votes annually on the Sponsor Body's budget. The House of Commons also provides services to the Delivery Authority; in the period, the following transactions have been undertaken between the organisations:

- The House of Commons recharged £5.9m of costs to the Delivery Authority, comprising £2.8m of Digital setup costs, £2.1m of recharges of seconded staff costs, and £1.0m of various other miscellaneous costs. These costs have all been expensed by the Delivery Authority in its Income Statement, aside from those Digital costs deemed to represent fixed assets under the Delivery Authority's capitalisation policy, which have instead been capitalised to the balance sheet and depreciated during the period.



Notes to the Financial Statements (continued)

Similarly, the House of Lords is a Related Party of the Delivery Authority, having provided the following services:

- The House of Lords recharged £0.1m of costs to the Delivery Authority during the period, relating to a single member of seconded staff. The Delivery Authority has also accrued £11,000 for amounts not yet invoiced in relation to this secondment.

The Mott MacDonald Group is a Related Party of the Delivery Authority as the Delivery Authority's Chairman, Mike Brown, acts as an independent member of the Shareholder Committee of that organisation. During the period, the following transactions were undertaken between the organisations:

- The Delivery Authority spent £0.7m on professional services provided by the Mott MacDonald Group.

13. Losses and special payments

The Delivery Authority did not incur any losses, nor did it make any special payments, during the financial period.

14. Capital or other non-cancellable commitments

The Delivery Authority has no capital or other commitments under non-cancellable agreements.

15. Events after reporting period

The financial statements were authorised for issue on the date they were certified by the Comptroller & Auditor General.

There were no material events after the reporting period.



HOUSES OF PARLIAMENT

R&R DELIVERY AUTHORITY

