



National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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## **Houses of Parliament**

# Palace of Westminster Restoration and Renewal Programme

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National Audit Office

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Houses of Parliament

# Palace of Westminster Restoration and Renewal Programme

Report by the Comptroller and Auditor General

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to be printed on 22 April 2020

This report has been prepared under Section 6 of the  
National Audit Act 1983 for presentation to the House of  
Commons in accordance with Section 9 of the Act

Gareth Davies  
Comptroller and Auditor General  
National Audit Office

17 April 2020

The Palace of Westminster Restoration and Renewal 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. Given the early stage, this report describes the background to the Programme and the associated value for money risks. It recommends how these risks can be reduced and describes the potential impact of not doing so.

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# 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.<sup>1</sup>

**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.<sup>2</sup> 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.<sup>3</sup> 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.

<sup>1</sup> 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.

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

<sup>3</sup> 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.

# Part One

## Background

**1.1** The Palace of Westminster (the Palace), as the home of the UK Parliament, has historical, political and national significance. How people use the building has changed over time which, alongside insufficient maintenance, means significant restorative work is now critical. In 2018, Parliament agreed to restore and renew the Palace, with Parliament moving out during the work. This part describes the background to the Palace, the wider Parliamentary estate and the Restoration and Renewal Programme (the Programme).

### **Background to the Palace of Westminster**

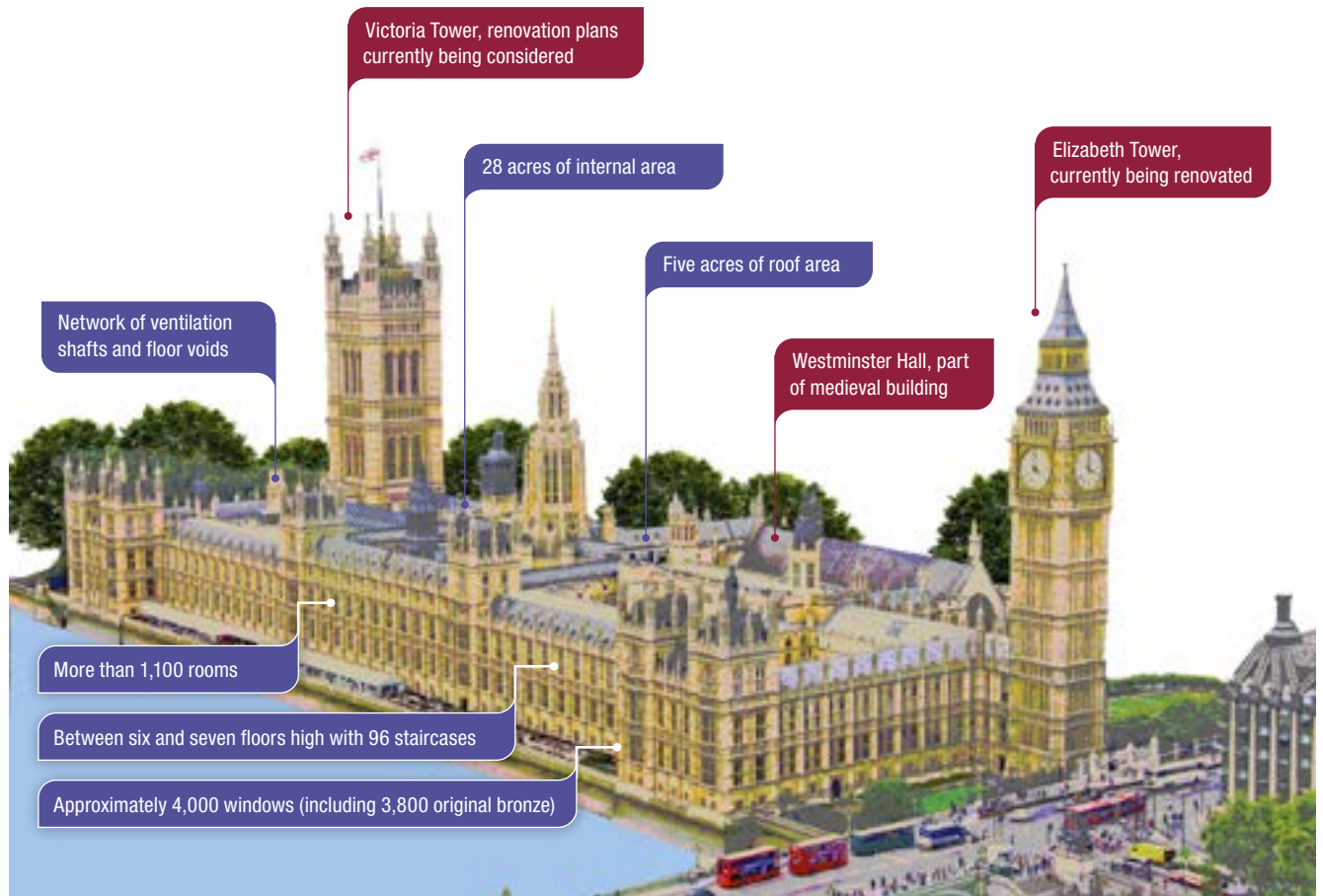
**1.2** The Palace houses the UK Parliament by providing debating chambers, committee rooms, and other ceremonial and work spaces for the House of Commons and House of Lords, alongside facilities such as catering and security. Even when Parliament is not sitting, there needs to be continual access to Parliamentary buildings should Parliament need to reconvene quickly. Around 5,000 people work within the Palace, which attracts one million visitors each year.

**1.3** The majority of the Palace buildings were built in the mid-1800s after a fire destroyed many of the earlier buildings. Only certain parts of the original buildings remain, such as the 11th century Westminster Hall. The current Palace is a large and complicated building covering eight acres and including more than 1,100 rooms, 100 staircases and five kilometres of passageways (**Figure 1**). It also includes extensive basements and hidden voids originally intended to provide air circulation. Although these voids now present a fire risk, they allow for some flexibility in how the Palace is used.

**1.4** Construction of the Palace ran 18 years late, with building work finishing in 1870. It was three times over budget owing to the building requirements expanding, poor governance and confusion over who should act as the main client. The designers needed to manage the interests of MPs, Lords and other government officials, who each acted as the client and had conflicting ideas. When the building was completed, some facilities included in the design had already become outdated.

**Figure 1**  
Characteristics of the Palace of Westminster

The Palace of Westminster includes more than 1,100 rooms, 96 staircases and 4,000 windows



- Key parts of the Palace
- Key features of the Palace

Source: Palace of Westminster

## The Palace of Westminster today

### Changing requirements

1.5 Since being completed, the Palace and Parliamentary estate have evolved. For example:

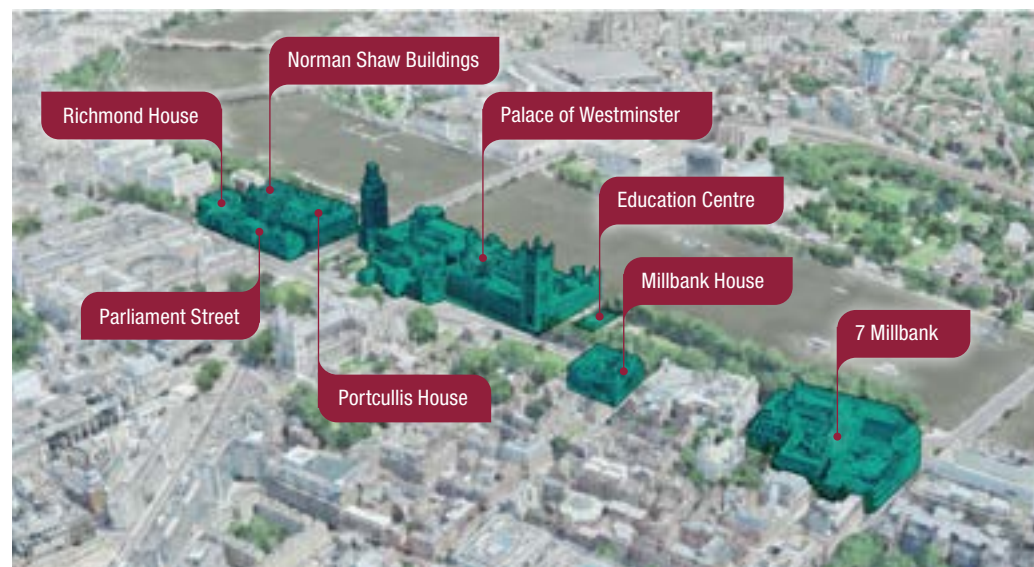
- gas, electric lighting, telephony and internet services have been installed, mainly within the basement and original ventilation shafts, leading to an estimated 250 miles of cabling; and
- Parliament has expanded beyond the Palace, given changes to what Parliamentarians need in their roles. It has, from the late 1900s, acquired new buildings collectively known as ‘the Northern Estate’ (**Figure 2**). It has also constructed Portcullis House in the 1990s to increase working space. In May 2019, the House of Commons Commission approved an outline business case for significantly investing in the Northern Estate’s buildings so that buildings would meet modern standards; to improve accessibility and inclusivity; and to provide suitable and efficient working spaces.

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### Figure 2

Map of the Parliamentary estate, as at April 2020

The main Parliamentary estate now extends beyond the Palace of Westminster



**Note**

1 Other sites not shown include office spaces, for example on Tothill Street and the Old Palace Yard.

Source: National Audit Office/Google Earth

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## Maintaining the Palace

**1.6** During the past 20 years the Palace's condition has caused serious concerns. In 2016 a Joint Parliamentary Committee on the Palace of Westminster, established to assess and recommend any potential works to the Palace, concluded that unless an intensive programme of remedial action was soon undertaken, the building would likely become "uninhabitable". The issues identified with the Palace include the following:

- **Mechanical and electrical:** In 2012, Parliament identified that systems had been neglected – 50% of these systems are estimated to be at a high risk of failure by 2025.
- **Fire safety:** In response to the risk posed by antiquated systems, and the Palace's structure, fire safety officers patrol the Palace continually. There have been 29 incidents that could have led to a fire in the past five years.
- **Asbestos:** In the 1950s, as with other buildings from that time, asbestos was used in insulation, fire linings and paint. It will need to be identified and removed from more than 1,000 locations.
- **Stonework:** Pollution and a lack of maintenance has caused the Palace limestone to decay with little done to address this during the 19th century. Since the 1930s, there have been projects to renew and conserve the stonework but issues remain with recent incidents of falling masonry that could cause harm.

**1.7** The Palace provides a base for the House of Commons and House of Lords, who use both shared and separate facilities. A joint estates team has day-to-day responsibility for maintaining and conserving the Palace on their behalf (**Figure 3** overleaf). To date, specific challenges working in the Palace have led to a piecemeal maintenance approach. These include:

- restrictions on when work can be undertaken, with most work only possible when Parliament is not sitting;
- challenges accessing certain areas, such as ventilation shafts filled with pipework and cabling; and
- insufficient documentation and drawings detailing the Palace's condition, layout and location of, for example, asbestos.

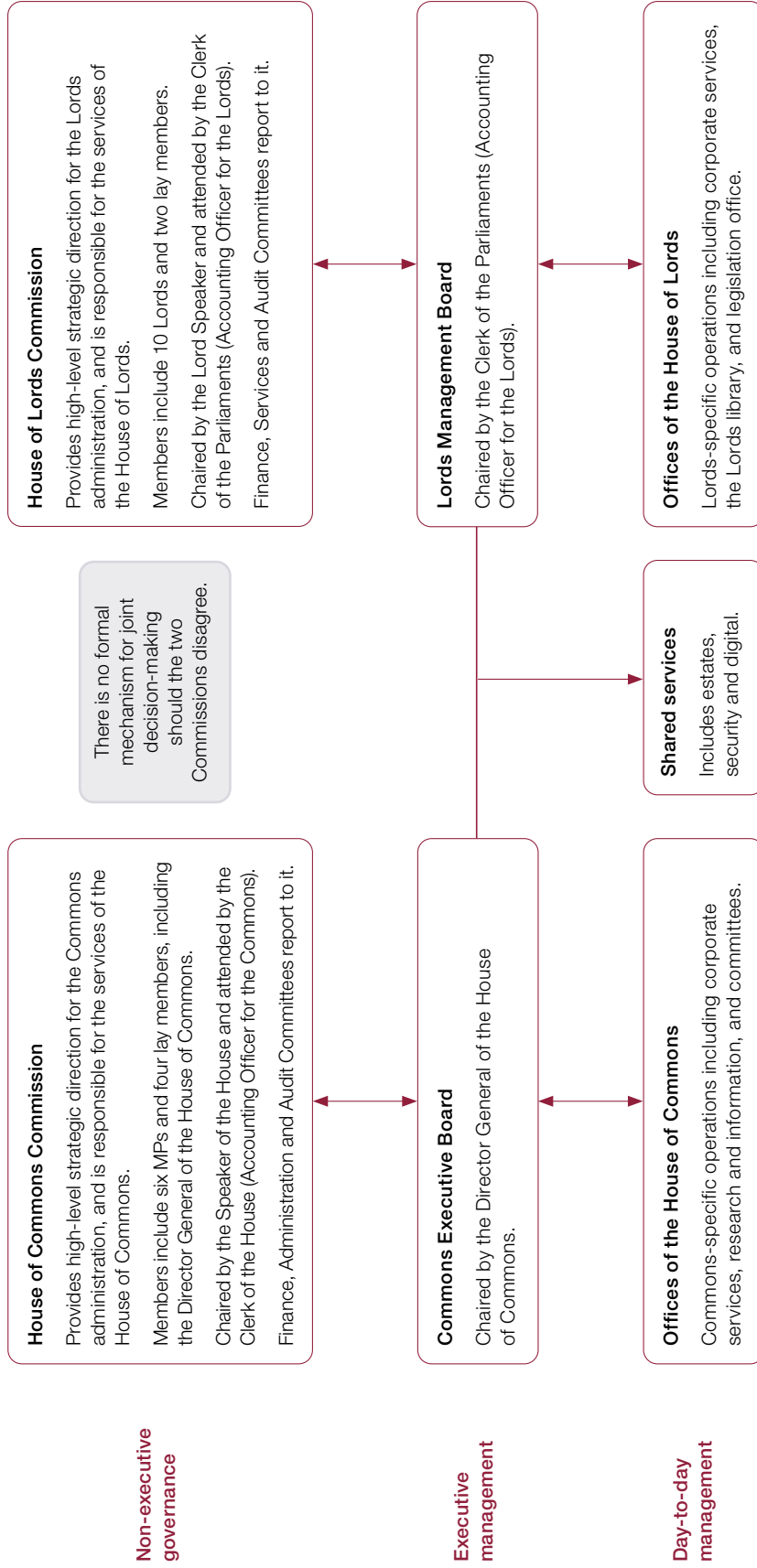
More widely, our previous work has highlighted underinvestment across the public sector estate.<sup>4</sup>

**1.8** Between 2015-16 and 2018-19, spending to maintain the Palace increased from £62 million to £127 million per year, totalling £369 million across the four-year period. Without significant restorative works, ongoing maintenance costs will further increase.

<sup>4</sup> Comptroller and Auditor General, *Investigation into maintenance of the museum estate*, Session 2019–2021, HC 108, National Audit Office, March 2020.

**Figure 3**  
Administrative decision-making structures in Parliament

The House of Commons Commission and House of Lords Commission, who jointly administer and service the Palace of Westminster, have separate decision-making processes



➔ Delegated management responsibilities with Boards/Commissions providing support, oversight and advice

**Note**

- 1 The House of Commons and House of Lords retain stewardship of the Palace of Westminster on behalf of the Crown.

Source: National Audit Office



**1.9** The joint estates team has previously considered undertaking more in-depth maintenance projects to address underlying issues. It first surveyed the basement in 2000, and then developed detailed work plans between 2007 and 2009. The House of Commons Executive Board and House of Lords Management Board did not approve this work as it assessed the inherent risks as too high, and the work scope too narrow. They approved developing a medium-term maintenance programme so that a more comprehensive modernisation programme, then deemed essential, could be planned.

### The Elizabeth Tower

**1.10** In early 2016, both House Commissions approved essential repairs to the Elizabeth Tower (Appendix Two). This project sought to address stonework cracks, fire safety and health and safety issues. The project's outline business case also assessed that the clock mechanism may stop working within two to three years, which would significantly damage Parliament's reputation.

**1.11** As at February 2020 the joint estates team expected the Elizabeth Tower project to cost £80 million, 176% more than the initial forecast cost of £29 million in 2016. Reasons for the cost increase included subsequent surveys identifying that more work needed to be done, and the Tower's full condition not being identifiable until work started. Parliament's internal auditors also identified inadequate project governance; high turnover of project staff; and poor cost estimation. It currently expects to complete work in 2021 as originally planned.

## The Restoration and Renewal Programme

### Background to the Programme

**1.12** Following years of exploratory work, in October 2012 both House Commissions agreed that the Palace needed major works and established the Restoration and Renewal Programme. Since then, Parliament has sought to better understand the work required and pass legislation to establish the Programme's delivery structures (**Figure 4** on pages 16 and 17). This included requesting, in December 2013, an independent options appraisal assessing different approaches, such as a rolling schedule of works over a longer period, or Parliament moving out and work being conducted over a shorter period (**Figure 5** on page 18). In January 2018, the House of Commons debated an assessment of these options and voted, with a majority of 16 votes (4% of the 456 voting), for:

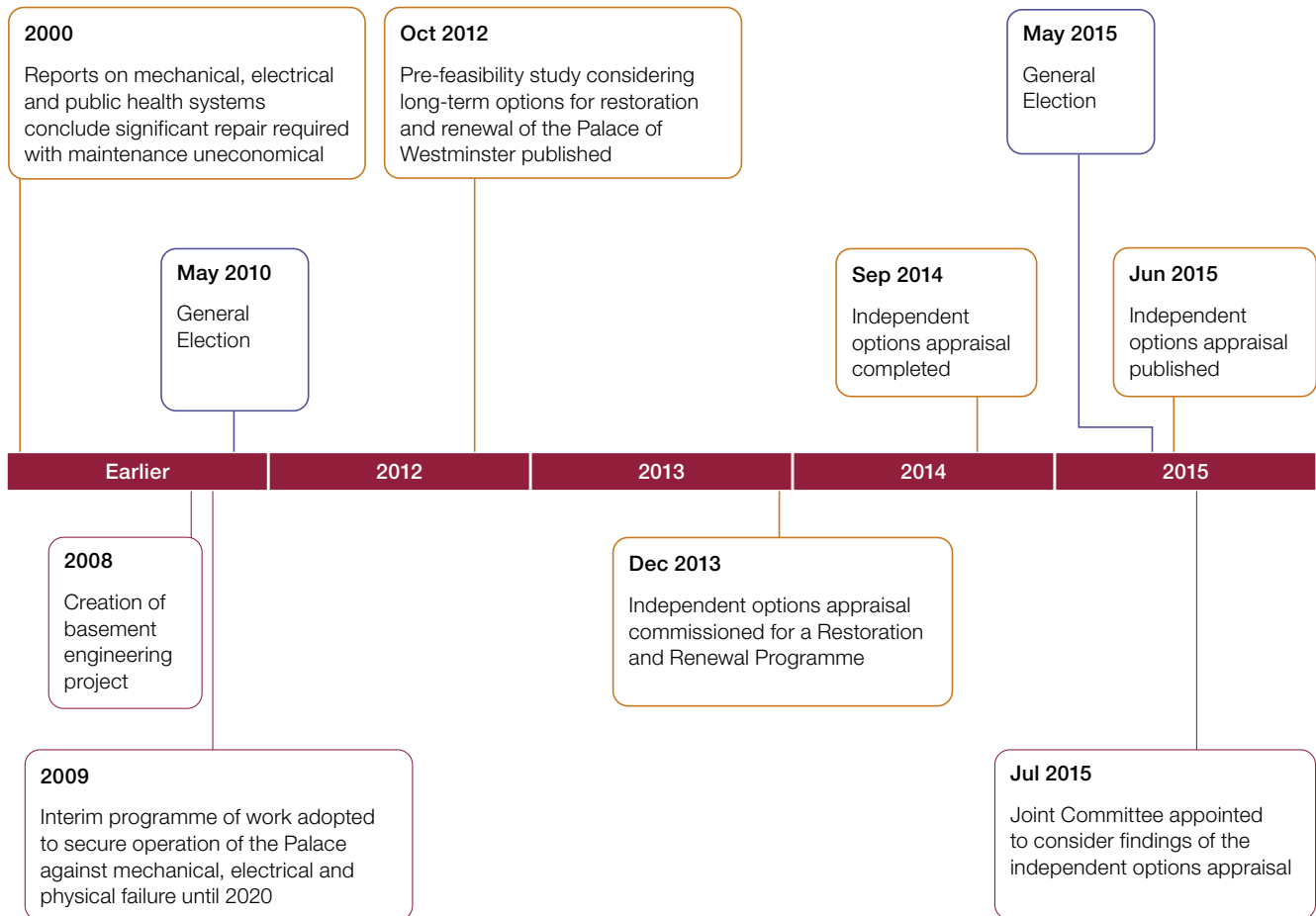
- the Houses fully decanting from the Palace during work, returning as soon as complete; and
- new, dedicated governance arrangements with a sponsor body overseeing a separate delivery body.

The House of Lords agreed this approach, without a vote, in February 2018.

**Figure 4**

Timeframe for the Restoration and Renewal Programme, 2000 to present

Since 2000, Parliament has been considering how to deliver the Programme

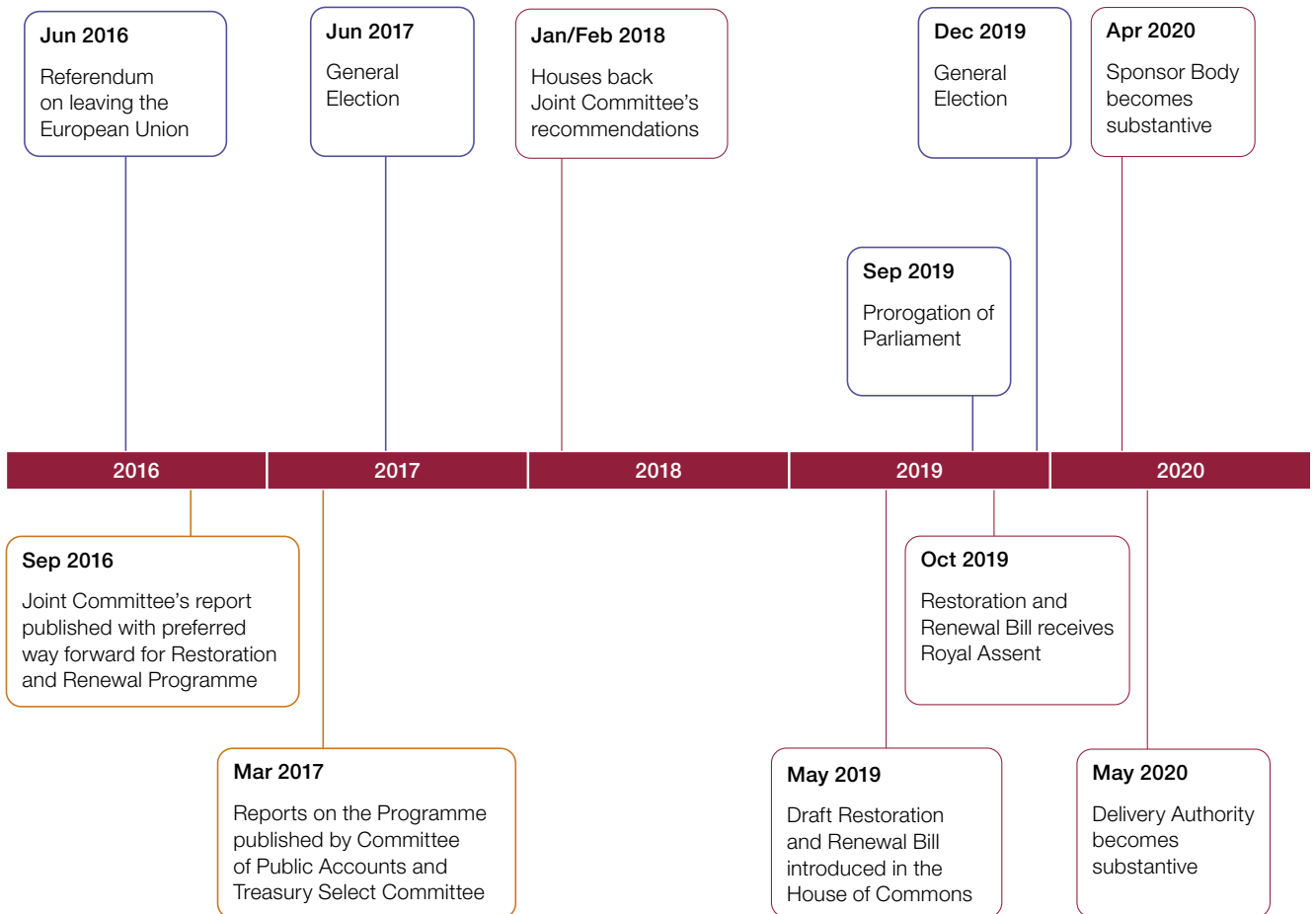


- Decisions
- Reports
- Political events

**Note**

1 During planned recess periods and wider political events, such as general elections, Parliament will not sit which means Parliament cannot make decisions during this time.

Source: National Audit Office



**Figure 5**

## The Restoration and Renewal Programme's options, 2014

In 2014, several high-level options were considered for the Programme

Option	Most likely duration (years)	Mid-range full capital expenditure estimate (£bn) <sup>2</sup>
Rolling programme to meet legislation, maintain heritage status and meet standards expected of public buildings. No additional amenities. <sup>1</sup>	32	5.7
Partial decant of the Palace to meet legislation, heritage and building standards. No additional amenities. <sup>3</sup>	11	3.9
Partial decant of the Palace to deliver additional amenities.	11	4.4
Full decant of the Palace to deliver additional amenities. <sup>3</sup>	6	3.5
Full decant that delivers significant additional amenities (option selected).	6	3.9

**Notes**

- 1 Additional amenities include landscaped courtyards, lifts, media centre and upgraded office accommodation.
- 2 Figures, in 2014 prices, do not indicate Restoration and Renewal Programme costs but enable a comparative assessment of options. They represent the total estimated capital investment required over the life of each option based on scope requirements set at the time
- 3 Partial decant involves one House leaving the Palace at a time. Full decant involves both Houses leaving the Palace at the same time.

Source: Deloitte, *Palace of Westminster Restoration and Renewal Programme Independent Options Appraisal*, September 2014

**1.13** In May 2019, the then leader of the House of Commons introduced the draft *Parliamentary Buildings (Restoration and Renewal) Bill* (the Bill) in the House of Commons. In October 2019 the Bill achieved Royal Assent.

**1.14** The vision for the Programme 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”. In doing so, the Programme will:

- “Repair the services in the Palace of Westminster in a comprehensive and strategic manner”;
- “Be mindful of demands on public expenditure, apply high standards of cost-effectiveness and demonstrate value for money”;
- “Include a full and timely decant of the Palace of Westminster, representing the most cost-effective option for delivering the programme”; and
- “Guarantee in legislation that the historic Palace of Westminster is the home of Parliament and that the two Houses should return to their historic chambers, as soon as possible following the work.”

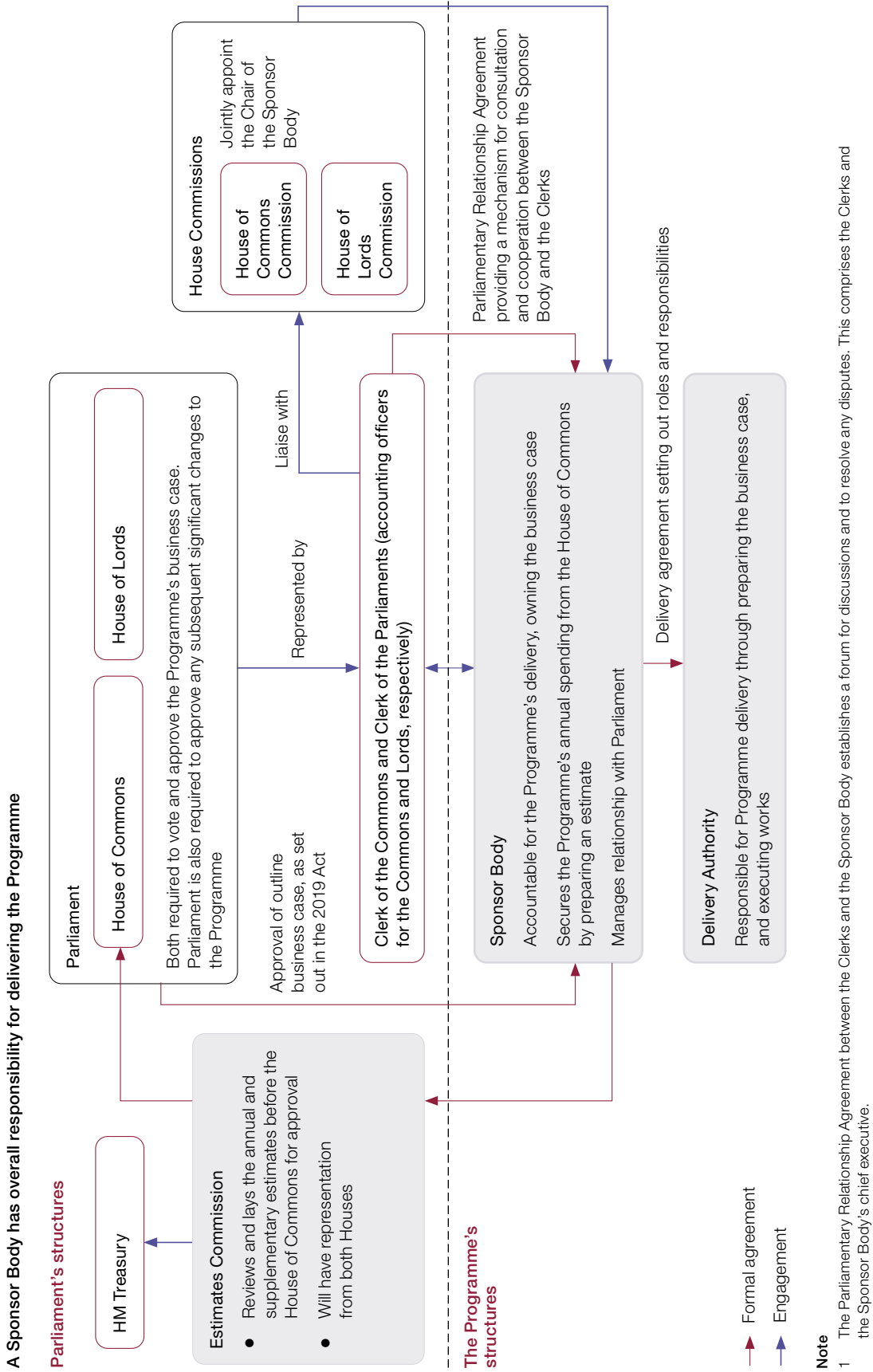
## Programme roles and responsibilities

**1.15** The *Parliamentary Buildings (Restoration and Renewal) Act 2019* (the Act) introduces new organisations and outlines the processes that need to be followed to deliver the Programme (**Figure 6** overleaf). The new arrangements include:

- a statutory **Sponsor Body** having overall responsibility for the Programme which includes setting the strategic objectives, overseeing a Delivery Authority, and promoting public understanding of the Programme. The Sponsor Body became substantive on 8 April, with the chief executive officer acting as accounting officer for the Programme;
- a **Delivery Authority**, established as a company limited by guarantee, responsible for: developing the design, cost and timing proposals; procuring contractors; and supporting the Sponsor Body to develop the business case. The Delivery Authority will become substantive on 1 May 2020; and
- an **Estimates Commission**, composed of two Lords and two Commons members, to scrutinise the Sponsor Body's future spending estimates. In consultation with HM Treasury it will recommend to the House of Commons whether funding should be approved.

**1.16** Under new arrangements, Parliament will continue to be the main user of the restored building. However, in passing the Act, it has collectively handed over responsibility for the Programme to bodies outside its usual structures (**Figure 7** on page 21). Previously, Parliament had itself considered the Programme's options and how it would be delivered. It now formally approves the outline business case, which will set out what will be delivered, and the funding. It will also feed into the Sponsor Body thoughts on the Programme requirements. The Sponsor Body has a statutory obligation to consult members of Parliament and seek the views of those working in the Palace, and the public, when developing these. In the past members of Parliament have expressed different views on what the restored Palace should look like.

**Figure 6**  
The Restoration and Renewal Programme's approvals and delivery structures, from May 2020



**Figure 7**

## Roles and responsibilities across the Restoration and Renewal Programme

Programme roles and responsibilities will evolve

Stage of Programme	Programme set-up	Design and construction			Programme completion
		Outline business case for the Programme	Construction work on the Palace	Major changes to the Programme	
<b>Parliamentary bodies</b>					
House of Commons	Passed legislation	Votes to approve	Approves annual spending estimate	Votes to approve major changes	End user of Palace
House of Lords	Passed legislation	Votes to approve	No role	Votes to approve major changes	End user of Palace
<b>Commissions (responsible for Palace administration and services)</b>					
House of Commons Commission	Maintenance of the Palace; oversight of the Programme and related programmes	Approves expenditure limits for work on the business case; informal discussion with Sponsor Body	Informal discussion with Sponsor Body	Informal discussion with Sponsor Body	Maintenance of the Palace
House of Lords Commission	Maintenance of the Palace; Programme oversight	Approves expenditure limits for work on the business case; informal discussion with Sponsor Body	Informal discussion with Sponsor Body	Informal discussion with Sponsor Body	Maintenance of the Palace
<b>The Programme's dedicated bodies</b>					
Sponsor Body	n/a	Prepares business case	Prepares annual spending estimate	Submits to Parliament	Disbands
Delivery Authority	n/a	Supports Sponsor Body	Supports Sponsor Body	Identifies major changes, and advises the Sponsor Body	Disbands
Estimates Commission	n/a	Reviews annual spending estimate and lays in the House of Commons	Reviews annual spending estimate and lays in the House of Commons	No role	Disbands

**Notes**

- 1 Parliamentary bodies have stewardship of the Palace on behalf of the Crown. The Sponsor Body determines what changes are considered significant, based on advice from the Delivery Authority.
- 2 This chart does not show the broader programmes which sit outside the Restoration and Renewal Programme.
- 3 Programme set-up refers to the period prior to 8 April 2020 when the Sponsor Body became substantive. Prior to this it operated in shadow form.

Source: National Audit Office analysis of parliamentary data

## Programme milestones

**1.17** Between 2012-13 and 2018-19, a total of £60 million has been spent on developing the Programme (**Figure 8**).

**1.18** Looking ahead, several critical milestones need to be met for Parliament to achieve its current plan of moving back into the restored Palace in the 2030s. Milestones, as at March 2020, include:

- the Sponsor Body developing an outline business case and securing Parliamentary approval in 2022. This should describe strategic requirements, interdependent projects, initial commercial thinking, the value for money potential, affordability and funding, and how the Programme will be delivered;
- preparing temporary facilities from which the House of Commons and House of Lords can operate during the work. Parliament's temporary accommodation will need to allow Parliament to function as normal and provide the appropriate site security and IT systems. Current plans include the House of Commons moving to Richmond House and the House of Lords to the Queen Elizabeth II Conference Centre; and
- moving staff, archives and artefacts out of the Palace by the late 2020s and moving them back to the Palace as soon as possible after the work. Responsibility for moving the staff and archives lies outside the core Programme (see paragraph 2.22).

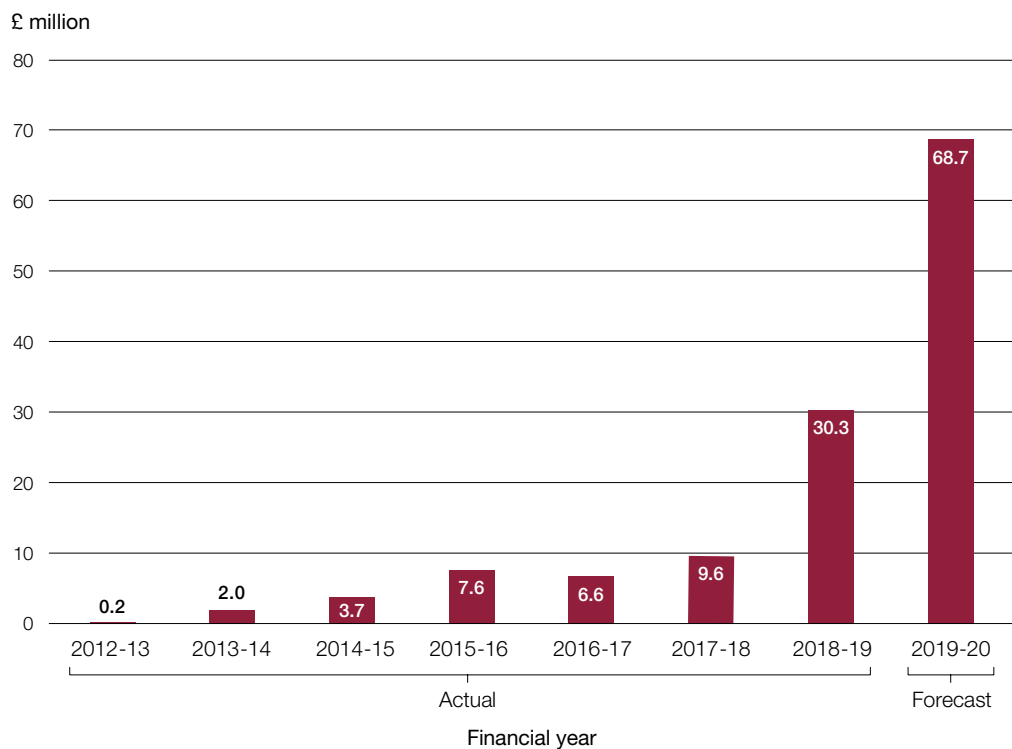
**1.19** In March 2020, the Sponsor Body submitted to the House Commissions an estimate of £149.6 million to progress development of the outline business case in 2020-21. The House Commissions did not approve this estimate owing to concerns about the potential impact of both the COVID-19 pandemic and the Richmond House planning application. They approved expenditure for up to three months (to the end of June 2020) of £27.5 million. Before summer, the Sponsor Body plans to resubmit a full 2020-21 estimate to the Commissions for approval.



**Figure 8**

The Restoration and Renewal Programme’s actual and forecast spend, 2012-13 to 2019-20

To 2018-19, £60 million has been spent developing the Programme



**Note**

1 Includes joint estates team and Sponsor Body spend on the Programme. It does not include spend incurred on other related projects, such as the Northern Estate Programme.

Source: Sponsor Body

# Part Two

## Delivering the Restoration and Renewal Programme

**2.1** The Restoration and Renewal Programme (the Programme) is at an early, but critical, stage. Our previous work across major programmes has highlighted the impact of not getting things right in these early stages. Impacts include cost increases, schedule delays and not achieving the intended outcomes. This Programme faces the risk of similar impacts which it needs to manage alongside those risks associated with protecting a significant heritage asset – the Palace of Westminster (the Palace).

**2.2** This Part sets out progress to date in developing the Programme and the main value for money risks at this stage. These risks are inter-related and our work does not imply that they have not been considered by either Parliament or the Sponsor Body. Appendix Three brings together our recent reports across specific risks.

### Overseeing the Programme

#### The Sponsor Body and Delivery Authority

**2.3** The *Parliamentary Buildings (Restoration and Renewal) Act 2019* (the Act) established a two-tier Programme structure – a Sponsor Body having overall responsibility for the Programme and a Delivery Authority to deliver the work (paragraph 1.15). The Sponsor Body became substantive on 8 April 2020, after operating in shadow form since July 2018. Over recent years, several large infrastructure programmes have adopted a similar two-tier structure. To be effective, structures must enable strong oversight, challenge, and direction based on timely and accurate information.

**2.4** By May 2020, when the Delivery Authority becomes operational, it and the Sponsor Body expect to have an agreement setting out how they will work together. This builds on earlier agreements between the Sponsor Body and the team previously delivering the Programme. It will be updated as the Programme evolves. Principles of the agreement include:

- the Sponsor Body defining the Programme through an outline business case. It will commission the Delivery Authority to provide the requirements set out in the business case to time, quality and budget. The Delivery Authority has sole responsibility for procuring and managing the supply chain;

- the Sponsor Body giving the Delivery Authority freedom to make decisions and deliver the Programme in the way it believes most effective, shielding it from external influences such as Parliament;
- the Delivery Authority managing most changes, aside from those it assesses as significant which will be escalated to the Sponsor Body; and
- collaborative cooperation, alongside clear accountabilities, such as the Sponsor Body and Delivery Authority notifying each other of any potential issues that may affect the Programme.

**2.5** We have seen how sponsor and delivery body relationships can evolve throughout a programme.<sup>5</sup> For example, a sponsor may allow delivery bodies more independence as they become more mature, or if decisions need to be made more flexibly or faster. However, we have also seen the challenges of balancing this independence against appropriate controls to assess and respond to the delivery body's performance. Our 2019 Crossrail reports described how the sponsors provided Crossrail Limited with a high degree of autonomy. As such, the sponsors had few effective contractual levers to take action, particularly towards the later stages of the Programme.<sup>6</sup>

**2.6** The Programme's two-tier structure remains relatively immature. In the short time since the Act was passed, the Sponsor Body has sought to establish the minimum necessary to transfer Programme responsibilities from Parliament and for it to assume accountability. However, it recognises that more needs to be done. This includes setting up an assurance framework and building capabilities. The Programme is building these capabilities at the same time as it progresses the Programme to a tight timetable – our work on High Speed 2 demonstrated some of the risks of doing these activities concurrently.<sup>7</sup>

**2.7** In February 2020 the Sponsor Body and Parliament commissioned an independent review of the Sponsor Body's readiness to become substantive. This involved reviewers accredited by the Infrastructure and Projects Authority (IPA) and followed the IPA's best-practice guidance. It found that, although the Act formally sets out the delivery and oversight arrangements, it is likely to take up to six months to achieve an operational readiness that can be described as substantive. To achieve this, the review team identified that the following had to be in place:

- Board members and senior management, including Parliamentary members, appointed to the Sponsor Body and Delivery Authority Boards with initial meetings having been held.
- The transfer of core corporate staff into roles such as digital, finance and human resources.
- The Sponsor Body signing agreements with Parliament and the Delivery Authority to outline how they will engage and consult going forward.

<sup>5</sup> Comptroller and Auditor General, *The London 2012 Olympic Games and Paralympic Games: post-Games review*, Session 2012-13, HC 794, National Audit Office, December 2012.

<sup>6</sup> Comptroller and Auditor General, *Completing Crossrail*, Session 2017–2019, HC 2106, National Audit Office, May 2019.

<sup>7</sup> Comptroller and Auditor General, *Progress with preparations for High Speed 2*, Session 2016-17, HC 235, National Audit Office, June 2016.

**2.8** The review also highlighted the importance of culture in successfully implementing these arrangements, which we have also seen through our wider work across a range of programmes. Culture plays a significant role, with a 'good news culture' or over-optimism meaning problems are not identified or acted on early enough.<sup>8</sup>

**2.9** Sponsor bodies also need accurate, timely and appropriate management information to track progress and challenge the delivery authorities. The draft delivery agreement between the Sponsor Body and Delivery Authority specifies that the Delivery Authority provides monthly reports on the Programme status, cost and schedule, risks and issues. These should also set out how risks will be mitigated and managed. Our report, *Rolling out smart meters*, highlighted the importance of maintaining up-to-date information to help make management decisions.<sup>9</sup>

### Risk management and assurance

**2.10** Upon becoming accountable for the Programme, the Sponsor Body will be responsible for identifying and managing risk. By February 2020, it had started to define and categorise its high-level risks and in April 2020 agreed with the joint estates team and Clerks who is accountable for these (**Figure 9**). It is now developing ways to address them.

**2.11** The Sponsor Body is also developing assurance arrangements for the Programme (**Figure 10** on page 28). These are based on accepted good practice and include internal assurance, audit committees, independent assurance and external audit.<sup>10</sup> The IPA does not have a formal role, given this is a Parliamentary rather than government-led programme. However, the Programme has previously used the IPA approach and reviewers to support ad-hoc reviews.

### Capabilities

**2.12** In preparation to become substantive, the Sponsor Body and Delivery Authority have increased staff numbers (**Figure 11** on page 29). The Sponsor Body has increased from 12 to 42 full-time equivalent staff between March 2019 and March 2020. This includes staff involved in setting up the Programme, Sponsor Body and Delivery Authority who will leave once their role is complete. As such, the Sponsor Body aims to have an organisational structure of 49 roles by 1 May 2020, of which just over half are currently filled. The joint estates team has also increased the number of staff working on the Programme from 121 to 189 between March 2019 and March 2020. These staff will transition into the Delivery Authority when it becomes substantive on 1 May 2020. The Delivery Authority expects to have 214 staff on 1 May 2020, of which 126 will be consultants.

8 Comptroller and Auditor General, *The failure of the FIREControl project*, Session 2010–2012, HC 1272, National Audit Office, July 2011; Comptroller and Auditor General, *Completing Crossrail*, Session 2017–2019, HC 2106, National Audit Office, May 2019; United Nations Board of Auditors, *Lessons from the United Nations Capital Master Plan*, United Nations, December 2014; Auditor General, *The new Scottish Parliament building*, Audit Scotland, September 2000; Comptroller and Auditor General, *Universal Credit*, Session 2013–14, HC 621, National Audit Office, September 2013.

9 Comptroller and Auditor General, *Rolling out smart meters*, Session 2017–2019, HC 1680, National Audit Office, November 2018.

10 HM Treasury, *Audit and risk assurance committee handbook*, March 2016.

**Figure 9**

Indicative summary of accountability for the Restoration and Renewal Programme's strategic risks, April 2020

**The Sponsor Body has established accountability for its high-level strategic risk**

Accountable for the risk that:	
Sponsor Body	<ul style="list-style-type: none"> <li>contractual relationships breakdown.</li> <li>the approved funding is insufficient.</li> <li>the Programme is not delivered within the agreed scope, time, cost, quality parameters.</li> <li>the design concept does not meet expectations.</li> <li>the Programme does not, or appears not to, comply with legislation, regulations, contracts, etc.</li> <li>the Programme is not staffed appropriately.</li> <li>the Programme does not have the digital systems to support delivery.</li> </ul>
Parliament	<ul style="list-style-type: none"> <li>the Programme adversely impacts Parliament's business and reputation.</li> </ul>
Parliament and Sponsor Body	<ul style="list-style-type: none"> <li>sensitive or high-value information is exposed or lost due to insufficient protection or controls.</li> <li>sensitive or high-value information is exposed or lost due to malicious attack.</li> <li>detailed designs prove expensive, impractical to maintain, or not what is needed.</li> <li>deliveries to and from the Parliamentary estate are not coordinated.</li> </ul>
Transferable	<ul style="list-style-type: none"> <li>accidents on the premises.</li> <li>breaches of the physical security of Parliamentary sites.</li> <li>damage to Parliamentary property and the heritage artefacts.</li> <li>fire on the premises.</li> </ul>

**Notes**

- Transferable risks are those that will move during the Programme, such as when responsibility for a building changes hands.
- The Delivery Authority will manage some of those risks for which the Sponsor Body is accountable.

Source: Parliamentary Relationship Agreement

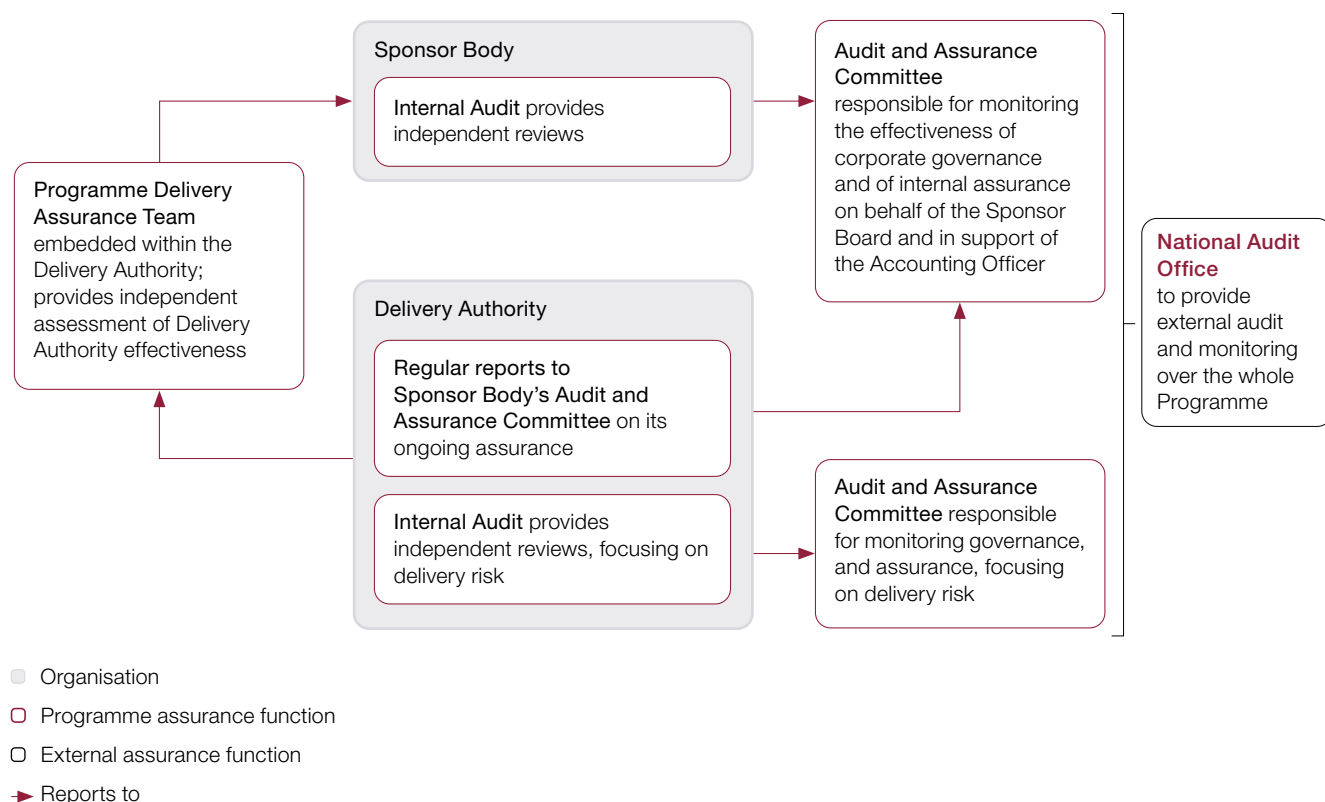
**2.13** The Sponsor Body has developed an organisational structure and operating model, which it intends to launch on 1 May 2020. It told us that it will develop a more detailed plan to determine what capabilities are required in the future. Effective governance relies on having the right capabilities to make effective decisions and hold delivery bodies to account. Our 2002 work on Portcullis House emphasised that in the early stages, strong project oversight required governance arrangements led by senior staff, together with independent professional advisers. It also highlighted the need for appropriate training, advice and support for decision makers.<sup>11</sup>

<sup>11</sup> Comptroller and Auditor General, *Construction of Portcullis House, the new Parliamentary building*, National Audit Office, Session 2001-02, HC 750, National Audit Office, April 2002.

**Figure 10**

The Restoration and Renewal Programme’s assurance arrangements, April 2020

The Programme has adopted assurance arrangements that are in line with HM Treasury’s guidance



Source: Sponsor Body

## Developing Programme requirements

**2.14** The Sponsor Body’s legislative duties include setting the Programme’s strategic objectives. In doing so it must: consider value for money; consult with members of both Houses of Parliament; and assess broader objectives such as protecting the building’s historical significance, improving visitor access, and building sustainable facilities. At the time of this report, the Sponsor Body expects to complete the outline business case in autumn 2021, submitting this to Parliament for its approval in 2022. As this will set out the Programme requirements and how they will be delivered, it must take account of Parliamentarians’ views.

**2.15** Parliamentarians’ views on the required scope of the Programme range widely, from a desire for a like-for-like restoration to an overhaul of the working environment. For example, in 2018 the House of Commons voted by a small majority to fully decant during the works. This vote did not cover the Programme requirements. The closeness of the vote and recent press reports have indicated that some Parliamentarians are unwilling to leave the Palace during the works.

**Figure 11**Restoration and Renewal staff numbers, 2019-20<sup>1</sup>

The Programme uses consultancy staff to provide skills and expertise such as project management

	March 2019	June 2019	September 2019	December 2019	March 2020 <sup>4</sup>
<b>Joint estates team staff (who are working on the Programme)<sup>2</sup></b>					
Parliamentary Staff	54	53	45	65	76
Consultants	67	78	81	75	113
<b>Total</b>	<b>121</b>	<b>131</b>	<b>126</b>	<b>140</b>	<b>189</b>
<b>Sponsor Body staff<sup>3</sup></b>					
Permanent	12	13	15	25	32
Consultants	0	1	7	10	10
<b>Total</b>	<b>12</b>	<b>14</b>	<b>22</b>	<b>35</b>	<b>42</b>

**Notes**

- 1 Staff numbers refer to full-time equivalent (FTE) posts.
- 2 Staff in the joint estates team will transition to the Delivery Authority when it becomes substantive on 1 May 2020. Consultants provide programme, project and cost management services.
- 3 Consultants include those involved in setting up the Programme and assisting the Sponsor Body and Delivery Authority to become substantive, but who will leave once their role is complete.
- 4 March 2020 represents forecasted figures as at February 2020.

Source: National Audit Office analysis of Sponsor Body data

## Providing a clear view on Programme requirements

**2.16** We have seen the importance of a clear and a shared understanding over what a programme will deliver. This will be particularly important here given Parliament's role approving the outline business case. To make this happen, Parliament will need the processes and protocols to establish clear expectations on what it wants from the Programme. This will be particularly difficult given the diversity of views across Parliament. Complicated Board and Committee structures make this more challenging. To help address these challenges, the Sponsor Body Board has appointed two of its eight Parliamentary members – one from each House – as spokespeople for the Programme in Parliament.

**2.17** From the Sponsor Body's perspective, it has already taken steps to increase its engagement with Parliament. In line with the terms of the Act, the Sponsor Body has, jointly with the Clerks, prepared a Parliamentary Relationship Agreement which helps define their roles and responsibilities. This includes commitments to provide quarterly updates to the Clerks on the Programme and engage with Parliament on costs and risks. The agreement also establishes a forum for discussions and to resolve any disputes. The Sponsor Body is also developing an engagement strategy setting out who it will engage with, why, and how it will measure the impact of that engagement. The strategy does not set out when it will engage with Parliamentary stakeholders.

**2.18** National Audit Office (NAO) guidance on developing project objectives shows the positive impact of actively engaging those affected by a project and then ensuring what is delivered matches those users' needs.<sup>12</sup> For example, Highways England and the Department for Transport engaged well with national stakeholders on plans to construct a tunnel under the Stonehenge World Heritage Site.<sup>13</sup> Through consulting and engaging with Parliament, the Sponsor Body can build Parliament's trust in what it is doing on Parliament's behalf.

### Need to consider long-term objectives

**2.19** The Programme's vision (see Paragraph 1.14) covers a broad range of underlying strategic themes (**Figure 12** on page 32) which the Sponsor Body, in consultation with members from both Houses, plans to develop as part of the business case. In doing so, the Programme will need to make trade-offs. For example, decisions must be made on the degree of disabled access when balanced against cost and the preservation of a heritage building. Not considering and balancing these long-term objectives risks:

- **a push for additional, non-essential features or requirements, often termed 'gold-plating'.** Our report on the new generation of electronic monitoring showed that the Ministry of Justice had launched a programme to develop a new world-leading ankle tag to monitor offenders. The programme proved too ambitious and the Ministry of Justice eventually abandoned its original plan;<sup>14</sup>
- **a lack of consideration of future use and needs.** The FiReControl project aimed to improve Fire and Rescue Service resilience, efficiency and technology by replacing 46 local control rooms with nine purpose-built regional centres and a national computer system.<sup>15</sup> We found that the Department for Communities & Local Government, as it then was, had not properly considered how and whether the new system would be used by Fire and Rescue Services. The project was subsequently cancelled and the regional control centres left empty, with the Department wasting at least £469 million; and

<sup>12</sup> National Audit Office, *The DECA: Understanding challenges in delivering project objectives*, November 2013.

<sup>13</sup> Comptroller and Auditor General, *Improving the A303 between Amesbury and Berwick Down*, Session 2017–2019, HC 2104, National Audit Office, May 2019.

<sup>14</sup> Comptroller and Auditor General, *The new generation electronic monitoring programme*, Session 2017–2019, HC 242, National Audit Office, July 2017.

<sup>15</sup> Comptroller and Auditor General, *The failure of the FiReControl project*, Session 2010–2012, HC 1272, National Audit Office, July 2011.



- **a lack of consideration for future maintenance.** A paper by the United Nations Board of Auditors concluded that, prior to a costly and disruptive renovation of its New York headquarters, the United Nations had not followed a whole-life asset management plan for maintenance. This meant it was unclear how and when it was most cost-effective to invest in maintaining the estate.<sup>16</sup> Our broader work has shown the need to develop a longer-term strategic approach to maintaining facilities to secure value for money.<sup>17</sup>

### Managing changes effectively

**2.20** Given the length of the Programme, it is likely there will be changes to what will be delivered, when and how. This could be if, for example, new information about the Palace's condition becomes available. Where this occurs, effective processes must be in place for quick evidence-based decisions to avoid unnecessary cost increases and delays. Our Thameslink study found that Network Rail had to change its initial design when it identified that conditions at London Bridge station differed from its expectations. This led to further design changes, additional work and other work being accelerated to maintain a schedule. We found that Network Rail's processes were not set up to deal with the volume of design change needed and became inefficient in delivering these changes. It subsequently improved its change management which led to a more stable programme.<sup>18</sup>

**2.21** Once the outline business case is agreed with Parliament, the Sponsor Body must obtain Parliamentary approval for any subsequent changes it assesses as significant. The Sponsor Body and Parliament have not yet agreed a process for Parliament to instigate changes. The potential for change may be high given Parliamentarians will change during this long-term Programme and new MPs will bring fresh ideas. This increases the chance for 'scope creep' where the objectives expand to deliver outcomes never considered at the outset.

### Understanding and managing the Programme's related projects

**2.22** To deliver the Programme, and for Parliament to return to the Palace in the 2030s, a series of projects must be delivered in sequence and on time. These interdependent projects create additional risks and uncertainties that need to be managed. For the Sponsor Body, this will be harder as some projects sit outside its remit (**Figure 13** on pages 34 and 35). For example, it oversees preparation of the House of Lords decant facility at the Queen Elizabeth II Conference Centre but is not responsible for moving the Lords out of the Palace. It is also not responsible for moving the archives or MPs from the Palace. These activities must happen before construction work can start at the Palace. The Programme also depends on bringing together various pre-existing workstreams, such as surveying and storing the Palace's heritage collection of artworks and furniture.

<sup>16</sup> United Nations Board of Auditors, *Lessons from the United Nations Capital Master Plan*, United Nations, December 2014.

<sup>17</sup> Comptroller and Auditor General, *Investigation into maintenance of the museum estate*, Session 2019–2021, HC 108, National Audit Office, March 2020.

<sup>18</sup> Comptroller and Auditor General, *Progress in the Thameslink programme*, Session 2013–14, HC 227, National Audit Office, June 2013.

**Figure 12**

## The Restoration and Renewal Programme's vision and strategic themes

**The Programme's vision is wide-ranging****Vision**

"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."

**Strategic themes****Health, safety and security**

Ensure high standards of health, safety and wellbeing and provide appropriate protection for the building and those in it.

**Functionality and design**

Deliver a building that works well for its users as the home of Parliament both now and in the future using high-quality design and technology.

**Accessibility and inclusion**

Open up the Houses of Parliament, improve access and encourage a wider participation in its activities.

**Example issues to address**

- New fire safety systems throughout.
- Removal of asbestos from more than 1,000 spaces.
- Improving health and safety standards.

- Installing information and communication technology.

Improving disabled access to the Palace of Westminster.

**Strategic themes****Sense of history**

Conserve and enhance the fabric of the Houses of Parliament and build appreciation of its rich history.

**Sustainability**

Deliver a refurbishment programme that minimises but also facilitates future maintenance and improvement, that ensures efficient and responsible resource consumption, and that provides for the development of national construction and craft skills.

**Time and value for money**

Deliver on time and maintain a relentless focus on delivering value and being on budget through the control of costs.

**Example issues to address**

Conservation and renewal of stonework.  
Repair 3,800 bronze windows.  
Repairs and conservation works to historic interiors.

Replacing heating, ventilation, electrical, water and drainage, including 250 miles of cabling and replacing the sewage ejector system (in use since 1888).

Replacing internal plumbing and pipework, including seven miles of steam pipes, and replace external guttering.

Address issues described here to reduce 'patch and mend' maintenance costs in the long term.

**Note**

1 The full scope of requirements and works is not yet agreed.

Source: Sponsor Body

**2.23** The Programme is highly dependent on a project to redevelop Richmond House, which is where the House of Commons is expected to move during the Palace works. This redevelopment is part of the wider Northern Estate Programme (NEP) which aims to bring several Parliamentary buildings up to modern standard. Between 2015-16 and 2018-19 the joint estates team spent £61.6 million developing the NEP.

**2.24** The Sponsor Body expects to take responsibility for the NEP from the joint estates team in summer 2020. It has undertaken work to better understand the programme risks and is investigating ways to mitigate possible delays to completing Richmond House. This includes whether Palace works could be started before the House of Commons moves to Richmond House.

**2.25** Failing to recognise critical links between projects increases the risks of them not being delivered. For example, Crossrail Ltd developed a critical path of its interdependencies from an 'aspirational plan', which was designed to improve supplier progress rather than provide a reality check on overall progress. In doing so it did not adequately consider interdependencies and therefore the delivery risks.<sup>19</sup> Across defence infrastructure projects, we have also reported that making decisions in isolation, without considering and evaluating their broader impacts, can lead to poor value for money.<sup>20</sup>

**2.26** As set out in the Parliamentary Relationship Agreement (finalised in April 2020), the Sponsor Body and Clerks are developing an integrated schedule to help manage interdependencies between projects. This outlines responsibility for projects, identifies the top risks, and explores options for mitigating those risks. Some projects, such as the House of Lords decant do not yet have an agreed schedule. More widely, we have seen organisations adopt different approaches to understanding interdependencies. This includes taking additional time to assess their impact or establishing designated teams to monitor related programmes. Our 2017 report, *Delivering Carrier Strike*, described how the Ministry of Defence set up a team to monitor and coordinate the individual, but related projects being delivered by different branches of the Armed Forces. This helped identify timetable risks to the overall programme.<sup>21</sup>

<sup>19</sup> Comptroller and Auditor General, *Completing Crossrail*, Session 2017–2019, HC 2106, National Audit Office, May 2019.

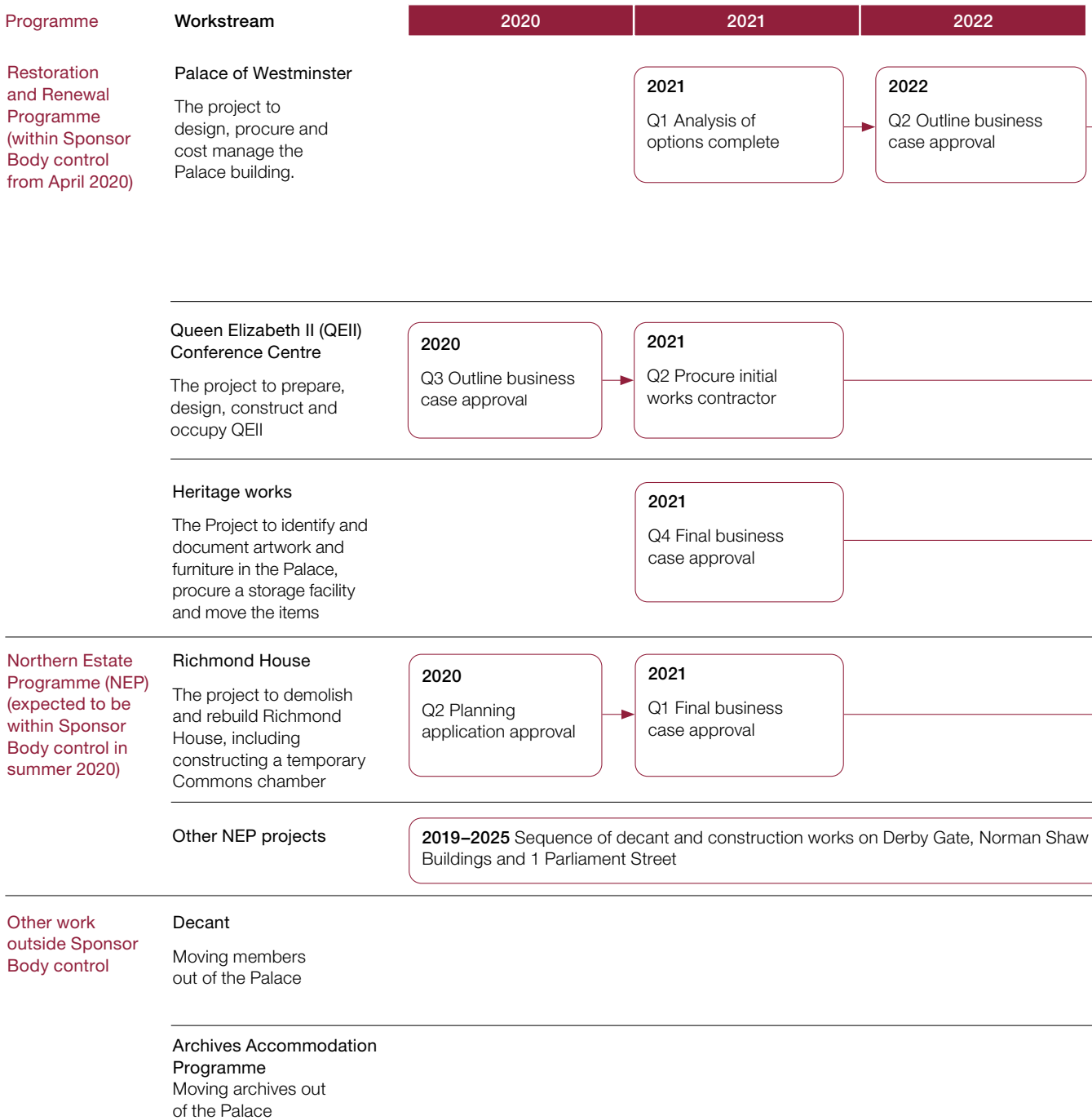
<sup>20</sup> Comptroller and Auditor General, *Managing infrastructure projects on nuclear-regulated sites*, Session 2019-20, HC 19, National Audit Office, January 2020.

<sup>21</sup> Comptroller and Auditor General, *Delivering Carrier Strike*, Session 2017–2019, HC 1067-I, National Audit Office, March 2017.

**Figure 13**

The Restoration and Renewal Programme’s future milestones, 2020 to 2026

Several workstreams and projects need to progress and come together so work on the Palace of Westminster (the Palace) can progress



**Notes**

- 1 Chart shows the most significant milestones. Milestones for certain projects remain undecided.
- 2 The dates in this diagram represent the position as at March 2020 – these may change as the impact of the ongoing COVID-19 pandemic becomes clearer.



**2.27** The Programme will impact other business-as-usual maintenance projects currently planned across the Palace. A lack of clarity over the Programme scope has created uncertainties for these other projects, some of which are urgent. This includes whether they should be conducted now or incorporated into the Programme. These projects include structural works on Victoria Tower, repairing the Palace's 3,800 bronze windows and refurbishing the underground car park. The joint estates team, together with the Sponsor Body, has yet to decide whether it should commit funding for a short-term solution for these wider projects, or delay until the Programme begins. As at March 2020 it is unclear which projects will transfer into the Programme, and which will remain with the joint estates team.

## Developing costs and schedules

### Identifying, managing and evaluating uncertainties

**2.28** When at an early stage, complex infrastructure programmes need to consider significant areas of uncertainty such as what will be delivered, how and when. These uncertainties make it challenging to estimate how long programmes may take, or how much they may cost. Our work on High Speed 2 Limited (HS2) showed the consequence of setting budgets and timetables when design assumptions are uncertain at an early stage.<sup>22</sup> HS2 was not able to accurately forecast costs, it underestimated the complexity and did not sufficiently account for this uncertainty within its estimates. Phase One of HS2 is now forecast to cost between 14% and 47% (£3.9 billion to £12.9 billion) more than its available funding.

**2.29** For this Programme, uncertainties include the Sponsor Body not yet fully understanding what needs to be delivered alongside:

- **the Palace's condition.** Accurate records of the Palace's condition are not available and, as an old building, it has been modified over time. The Programme has started to survey buildings to establish what needs to be done. For example, it has completed 42% of asbestos management surveys. Cost increases on the Elizabeth Tower project can partly be explained by not fully understanding the building condition up front with bomb damage being identified after work started;

<sup>22</sup> Comptroller and Auditor General, *High Speed Two: A progress update*, Session 2019-20, HC 40, National Audit Office, January 2020.

- **obtaining planning permission.** This could be a lengthy process as the Palace is primarily Grade 1- or Grade 2- listed buildings. The Sponsor Body will need to seek planning approvals from local authorities and heritage organisations, given the Palace forms part of a UNESCO World Heritage Site. Experience with the Richmond House planning application illustrates the challenges – planning, which is ongoing, has taken more than a year impacting how quickly work can progress;<sup>23</sup> and
- **the commercial strategy and approach.** This will depend on the work required, the ability of the supplier market to provide the specialist trades required at an affordable price, and the extent to which the Delivery Authority wants to transfer risks to third parties.

### Setting cost and schedule estimates

**2.30** Given the uncertainties at this early stage, the Sponsor Body has not yet produced any cost and timing estimates for the Programme. We have previously recommended that as programmes develop, organisations set evidence-based range estimates, the width of which will reflect the level of uncertainty. However, too wide an estimate range, with too much uncertainty, can mean teams do not focus on controlling costs and best value. Alternatively, too specific, or certain, a cost or time point at an early stage can lead to inefficient short-term decisions. The Sponsor Body will need to develop a plan on how it will develop and refine estimates by reducing the uncertainties during the Programme.

**2.31** Our 2018 guide to challenging project costs notes the tendency to underestimate costs and the risk of over-optimism.<sup>24</sup> We have concluded that the Ministry of Defence's Equipment Plan, for example, is over-optimistic and noted that cost estimates in the Plan are frequently lower than those produced by the Ministry's own independent cost assurance team.<sup>25</sup> We have also warned the Ministry against forecasting project costs based on a 50% confidence level: this means that the Ministry is confident it can deliver the project for that cost 50% of the time.<sup>26</sup> This approach is particularly risky for complex or early-stage projects, where risks and uncertainties may not be well understood.

<sup>23</sup> The public consultation started in May 2019, with the application submitted in October 2019 and a decision expected in spring 2020 although this may change as a result of the COVID-19 pandemic.

<sup>24</sup> National Audit Office, *Survival guide to challenging costs in major projects*, June 2018.

<sup>25</sup> Comptroller and Auditor General, *The Equipment Plan 2019 to 2029*, Session 2019-20, HC 111, National Audit Office, February 2020.

<sup>26</sup> Comptroller and Auditor General, *The Equipment Plan 2018 to 2028*, Session 2017-2019, HC 1621, National Audit Office, November 2018.

## Publishing cost information

**2.32** The high-profile nature of many public sector programmes creates an expectation of transparency around what will be delivered, when and at what cost. The Sponsor Body will be under significant external pressure to provide a final cost and completion date. However, setting a single-figure estimate of when, and how much, can lead to misinterpretation and unrealistic expectations among stakeholders. Those managing the Programme have already experienced this first-hand, with stakeholders incorrectly interpreting the £4 billion early comparative costs (see Figure 5) as a full estimate for the Programme.

**2.33** We have seen the impact of organisations publishing estimates without also providing information on the level of uncertainty within them. This has led to delivery bodies publishing ‘firm’ commitments too early and external pressure to meet those commitments at the expense of value for money. Our work on Crossrail shows how decisions can be influenced and dominated by fixed completion dates and costs.<sup>27</sup>



# Appendix One

## Our audit approach

**1** Major programmes are expensive, high profile, and carry great uncertainties and risks, with many falling short of their objectives in terms of cost, and/or, outcomes. We have seen many programmes fail to deliver their vision because they were not started in the correct way. Our report aims to identify some of the early risks for the Restoration and Renewal Programme (the Programme), alongside outlining progress to date. It describes:

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

**2** Given the *Parliamentary Buildings (Restoration and Renewal) Act 2019* provides the Comptroller and Auditor General audit access to the Sponsor Body and Delivery Authority from April 2020, this report has been undertaken with the agreement of the Clerk of the House and the Clerk of the Parliaments.

### Methods

**3** We conducted our work between January and March 2020. This involved:

- interviewing Sponsor Body and Parliamentary joint estates team staff to understand progress to date and emerging risks;
- reviewing the joint estates team's and Sponsor Board's documents including performance reports, board minutes, readiness assessments, risk registers and draft delivery agreements. We also reviewed the business cases and information supporting wider estates programmes such as the Elizabeth Tower and the Northern Estate Programme; and
- reviewing reports from our back catalogue to identify relevant risks and what the Programme can learn from these experiences. Appendix Three lists the reports from which we have gathered insights.

# Appendix Two

## Elizabeth Tower



Built in 1858, the Elizabeth Tower, a Grade I-listed building and part of the Palace of Westminster, incorporates the Great Clock and the Great Bell known as Big Ben. In 2017, a programme of work began to upgrade facilities in line with health and safety requirements; conserve and maintain historical aspects; and conduct essential fire safety works. This project, for which Parliament's joint estates team is responsible, is not part of the wider Palace of Westminster Restoration and Renewal Programme.

### Key dates

March 2011	Identified the work required
February 2016	Outline business case approved by both House Commissions
Early 2017	First contracts agreed/ work began
September 2017	Final business case approved by the House of Commons Commission
February 2020	Revised cost estimate

### Costs

£29 million
£61 million (110% increase from outline business case)
£80 million (176% increase from outline business case)

### Status at April 2020

Completion currently expected during 2021 aligned with the final business case timetable. Outstanding tasks includes mechanical and electrical works, the Big Ben hammer and stonework, with some uncertainties over the building's condition remaining.

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The joint estates team responsible for the project has identified lessons learnt which include:

**Underestimation of risk and uncertainty**

Although the project objectives did not fundamentally change between the outline and full business case, the risk estimation increased by £10 million. The need for further site surveys, including exploratory works on the roof exterior, the clock faces, and the external masonry, had not initially been included in the business case, leading to an overly optimistic view of risks. The final business case included a clearer estimate of risk, but there continue to be on-site discoveries requiring design changes that increase costs.

**Weak governance and oversight**

Following the outline business case, governance weaknesses led to poor oversight. For example:

- the team established a project sponsor, rather than a senior responsible officer (SRO) as good practice suggests. The sponsor's role covered high-level stakeholder engagement but not necessarily oversight and accountability. An SRO was appointed in April 2017; and
- before April 2017, there was no project board providing support and overall control and direction, with project oversight the responsibility of the joint estates team. They reported to the Parliamentary Estates Board and, by exception, the House of Commons Commission.

Given the £29 million forecast cost included in the outline business case the project fell short of the £30 million threshold required for a project to receive greater scrutiny and more enhanced financial controls.

**Insufficient capacity**

Between the outline and full business case, there was significant project staff turnover with a 40% vacancy rate at the same time.

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# Appendix Three

## National Audit Office major programme reports

1 The Restoration and Renewal Programme shares similar risks and opportunities with other major programmes in government which we have audited. The table below maps four risk areas, discussed in Part Two of this report, to other publications that have touched on similar risks.

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### Published reports relevant to the risks faced by the Restoration and Renewal Programme

Report	Developing programme requirements	Developing costs and schedule	Understanding and managing the interdependent projects	Overseeing the programme
Administration of Welsh income tax 2018-19	✓			✓
Air quality	✓			
Carrier Strike: The 2012 reversion decision	✓			
Completing Crossrail	✓	✓	✓	✓
Construction of Portcullis House, the new Parliamentary building		✓		✓
Crossrail	✓			✓
Crown Commercial Service	✓			
Delivering Carrier Strike	✓	✓	✓	✓
Early progress in transforming courts and tribunals	✓		✓	✓
High Speed 2: A review of early programme preparation	✓	✓	✓	✓
High Speed 2: a progress update	✓	✓	✓	
Hinkley Point C	✓			
Improving children and young people's mental health services			✓	✓
Improving the A303 between Amesbury and Berwick Down	✓			
Improving the Prison Estates	✓			
Investigation into land and property acquisition for Phase One (London – West Midlands) of the High Speed 2 programme	✓	✓		

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Report	Developing programme requirements	Developing costs and schedule	Understanding and managing the interdependent projects	Overseeing the programme
Lessons from the United Nations Capital Master Plan <sup>1</sup>	✓	✓	✓	✓
Managing infrastructure projects on nuclear-regulated sites		✓	✓	✓
Managing risk reduction at Sellafield	✓	✓	✓	
Modernising the Great Western railway	✓	✓		✓
Procuring new trains	✓			✓
Progress delivering the Emergency Services Network	✓		✓	
Progress delivering the 'One Mission, One Bank' strategy			✓	✓
Progress in the Thameslink programme	✓	✓	✓	
Progress with preparations for High Speed 2	✓	✓	✓	
Projects leaving the Government Major Projects Portfolio				✓
Rolling out smart meters	✓	✓		
The Equipment Plan 2018 to 2028		✓		
The Equipment Plan 2019 to 2029		✓		
The failure of the FiReControl project	✓	✓		✓
The London 2012 Olympic Games and Paralympic Games: post-Games review				✓
The new generation electronic monitoring programme	✓	✓		✓
The new Scottish Parliament building – An examination of the management of the Holyrood project <sup>2</sup>	✓	✓		✓
The Nuclear Decommissioning Authority's Magnox contract				✓
The Nuclear Decommissioning Authority: progress with reducing risk at Sellafield		✓		✓
Universal Credit: early progress	✓		✓	✓

**Notes**

1 Report published by the UN Board of Auditors.

2 Report published by Audit Scotland.

Source: National Audit Office, Audit Scotland and UN Board of Auditors

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