



National Audit Office

Report

by the Comptroller
and Auditor General

Houses of Parliament

Palace of Westminster Restoration and Renewal Programme

Summary

Background and scope

1 Since 1860, Parliament has carried out its work in the Palace of Westminster (the Palace). The Palace, which has changed over time, includes the House of Commons and House of Lords Chambers and Committee Rooms, alongside offices for some 1,450 members and other facilities needed to run Parliament.¹

2 For more than 20 years, Parliament has been thinking about undertaking significant works to restore the Palace. In 2016, the Joint Parliamentary Committee on the Palace of Westminster reported that, without such works, the Palace would soon become “uninhabitable”. Given the challenges of maintaining a working, historic building, Parliament has taken a “make-do-and-mend” approach to maintenance. Between 2015-16 and 2018-19, it spent £369 million on projects to keep the Palace in use.

3 In January 2018, Parliament approved the Restoration and Renewal Programme (the Programme) to do the significant work needed to repair the Palace, and to meet wider objectives such as improving accessibility and providing educational facilities. The Programme’s vision is to “transform the Houses of Parliament to be fit for the future as the working home for our Parliamentary democracy, welcoming to all, and a celebration of our rich heritage”.

4 The Programme is at an early stage with, at the time of this report, an outline business case planned to be ready in autumn 2021, and approval from Parliament expected to follow in 2022.² The Programme relies on other buildings across the wider Parliamentary estate also being refurbished. These buildings include Richmond House, where the House of Commons currently plans to relocate during the works.

5 The *Parliamentary Buildings (Restoration and Renewal) Act 2019* (the Act), set out how the Programme would be managed from April 2020. It formalised a new Sponsor Body, responsible for the Programme, overseeing a Delivery Authority which manages the Programme.³ Before the Act, a joint House of Commons and House of Lords estates team was responsible for developing the Programme. The new arrangements change Parliament’s role. It will continue to be the main user of the Palace once it is repaired, but it now funds and approves the work of the Sponsor Body rather than running the Programme itself.

¹ The term ‘Parliament’ describes both the House of Commons and House of Lords. The House Commissions administer and service the Palace on Parliament’s behalf.

² Future dates may change as a result of the COVID-19 pandemic, ongoing at the time of this report.

³ A shadow sponsor body operated between July 2018 and 8 April 2020. Throughout the report, ‘Sponsor Body’ refers to both the shadow and substantive Sponsor Body.

6 Through our wider value for money work we have seen how major programmes often face challenges in their early stages. Unclear objectives and rising costs can contribute to poor value for money. There are similar early risks associated with any of the approaches taken to restore the Palace. This report aims to identify the value for money risks relevant to the approach approved by Parliament – doing repair work while it moves elsewhere. It recommends how Parliament and the Sponsor Body can reduce these risks and describes the potential impact of not doing so. It outlines:

- the Programme background (Part One); and
- progress developing the Programme, alongside the relevant value for money risks (Part Two).

7 This report is based on work we did between January and March 2020 (see Appendix One) and draws on our back catalogue of reports (Appendix Three). As such, the timeframes included in this report represent the position as at March 2020 – these may change as the impact of the ongoing COVID-19 pandemic becomes clearer. Because the Programme is at an early stage, we do not seek to conclude on its value for money or whether the best value for money option for the works was selected. We will revisit our understanding of the risks as the Programme develops.

Key findings and recommendations

8 The Sponsor Body formally started its work in early April 2020 and is focused on preparing the business case. The Sponsor Body previously operated in shadow form. At the time of this report, it aimed to have prepared a business case, which includes the Programme’s strategic objectives, requirements and costings, by autumn 2021. In doing so, it has a legislative duty to consult with members from both Houses of Parliament and to consider value for money (paragraphs 1.14 to 1.16, 2.14, 2.19 and Figure 12).

9 The arrangements Parliament makes to work with the Sponsor Body will have a significant impact on the Programme’s progress. Parliament has set up the Sponsor Body as a single entity accountable for the Programme and has approved it to develop the business case. Under legislation, the Sponsor Body must consult with members of Parliament on Programme objectives, and then secure Parliament’s approval of the business case before starting work. There have been strong views across Parliament on the Programme’s objectives: almost all agree that restoration is necessary, but not all agree on what should be done and how. Parliament currently works with the Sponsor Body through many forums and committees. How these will work together in the future has been set out in a Parliamentary Relationship Agreement (paragraphs 1.12 to 1.16, 2.14 to 2.18, 2.26 and Figure 6).

We recommend that Parliament:

- puts in place clear structures to provide the Sponsor Body with a single set of objectives and requirements that brings together perspectives from both Houses; and
- allows the Sponsor Body to make decisions and fulfil its statutory role, using clear and agreed measures to monitor its progress.

We recommend that the Sponsor Body and Parliament:

- put in place clear structures to work together to establish a single set of objectives and requirements; and
- clarify roles and responsibilities for managing risks and uncertainties, including how roles may change during the Programme.

10 The Sponsor Body is developing its approach to engaging with Parliament.

It needs to engage with Parliament to, for example, develop the Programme requirements for the business case. It then must secure Parliament's approval of the business case. If Parliament is not happy with the requirements, scope or cost, it could delay or cancel the Programme. The Sponsor Body plans to report to Parliament regularly and has engaged with it on many of these issues, but it does not yet have a formal engagement strategy (paragraphs 1.16, 2.17 and 2.18).

We recommend that the Sponsor Body:

- finalises its engagement strategy to ensure Parliament is kept informed and its views are sought at the right time; and
- ensures that it has the necessary skills, knowledge and expertise to engage effectively with Parliament.

11 The Sponsor Body is currently developing the scope and requirements for the business case. The Sponsor Body will develop and prioritise the detailed objectives required to deliver the Programme's vision to "transform the Houses of Parliament". This is a challenge given Parliamentarians' range of views on how the Palace might be transformed, and wider requirements such as building regulations. The Sponsor Body must balance these challenges with affordability and value for money, while avoiding requirements that go beyond what is necessary – often termed 'gold-plating.' The Sponsor Body must also consider longer-term matters such as the needs of those working in the Palace, and how the Palace should be maintained in future years. Without clear and agreed objectives, Programme expectations may increase over time, often termed 'scope creep', and opportunities may be missed to deliver future benefits for the Palace (paragraphs 1.14, 1.16, 2.15, 2.19 and Figure 12).

We recommend that the Sponsor Body and Parliament:

- agree clear objectives and requirements for the Programme's business case, being realistic on what can be achieved without 'gold-plating'; and
- in agreeing requirements, consider the needs of those who will work in the Palace, and how the Palace will be maintained, in future years.

12 The Sponsor Body is developing the evidence to better understand the parts of the Programme that are currently uncertain, but it is hampered by poor information. Given the very early stages of the Programme, uncertainties, such as around what will be delivered, when and how, are to be expected. These include the Palace's condition, for which there is a lack of documentation; what a restored Palace will look like; and inherent unknowns when extensively restoring an old, heritage building. The ability of the supplier market to provide the specialist trades, such as to replace unique bronze windows, in the volume required and at an affordable price is also uncertain. The ongoing Elizabeth Tower restoration project highlights the importance of understanding uncertainties as they can significantly affect the cost and schedule estimates: project costs increased 176% (to £80 million), in part given an over-optimistic view of the project's risks and a lack of knowledge of the Tower's condition (paragraphs 1.11, 2.28 and 2.29).

We recommend that the Sponsor Body:

- identifies and evaluates the elements of the Programme which are uncertain, and develops a plan to reduce these over time; and
- for each area of uncertainty, considers how these will be reflected across the Programme such as through estimates, ranges or contingencies. Ranges could be calculated based on either probability or scenario-testing depending on the degree of uncertainty. These and contingencies should be adjusted, and reduced, as things become more certain.

13 Given the uncertainties at this early stage, the Sponsor Body does not yet have forecast cost and time estimates. The Sponsor Body has not yet developed cost and time estimates as it is unclear what the Programme is delivering, or when. It expects to develop these as part of the business case, after building its understanding of uncertainties. It is usually the case that estimates will be ranges early in a programme, the width of which will reflect the level of uncertainty to avoid creating value for money risks. For example, too wide an estimate range, with too much uncertainty, can mean teams do not focus on controlling costs and best value. Too specific, or certain, cost or time estimates at an early stage can lead to inefficient short-term decisions. Publishing these estimates, without a clear explanation as to what they cover, can create unrealistic expectations among stakeholders. For example, in 2015 stakeholders incorrectly interpreted the £4 billion early options appraisal comparative costs as the Programme's total cost estimate (paragraphs 2.28, 2.30 to 2.34 and Figure 5).

We recommend the Sponsor Body:

- works towards developing evidence-based cost and time ranges to manage the Programme. These should include a plan with milestones setting out when estimates could be reassessed with more certainty and the ranges narrowed;
- develops, alongside these ranges, internal benchmarks and information to measure performance such as a target cost for the Delivery Authority to work to and an overall budget; and
- explains, including to Parliament, the need to use ranges for cost estimates and completion dates at this stage given the inherent uncertainties. Once developed, the Sponsor Body should publish this information regularly in a standardised format, reflecting the information available at each stage of the programme.

14 The Sponsor Body and Parliament have not yet decided on a process for revisiting decisions if Programme requirements change. The long-term nature of this Programme makes it likely that technology and working practices will change before it ends. As a result, the objectives and requirements set early in the Programme may need to be revisited, increasing the risks to value for money. The Sponsor Body has a statutory duty to seek Parliamentary approval should it need to significantly change requirements after the outline business case has been approved. It remains unclear how changes requested by Parliament will be managed, and how the Sponsor Body might mitigate the risk of 'scope creep' (paragraphs 2.20 and 2.21).

We recommend that the Sponsor Body and Parliament:

- introduce clear and agreed change processes that establish which changes are significant enough to reopen requirements after the business case has been approved, and how the time and cost implications of any changes are weighed against potential benefits;
- use the opportunity of 'natural breakpoints' to reconsider the strength of early assumptions about time and cost rather than continuing based on outdated assumptions; and
- reduce the likelihood of previous decisions being reopened, by ensuring they are transparent, based on the best available evidence and making clear the cost and timing implications of any alternatives.

15 The Programme depends on the success of other projects, which further adds to risks and uncertainty. For Parliament to return to the Palace in the 2030s, a series of other projects must also be delivered to time. This includes projects to prepare working spaces for MPs and Lords when they temporarily move out of the Palace during the works. Although the Sponsor Body has responsibility for the Programme, it does not control or influence all these other projects. For example, it has responsibility for providing temporary accommodation for the House of Lords, but not for moving the House of Lords there. To mitigate some of these risks the Northern Estate Programme, which includes developing a House of Commons temporary workspace, is expected to be brought within the Sponsor Body's remit in summer 2020. The Sponsor Body is developing an integrated plan of how these projects fit together (paragraphs 2.22 to 2.28 and Figure 13).

We recommend the Sponsor Body:

- as part of its integrated plan, clarifies responsibilities for projects and sets out the interdependencies between them. The plan should be regularly reviewed and provide a realistic view of when projects should deliver, the aggregate risk and key milestones;
- establishes the processes and functions needed to manage the project interdependencies and to understand overall progress; and
- where risks need to be taken, such as starting a project early given a wider interdependency, recognises and manages the additional risks.

16 Governance and assurance processes for the Programme are in their infancy. To date, Parliament and the Sponsor Body have focused on establishing the minimum necessary for new bodies to operate. The Sponsor Body is still developing areas such as governance and assurance, staff capacity and skills, and its relationship with the Delivery Authority. The Crossrail programme showed how clear programme structures do not necessarily guarantee success, and that establishing the right culture and transparency are equally important (paragraphs 2.6 to 2.9, 2.11 to 2.13, Figure 10 and Figure 11).

We recommend the Sponsor Body:

- considers up front how to balance freedom and oversight of the Delivery Authority across the different Programme stages, ensuring it has the right controls in place to manage the relationship as it evolves; and
- develops a clear assurance plan appropriate to the risks and maturity of the Programme. This should make the most of opportunities for the Programme to be externally assured, such as through the Infrastructure and Projects Authority.