

**Report by the
Comptroller and Auditor General**

**The Department for Culture,
Media and Sport**

Maintaining the Royal Palaces

Ordered by the
House of Commons
to be printed 19 June 2000

Executive summary

1 This report is about the maintenance of the Occupied Royal Palaces, and is the first under new arrangements that provide for the National Audit Office to have direct access to the records of the Royal Household. Property services are funded mainly by a grant-in-aid from the Department for Culture, Media and Sport (the Department), which in 1998-99 totalled £15.8 million. We focused on the largest element of the grant-in-aid, major property maintenance (projects over £2,500), which cost £7.2 million.

The Occupied Royal Palaces

Buckingham Palace
 Buckingham Palace Mews and Gardens
 St James's Palace
 Clarence House and Marlborough House Mews
 Kensington Palace – residential areas
 Hampton Court Mews and Paddocks
 Windsor Castle
 Windsor Castle Royal Mews
 Windsor Home and Great Parks – some buildings

How the work is organised

2 While the Department have ultimate responsibility for the maintenance of the Occupied Royal Palaces and are accountable to Parliament for the grant-in-aid, day to day management and operating responsibility rests with the Royal Household. The Royal Household took on this work in 1991 and have a contingent of professionally qualified staff to do it – they also draw on outside professional expertise as necessary (Paragraphs 2.2-2.4).

3 The Royal Household have a comprehensive works programme, revised annually and updated monthly, reflecting their operational and other requirements, including the results of detailed condition surveys of each palace by outside consultants. The Department employ a firm of property and construction consultants to conduct an independent review of the Royal Household's plans as these are the basis on which they decide the level of grant-in-aid (Paragraphs 2.5-2.8).

4 To get maximum value for money it is important that work is awarded to outside contractors on the basis of competition. We found that almost all the Royal Household's work has been competitively tendered, and that for each of the last five years all of their contracts over £25,000 have been competed. We looked in

detail at 16 of the larger projects and found that the Royal Household had accepted the lowest tender in all but two cases, where higher quality had been the deciding factor (Paragraphs 2.10-2.12).

The costs and timing of maintenance work

5 Since the Royal Household took over the management of property services in 1991 the amount of the annual grant-in-aid has fallen from £29 million to £15.8 million – and the major project maintenance element has fallen from £19 million to £7.2 million at 1998-99 prices. Over this period the Royal Household have largely cleared the backlog of maintenance that they inherited, and the condition surveys that they commission provide a check that there is not a significant maintenance backlog. The Department also use their independent consultants to seek assurance that there has not been a failure to undertake necessary work, although the Department do not specifically require them to consider whether there is a maintenance backlog (Paragraphs 3.7-3.10).

6 The Royal Household have performance indicators which focus on whether they deliver projects within the cost they expected when they let the contracts, and they publish their achievements in their annual report. They have mostly met or exceeded their targets over the last five years. However, in focusing on projects over £25,000 they exclude some 30 per cent (by value) of their work from their published performance information – although they do monitor lower value work closely and report progress on it to the Department (Paragraphs 3.12-3.16).

7 Overall, since taking over the management of property services, the Royal Household have contained their grant-in-aid expenditure within the limits set by the Department. There have been cost variations and delays on individual projects – of the 14 completed projects we looked at, there has been a cost increase of £5,000 or delays of over a month on six. The two main causes were: structural work identified once projects started and areas were opened up; and decisions to add minor maintenance work to projects which could otherwise have been carried out separately, to minimise disruption to the palaces. It is important to recognise that the palaces are historic buildings making it particularly difficult to determine the extent of work required until existing surfaces have been removed. Also, the palaces are working buildings in daily use, placing constraints on when work may be carried out (Paragraphs 3.11, 3.17 and 3.18).

8 While the grant-in-aid is the principal source of funding, another, shown in the published grant-in-aid accounts, is the Royal Collection Trust (which publishes its own annual report and accounts). The Trust's revenues include receipts from entry charges to Windsor Castle precincts. The status of these receipts is being

considered by the Department. However, the Royal Household have said that the net surplus from charges for entry to the Castle precincts will, under an agreed formula, continue to be used for property services – meeting costs which would otherwise be met from the grant-in-aid. Following observations we made during our work, the Department have now revived their arrangements for verifying the amount involved (Paragraphs 3.2-3.6).

How the quality of the work is controlled

9 In carrying out their property maintenance work the Royal Household work to standard specifications prepared by the Royal Institute of British Architects, and liaise with English Heritage. Our test check on ten projects where scheduled monument or listed building clearance was required confirmed that the necessary clearances had been obtained. We also confirmed that the Royal Household ensure that work is completed to the required standard before paying for it (Paragraphs 4.2-4.6).

10 The Royal Household have not generally carried out post-project reviews, but have recently introduced a review process which is being applied to a selection of projects some 9-12 months after completion. They also seek assurance about maintenance standards from the condition surveys they commission (Paragraphs 4.7-4.9).

Conclusions and recommendations

11 The new arrangements providing for the National Audit Office to have access to the accounts and records of the Royal Household worked well. We were given every assistance by the Royal Household and unrestricted access to the records we asked to see.

12 Our overall conclusion is that the Royal Household's property maintenance programme is well organised. There are strong arrangements in place for reviewing maintenance needs and standards, and for setting priorities and measuring achievements. Virtually all of the work is awarded to contractors following competition. And the Department, who provide most of the money, use independent experts to review the Royal Household's plans. Together these features point firmly towards the achievement of value for money. There have been cost and time variations on some projects, but overall the costs of the maintenance programme are very close to those budgeted.

13 Our recommendations below relate primarily to ways in which the Department monitor the Royal Household's performance:

Our recommendations

Recommendation 1 The Department should ensure that each year they have sufficient information to satisfy themselves about the amount available from Windsor Castle precincts receipts for property services.

Recommendation 2 Although the Royal Household have now largely cleared the maintenance backlog they inherited, the Department should seek explicit assurance from their independent consultants that, in view of the reduced maintenance spend, necessary maintenance work is not being overlooked.

The Department have agreed in future to ask their independent consultants to comment on any significant areas of remedial work, based on the quinquennial surveys.

Recommendation 3 The Department and the Royal Household should consider whether the suite of performance indicators already published in the Royal Household's annual report could usefully be complemented – in particular by covering performance on the large number of small projects.

The Department and the Royal Household have agreed to consider whether information already collected can be converted into a performance indicator for jobs under £25,000.
