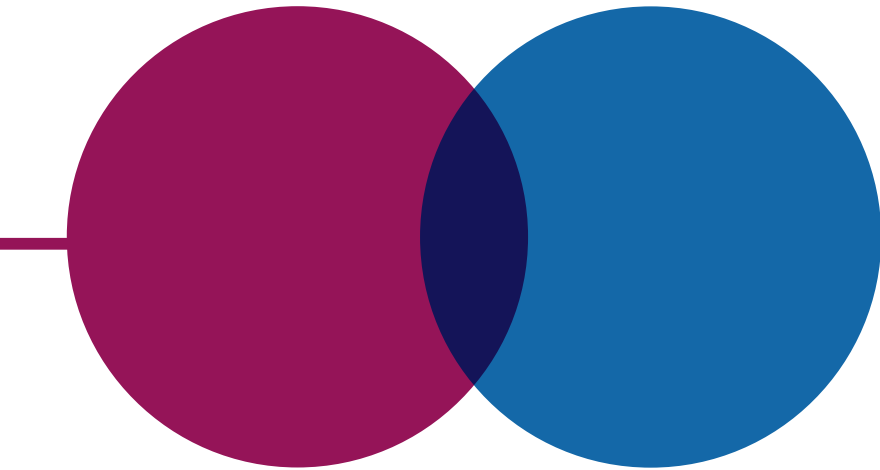




National Audit Office



Restoration and Renewal of the Palace of Westminster: Progress update

Houses of Parliament

REPORT

**by the Comptroller
and Auditor General**

**SESSION 2021-22
21 JANUARY 2022
HC 1016**



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National Audit Office

Restoration and Renewal of the Palace of Westminster: Progress update

Houses of Parliament

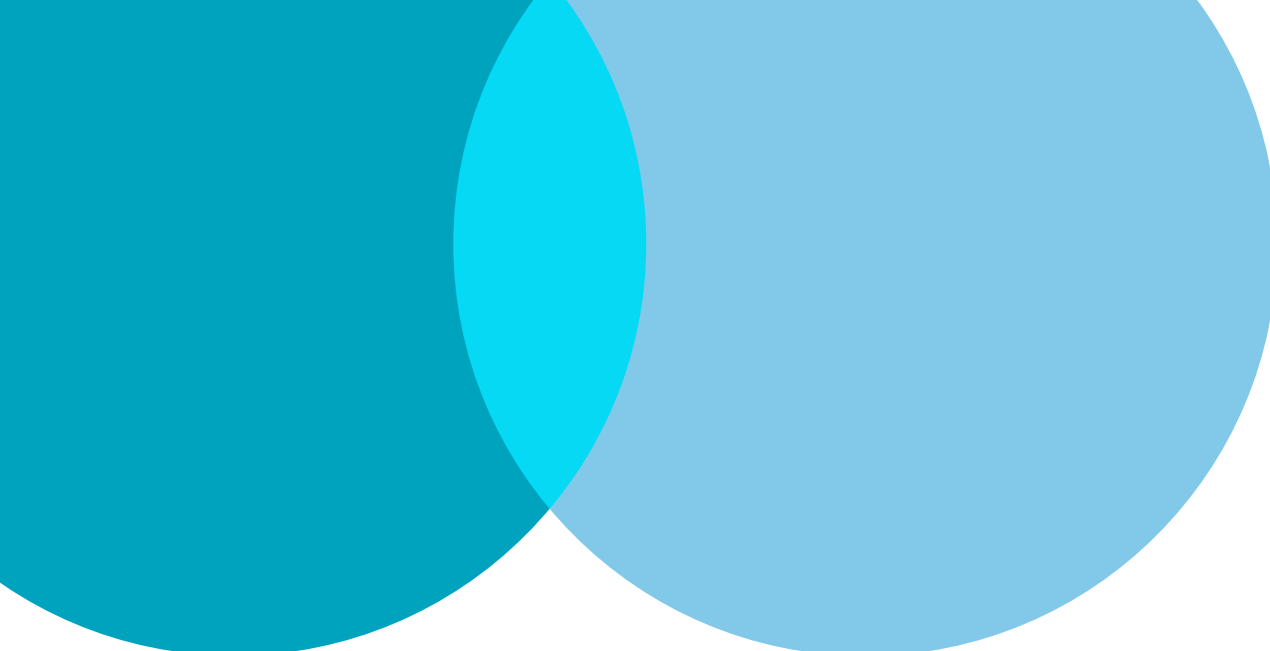
Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

19 January 2022



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Summary

1 In April 2020 we published a first report on the Restoration and Renewal Programme (the Programme).¹ The Programme has been set up by Parliament to undertake critical works to preserve the Palace of Westminster (the Palace) and improve facilities. Given the very early stage of the Programme, before a business case has been completed, that first report drew from our experience auditing major programmes to share our insights on the risks that would need to be managed. We set out our intention to review the Programme regularly. This report aims to support Parliament by setting out what has happened since April 2020 and the progress that has been made in developing the information needed for a robust business case. It sets out:

- the Programme background and a summary of recent events;
- progress delivering the Programme; and
- the work required to develop a robust business case.

2 This report is based on work undertaken between November and December 2021 (Appendix One). With the Programme at an early stage, we do not conclude on its value for money. We also do not comment on policy decisions, which are a matter for Parliament. We will revisit our understanding of risks as the Programme develops and plan to assess whether the business case sets the Programme up to deliver value for money.

Key findings

3 In October 2019, the **Parliamentary Buildings (Restoration and Renewal) Act** achieved Royal Assent, requiring a Sponsor Body to be responsible for restoring the Palace. Following years of exploratory work, and a Joint Committee report in 2016, in early 2018 Parliament approved work to restore the Palace, with Parliament fully moving out for the duration of the work. The subsequent 2019 Act formally set up the Programme with the aim of restoring the Palace, improving accessibility and providing educational facilities. The Act also required two independent organisations: a Sponsor Body, which is accountable for the Programme, overseeing a Delivery Authority, responsible for managing the Programme (paragraphs 1.3, 1.5 to 1.6 and Figure 2).

¹ Comptroller and Auditor General, *Palace of Westminster Restoration and Renewal Programme*, Session 2019–2021, HC 315, National Audit Office, April 2020.

4 The first formal Programme milestone will be Parliament approving a business case, currently planned for by summer 2023. The Sponsor Body's legislative remit includes preparing a business case for Parliament's approval. The business case must set out a strategic case for Parliament to understand the Programme's rationale. It must also assess the costs, benefits and risks of options for what a restored Palace will look like, so that both the House of Commons and House of Lords can decide which one the Sponsor Body should take forward (paragraphs 3.1 to 3.4 and 3.6).

5 Since being formally established in spring 2020, the Sponsor Body and Delivery Authority have spent £145.5 million to develop themselves and start work on the business case. They have set out how they will work together and developed a close working relationship. Both organisations have expanded staff numbers, although they have had vacancies in key areas. The Sponsor Body has established an assurance strategy and embedded representatives within the Delivery Authority to understand its performance. The Delivery Authority has started developing designs and carried out surveys. It has also developed its risk management capability but recognises there is more to do (paragraphs 1.13, 2.3, 2.4, 2.6 to 2.7, 3.10, 3.17 and Figure 8).

6 With the aim of establishing a clear framework for the business case, in May 2020 the Sponsor Body announced a strategic review, diverting resources away from the Programme. A 2016 Joint Committee report set out a way forward for the Programme, recognising this may need to be revisited. Through the Strategic Review, the Sponsor Body and Delivery Authority aimed to identify whether the underlying circumstances and evidence had changed enough to justify revisiting the approach. Published in March 2021, the Strategic Review made recommendations on the way forward for the business case. This included the strategic objectives which would frame the business case options; that Palace works should be phased; and that plans to move the House of Commons and House of Lords during the works should be pursued. The Review diverted resources away from producing the business case (paragraphs 1.10 to 1.11 and Figure 4).

7 In December 2020, the House of Commons Commission agreed to ask the Sponsor Body to consider an alternative approach to undertaking the work.

Following Parliament's endorsement in early 2018, the Sponsor Body's formal mandate was to prepare a business case based on Parliament fully moving out of the Palace during the works (known as a 'full decant').² In December 2020, the House of Commons Commission agreed to ask the Sponsor Body to consider the implications of the Commons staying in the Palace on time, cost and other factors (known as continued presence). In April 2021 the Speaker formally set out to the Sponsor Body the requirements that should be developed as part of the analysis and asked the Sponsor Body to return before the end of the financial year for advice on whether to take this further. This followed the House of Lords Commission's endorsement of the approach. The 2021-22 funding limit for the Sponsor Body included £5 million to carry out this assessment (paragraph 1.12 and Figure 5).

8 In January 2022, the Sponsor Body provided the House Commissions with its initial analysis on the impact of a continued presence approach on the Programme.

Following the House of Commons Commission's request, agreed by the House of Lords Commission, the Sponsor Body undertook initial analysis on the impact of a continued presence approach. In January 2022, it provided the Commissions with this information for discussion. It advised them it was not currently conducting further work on continued presence. The Sponsor Body needs clarity on what to include in the business case – if it is required to further develop the continued presence approach this would require additional work for which it would need to secure appropriate funding in 2022-23 (paragraph 3.8 and Figure 5).

9 The Sponsor Body assesses as 'high' the risk that it may not meet its current plan to present a robust business case to Parliament in early 2023. At the time of our last report in April 2020, the Sponsor Body intended to provide Parliament with a business case for it to approve in 2022. In early 2021 the Sponsor Body revised the timetable and now expects to provide the business case in early 2023, for approval by summer 2023. This allows up to 14 months to develop and assure the information and then get the necessary board and parliamentary approvals. In November 2021, the Sponsor Body assessed the risk of delay as 'high' (paragraphs 3.6 to 3.7 and Figure 10).

² In January 2018, the House of Commons voted to endorse the approach recommended by the Joint Committee of the Palace of Westminster, with a majority of 16 votes (4% of the 456 voting). The House of Lords agreed this approach, without a vote, in February 2018.

10 The Sponsor Body currently has less information than it expected to have at this stage to develop the business case. Given the early stage of the Programme there will continue to be uncertainties which the Sponsor Body must reflect in its analysis so Parliament can make a well-informed decision on the business case. The Sponsor Body and Delivery Authority will undertake more work to understand:

- **strategic requirements** setting out what a restored Palace would look like. Parliament and the Sponsor Body started discussing requirements in autumn 2020. Following delays, this work had to be done in a compressed timetable and the Programme is developing requirements in parallel with cost and timeframe estimates and designs (paragraphs 3.13 to 3.16); and
- **the Palace's condition.** Through surveys and other building information, the Delivery Authority aims to test its assumptions about the Palace's condition to reduce the uncertainties in the business case. The Delivery Authority plans to undertake some important surveys later than planned – these will start in April 2022 at the earliest, rather than November 2021 as initially expected. These surveys will run for years, progressively providing information. Some of this information will inform the business case in October 2022. To complete surveys, the Delivery Authority will need the House administrations to facilitate access to the Palace, as well as provide information on the Palace's condition (paragraphs 3.17, 3.19 and 3.21).

The Sponsor Body expects to have sufficient information, much of which is needed by October 2022, to inform a robust business case analysis. If the above work should be delayed further, the Sponsor Body will need to include a greater amount of contingency within its estimates (for example, for cost and time) than it had planned or delay the business case (paragraphs 3.11 to 3.12).

11 The Sponsor Body needs clarity on a series of related projects, which are delayed or not fully developed. For Parliament to return to the Palace a series of other projects must be delivered in sequence and on time. This includes the House of Commons administration providing accommodation for the House of Commons during the works and the Sponsor Body providing space for the House of Lords and heritage collections. The timing of these projects affects the business case analysis, and these projects themselves need information from the Programme, such as when accommodation will be required. The Sponsor Body has established ways to understand and manage the interfaces between projects, but has consistently raised this as an issue that could undermine the Programme. For example, in November 2020 the House of Commons Commission closed the programme developing plans to accommodate the House of Commons during the works. The House of Commons administration is now exploring options to complete a business case for approval in 2023, alongside the Programme business case. In November 2021, the Programme redeveloped its integrated schedule to better coordinate supporting projects into its timetable (paragraphs 3.22 to 2.24 and Figure 12).

12 In summer 2021, the Sponsor Body and House administrations identified that their working relationship was not effective and introduced new, streamlined arrangements from October 2021. To deliver the Programme, the Sponsor Body needs effective relationships with various groups across Parliament who have different perspectives and cultures and work together through many forums and committees. Groups include the House administrations (who manage some of the supporting projects and the Palace itself); MPs and Lords (who approve the business case and are the end users of the restored Palace); and parliamentary committees, such as the House Commissions who approve the Programme's funding limit until the business case is approved. In April 2020, the House administrations and the Sponsor Body signed an agreement setting out how they would work together. However, there have been challenges working together to develop what a restored Palace will look like and understand how best to engage parliamentary committees. The House administrations and the Sponsor Body both recognised tensions and, in summer 2021, commissioned a joint review which found arrangements were not working. It recommended streamlining relationships through a single steering group. This first met in October 2021. In December 2021 the Steering Group adopted a joint timetable to approve the business case by summer 2023, which outlined the proposed parliamentary engagement and governance activities, though the precise process for agreeing the business case with Parliament has not yet been defined. In December 2021, the Sponsor Body assessed a breakdown in stakeholder relationships as a red-rated strategic risk (paragraphs 2.10 to 2.12, 2.17 and 3.5).

13 A lack of clarity across the Programme increases the risk of restoration work being delayed, which could lead to longer-term costs and risks for Parliament to manage. During the past 20 years, the Palace's condition has caused serious concerns – in January 2021, the Programme told the Committee of Public Accounts that the Palace was falling apart faster than it could be fixed. When we last reported in April 2020, the Sponsor Body expected to start main works in 2026. Assuming that it is required to develop a business case for a full decant only, the Sponsor Body now forecasts main works will start in 2027. This date does not include any contingency for potential delays. Given the current condition of the Palace, Parliament must manage significant liabilities, for example the risk of fire or other catastrophic failure of the Palace. In 2020-21 Parliament spent £20 million to introduce fire safety measures, and in May 2021, the House administrations estimated that repairs and maintenance would cost £308.6 million between 2022-23 and 2024-25. Given events since our last report, the Programme faces similar risks to those we outlined in our April 2020 report, alongside new risks that have emerged (**Figure 1**) (paragraphs 1.3, 1.4 and 3.6).

Figure 1

National Audit Office (NAO) summary of risks facing the Restoration and Renewal Programme (the Programme), as at April 2020 and December 2021

New risks have emerged since we last reported in April 2020

Risks identified by the NAO, April 2020	
Summary	Factors influencing the Programme risk
Overseeing the Programme	
Programme governance does not lead to effective decisions.	<p>Maturity of governance and assurance processes that reflect the Programme's stage.</p> <p>Effective relationship between the Sponsor Body and Delivery Authority.</p> <p>Skills and capacity within the Sponsor Body and Delivery Authority.</p>
Developing Sponsor Body and parliamentary relations	
Unclear requirements lead to scope creep, incomplete consideration of stakeholder needs, delays, or cancellation.	<p>Parliament's ability to provide a common, clear view of what it wants from the strong disparate views of its stakeholders (affected by the maturity of the requirements gathering process).</p> <p>Effective relationship between the Sponsor Body and Parliament.</p> <p>Clarity of change control processes and whether decisions are reopened.</p>
Managing interdependent programmes	
Failure to manage dependencies leads to delays and cost increases given the need to re-align the programme.	<p>Clarity and communication of the status of dependent projects.</p> <p>Planning does not take an integrated approach by considering other projects.</p>
Developing cost and timeframe information for business case	
Poor consideration and management of uncertainties leads to over-optimistic cost and timeframe estimates, inefficient short-term decisions, and unrealistic expectations amongst stakeholders.	<p>Complete and realistic recognition of uncertainties.</p> <p>Clarity of scheme requirements.</p> <p>Quality of information on the Palace's condition.</p>
New risks identified by the NAO, December 2021	
Summary	Factors influencing the Programme risk
Compression of the timeframe creates a need to carry out activities at speed or in parallel.	Delays carried forward into the Programme without understanding or considering the impact.
Programme delays increase cost of day-to-day maintenance and liabilities to be managed.	Processes for managing the condition of the Palace and clarity over timeframes for when work is required.

Source: National Audit Office analysis of Sponsor Body and Delivery Authority data

Concluding remarks

14 The Palace of Westminster Restoration and Renewal Programme, widely endorsed as a necessity to preserve a historically and politically significant building, is at a critical, early stage. Since becoming formally established the Sponsor Body and Delivery Authority have rapidly developed, although they have faced some staffing gaps. The next formal milestone is for the Sponsor Body to present Parliament with a Programme business case, currently expected in early 2023, for its approval. To develop the business case, the Sponsor Body and Parliament need to agree what should be included and the Sponsor Body needs more clarity around critical supporting projects, the condition of the Palace and the desired result of the restoration. Without this, there is a risk that Parliament will spend money without the Programme progressing. Delays to the start of critical restoration work will only increase the risk of incidents, which will not always be possible to mitigate, affecting the Palace itself and those that use it.

Part One

The current position

1.1 In early 2018, Parliament agreed to restore and renew the Palace of Westminster (the Palace) to address significant concerns that it would soon become uninhabitable. In April 2020 we took an early look at the Restoration and Renewal Programme (the Programme) and highlighted the risks to successful delivery.³ This Part summarises the background to the Programme and provides an update on progress and spend to date.

Background to the Programme

1.2 The Palace has historical, political and national significance. It houses the UK Parliament by providing debating chambers, committee rooms and other ceremonial spaces and workspaces for the House of Commons and House of Lords, alongside facilities such as catering and security. Most of the Palace buildings were built in the mid-1800s, after a fire destroyed many of the earlier buildings. The Palace is a large and complicated building which covers eight acres and includes more than 1,100 rooms, 100 staircases and five kilometres of passageways.

1.3 For more than 20 years, Parliament has been considering 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”.⁴ Issues included antiquated systems and the Palace’s structure becoming a fire risk; neglected mechanical and electrical systems; limestone decay caused by pollution and a lack of maintenance; and asbestos. In January 2021, the Programme told the Committee of Public Accounts that the Palace was falling apart faster than it could be fixed.

1.4 The longer the Palace works take, the longer the House administrations will need to manage increasing risks and liabilities, such as the risk of fire or other catastrophic failure of the Palace. In 2020-21 Parliament spent £20 million to improve fire safety measures across the Palace. In May 2021, the House administrations estimated repairs and maintenance would cost £308.6 million from 2022-23 to 2024-25, peaking at £155.7 million per year in 2022-23.⁵

3 Comptroller and Auditor General, *Palace of Westminster Restoration and Renewal Programme*, Session 2019–2021, HC 315, National Audit Office, April 2020.

4 Joint Committee on the Palace of Westminster, *Restoration and Renewal of the Palace of Westminster*, First Report of Session 2016–17, HL Paper 41, HC 659, September 2016.

5 Figure includes forecast spend on planned preventative and reactive maintenance and major projects.

1.5 In January 2018, the House of Commons voted for works to repair the Palace, as well as to improve accessibility and visitor access, including providing educational facilities. It agreed to fully move out of the Palace during the works, as this was the most cost-effective approach considered, with the guarantee of returning as soon as possible after. The House of Lords endorsed this approach in February 2018.

1.6 The Parliamentary Buildings (Restoration and Renewal) Act 2019 established formal structures to deliver the Programme and set out how it would be managed. It required setting up a Sponsor Body as a single entity accountable for the Programme, answering to Parliament (**Figure 2**). The Sponsor Body oversees the Delivery Authority, which manages the Programme. Although Parliament has delegated responsibility for the Programme to the Sponsor Body, it will ultimately provide funding for the works. The House administrations deliver some of the wider projects critical to the Programme, such as preparing temporary accommodation for the House of Commons, unless they delegate projects to the Sponsor Body.

1.7 In April 2020, we provided an early assessment of the risks faced by the Programme, recommending how they could be managed.⁶ The Sponsor Body and Parliament have made some progress against these recommendations (Appendix Two). They accepted all 21 recommendations and, as at September 2021, had implemented 12. This included developing their understanding of Programme uncertainties and a costing approach. Recommendations, including developing both what the restored Palace looks like and parliamentary and Sponsor Body relations remain work in progress. We assess recommendations as implemented when organisations have done what could be expected at a given time. Given the long-term nature of the Programme, and associated uncertainties, we will regularly review progress against recommendations.

Developments since our last report

1.8 Since April 2020, the Sponsor Body and the Delivery Authority have both become established. The Sponsor Body had previously operated in shadow form, with the Delivery Authority developing from a parliamentary estate team within the House administrations. Both organisations continue to develop their capabilities to oversee and deliver the Programme which we discuss in Part Two.

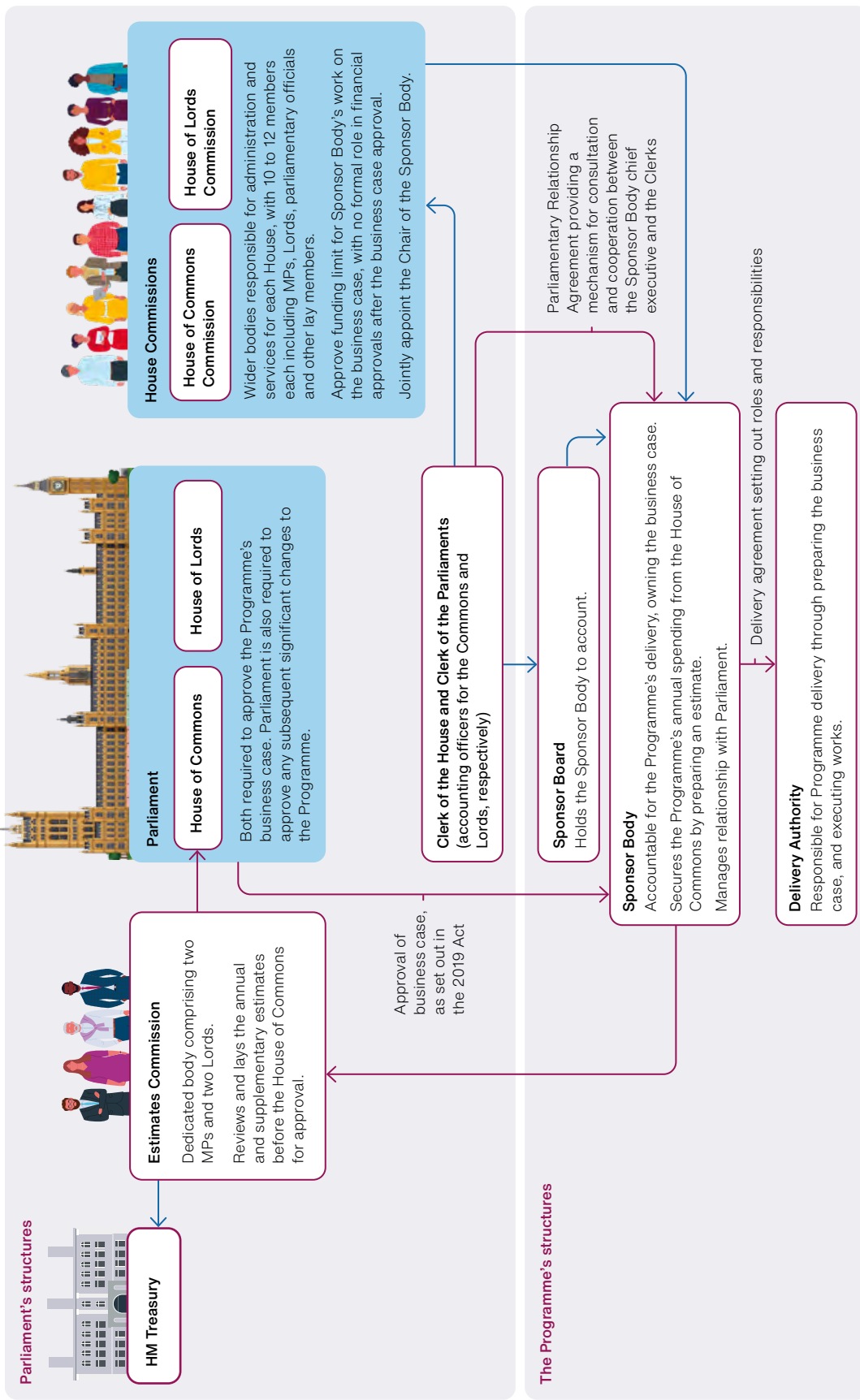
1.9 There have been a series of events affecting the Programme since our last report (**Figure 3** on pages 14 and 15). This includes a strategic review to test the Programme's underlying assumptions and the COVID-19 pandemic. The COVID-19 pandemic delayed the Sponsor Body engaging parliamentary members and surveying the Palace. It also created a different economic and social climate, with government estimated to spend £370 billion on COVID-19 related measures announced between February 2020 and July 2021.⁷ Part Three explains progress developing the business case, the first formal milestone for the Programme.

⁶ Comptroller and Auditor General, *Palace of Westminster Restoration and Renewal Programme*, Session 2019–2021, HC 315, National Audit Office, April 2020.

⁷ Comptroller & Auditor General, *COVID-19 cost tracker, fourth edition*, National Audit Office, September 2021.

Figure 2
The Restoration and Renewal Programme's approvals and delivery structures, December 2021

The Sponsor Body has overall responsibility for delivering the Restoration and Renewal Programme (the Programme)

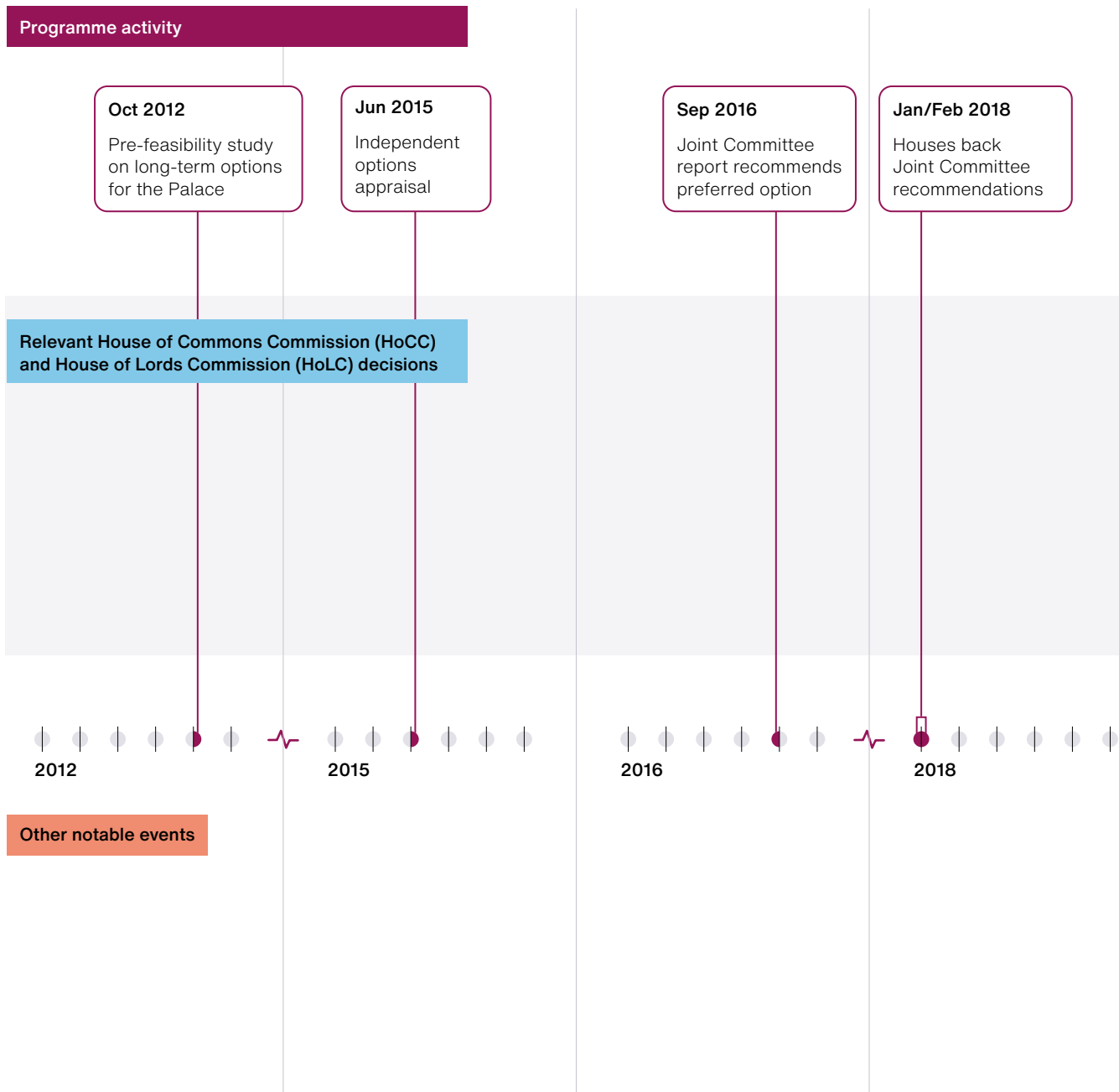


Source: National Audit Office analysis of Parliamentary Buildings (Restoration and Renewal) Act 2019 and parliamentary data

Figure 3

Timeframe for the Restoration and Renewal Programme, 2012 to December 2021

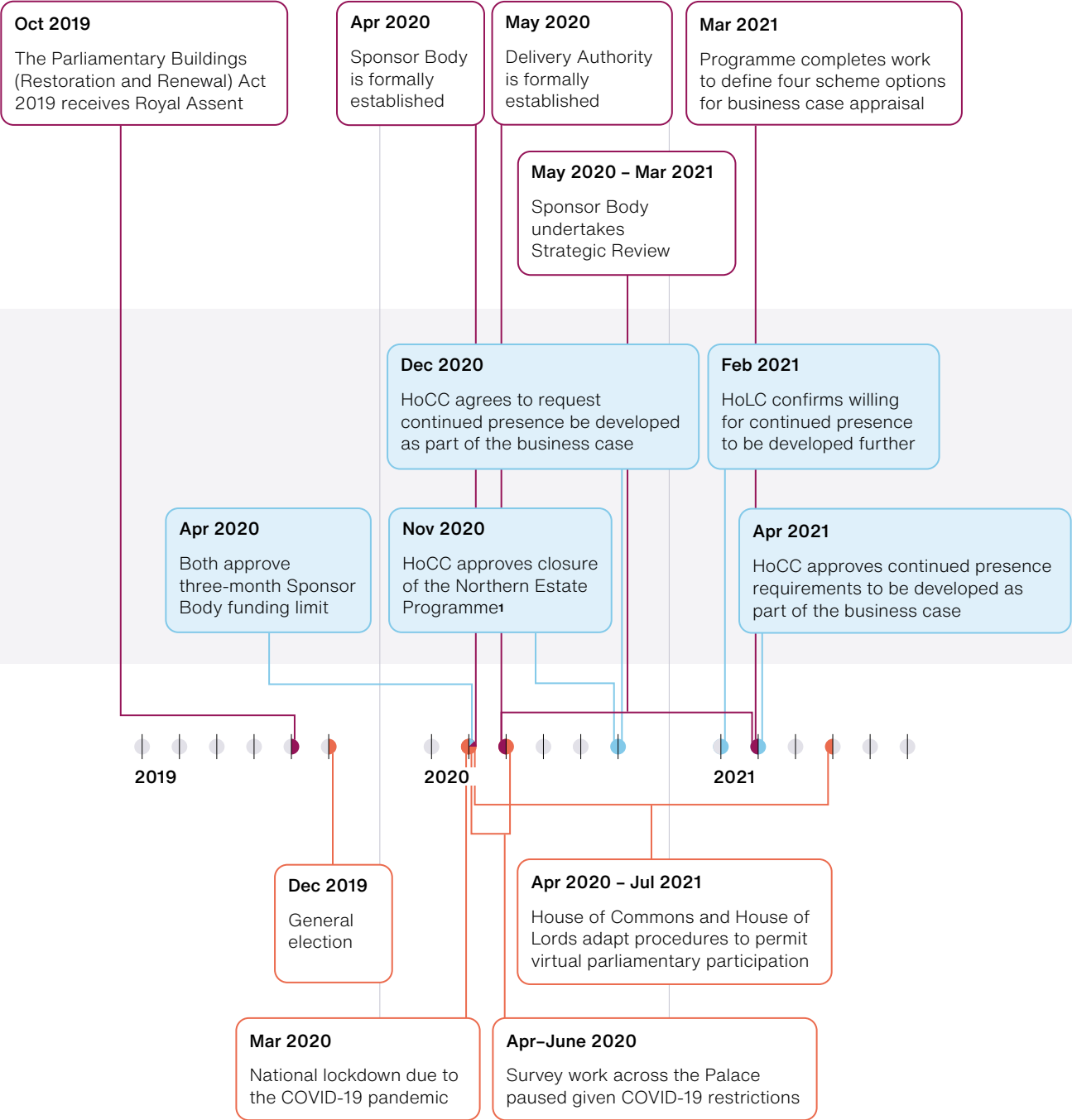
Various events have impacted the Restoration and Renewal Programme (the Programme)



Notes

- 1 The Northern Estate Programme was run by the House administrations to manage the refurbishment and redevelopment of buildings on Parliament's Northern Estate.
- 2 In June 2020, the House Commissions approved funding for the remainder of 2020-21 and, in February 2021, approved Sponsor Body funding for 2021-22.

Source: National Audit Office analysis of Parliament and Sponsor Body data



Strategic Review

1.10 In May 2020, the Sponsor Body announced a strategic review of the Programme to help provide a clear framework to develop a business case. The Programme's direction had been based on a 2016 report from Parliament's Joint Committee on the Palace of Westminster. This concluded that there was "a clear and pressing need to tackle the work ... to prevent catastrophic failure in the next decade." A full decant of the Palace represented the best option given the shorter timeframes involved, lower capital cost, lower level of disruption to Parliament's operation and lower safety risks. The Committee anticipated that the Programme would need to validate the conclusions it had reached.

1.11 The Sponsor Body set up the review to assess whether the underlying circumstances and evidence had changed enough since reports in 2014 and 2016 (the Joint Committee report) to justify a change in the Programme approach. While diverting resources away from producing the business case, the Strategic Review, published in March 2021, set out recommendations for how the business case should be taken forward and what should be covered. This included the options that should be developed for the business case, that a phased approach to works should be undertaken, and that plans to move the House of Commons and House of Lords during the works should be pursued. The Sponsor Body and Delivery Authority have used the Strategic Review as a baseline to develop the Programme (**Figure 4**).

Continued presence

1.12 Following Parliament's endorsement in early 2018, the Sponsor Body's formal mandate was to prepare a business case based on Parliament fully moving out of the Palace during the works (known as a 'full decant').⁸ After requesting initial work as part of the Strategic Review, in December 2020 the House of Commons Commission agreed to request the Sponsor Body "carry out further work to fully understand the costs, time and other implications of carrying out the necessary works whilst some presence was maintained in the Palace." This is often known as 'continued presence' (**Figure 5** on page 18). The House of Lords Commission agreed to this additional work, but expressed concerns about increasing the risk of continuing uncertainty for the Programme and the need to minimise any unnecessary additional work. In February 2021 the Commissions agreed a 2021-22 funding limit which included £5 million for the Sponsor Body to carry out this work. In April 2021, the Speaker of the House of Commons wrote to the Sponsor Body formally setting out the continued presence requirements to be developed through this analysis.

⁸ In January 2018, the House of Commons voted to endorse the approach recommended by the Joint Committee of the Palace of Westminster, with a majority of 16 votes (4% of the 456 voting). The House of Lords agreed this approach, without a vote, in February 2018.

Figure 4

Summary of the March 2021 Strategic Review recommendations and current status, December 2021

The Restoration and Renewal Programme's (the Programme's) Strategic Review made seven recommendations

Summary of Strategic Review recommendation	Current position
1 Adopt new essential and stretch objectives. Develop four options in the business case: a 'do minimum' based on the essential objectives, two intermediate options, and a 'do maximum' based on the stretch objectives.	The Sponsor Body began work to develop four options and has now reduced this to two. It discounted the stretch option on value-for-money grounds, and one of the two intermediate schemes, which delivered broadly similar results.
2 Explore a phased approach to the Palace of Westminster (the Palace) works, to minimise the period of fully vacating the Palace.	The Programme is developing the business case based on a phased approach to the works.
3 Surveys should take place as soon as possible. Rules that permit work in the Palace that is deemed disruptive to be stopped should be reviewed to balance the needs of the Programme against parliamentary activity.	The Delivery Authority has yet to start most intrusive surveys, initially planned for November 2021, but has made progress with non-intrusive surveys, the results of which can feed into designs.
4 The new phased approach may require temporary moves from parts of the Palace, before the main decant. Consider possible locations for short-term facilities to enable the moves.	The Delivery Authority is developing a phased approach to the works.
5 Pursue the plan to decant the House of Commons to Richmond House.	Following a decision by the House of Commons Commission, the Richmond House plan is no longer being pursued. The Commons House administration is currently considering decant options.
6 Pursue the plan to decant the House of Lords to the Queen Elizabeth II Conference Centre but change the business case options, building them from a 'do minimum' basis.	The Programme is pursuing this plan. A 'do minimum' option was added and then later discounted as it was not operationally viable.
7 Ensure governance arrangements balance the need for rapid decision-making and the interest of parliamentary stakeholders in the decisions. Build a more constructive relationship between Parliament and the Programme.	New arrangements for decisions involving the Sponsor Body and the House administrations have been introduced. Parliament and the Programme continue to build a constructive relationship.

Source: Sponsor Body, *Restoration and Renewal Programme Strategic Review*, March 2021, and National Audit Office analysis

Figure 5

Background and description of continued presence, December 2021

The House of Commons Commission requested that the Sponsor Body do further work on the implications of carrying out the works while staying in the Palace of Westminster (the Palace)

What is continued presence?	The House of Commons retains use of a Chamber and some additional functions detailed by the House, such as a media viewing gallery, remain in the Palace. All other parliamentary activities, including offices for around 200 MPs, a second chamber, committee rooms, catering services and a library, would be relocated.
Background	<p>2012: A pre-feasibility study found a partial decant would likely increase the time needed for refurbishment and would have substantial implications for the efficiency of the works.</p> <p>2016: The Joint Committee of the Palace of Westminster, drawing on an independent options appraisal, found a full decant “the best option” while maintaining a continued presence “could combine the worst of all options”.¹</p> <p>2018: The House of Commons voted, with a majority of 16 votes (4% of the 456 voting), for the Houses fully decanting during the works, returning as soon as possible. After a debate, the House of Lords approved a motion for a full and timely decant.</p> <p>December 2020: Upon considering the Strategic Review draft findings (see March 2021 below), the House of Commons Commission agreed to request that, “as part of its preparation for the outline business case, the Sponsor Body should carry out further work to fully understand the costs, time and other implications of carrying out the necessary works while a presence was maintained in the Palace”.</p> <p>February 2021: The Speaker of the House of Lords wrote to the Sponsor Body setting out the House of Lords Commission’s position. They were “willing for the Programme to carry out the further work proposed [by the House of Commons Commission]”, subject to conditions. This included that the analysis should not be nugatory but time-bound and support refining the work required for the business case.</p> <p>February 2021: The House of Commons Commission and House of Lords Commission agreed a 2021-22 funding limit for the Sponsor Body which included £5 million to carry out this work.</p> <p>March 2021: The Sponsor Body published the Strategic Review, publicly reporting that, based on independent expert advice it had commissioned, “the scale of the risks, and value-for-money implications of the extra time and cost required” meant it could not recommend continued presence as it created “an extraordinary level of risk”.</p> <p>April 2021: The Speaker of the House of Commons wrote to the Sponsor Body formally setting out the requirements to be considered in developing the continued presence analysis. They asked the Sponsor Body to return “before the end of the 2021-22 financial year, to seek advice on whether proceeding further with continued presence in the business case amounts to value for money.”</p>
What impact could continued presence have?	<p>Continued presence would allow MPs to stay in the Palace.</p> <p>The Sponsor Body has assessed that considering continued presence would require significantly more work to develop business case options. It would make the Programme more challenging, impacting the sequencing of works and significantly increasing Programme costs and timeframes.</p> <p>For areas which remain under their possession, the Clerk of the House will retain certain risks, such as fire safety, and need to put mitigations in place for an extended period.</p>

Note

- 1 The 2016 report, jointly commissioned by the House of Commons and the House of Lords, considered decanting the two Houses one at a time, rather than fully decanting the House of Lords and partially decanting the House of Commons.

Source: National Audit Office analysis of Parliament and Sponsor Body data

Programme costs

1.13 As at September 2021, the Sponsor Body had spent £145.5 million developing the Programme since it was formally established in April 2020 (**Figure 6** overleaf). This includes £18.7 million on its own activities, and £126.7 million through the Delivery Authority.⁹ Before April 2020, the parliamentary estates team and shadow Sponsor Body had spent an estimated £125 million developing the Programme. These figures do not include:

- how much the House administrations have spent on the Programme since April 2020 to, for example, develop requirements and engage with the Sponsor Body; and
- spend on some related projects such as accommodation for the House of Commons during the works. Up until March 2021, the House of Commons had spent £27 million on plans to reduce current accommodation pressures across the parliamentary estate and £256 million on the Northern Estate Programme.¹⁰ This included £70 million to develop designs for Richmond House, where the House of Commons initially intended to move, which given the uncertainty over long-term plans was written off in 2020-21.

1.14 The Programme's spend has largely been on the Sponsor Body and Delivery Authority establishing what they need to be able to fulfil their roles (**Figure 7** on page 21). In 2020-21, the Delivery Authority spent:

- £16.9 million to plan surveys and develop design options for the Palace; and
- £23.2 million to set up data and digital systems. This included starting to develop a platform for sharing data with Parliament and suppliers. A recent review commissioned by the Delivery Authority found more than 80% of data and digital spending had been on corporate services, with high costs linked to the Programme's need to mobilise quickly. Over the next few years, the Delivery Authority expects to invest significantly in data and digital, including on data storage systems which are currently held by contractors.

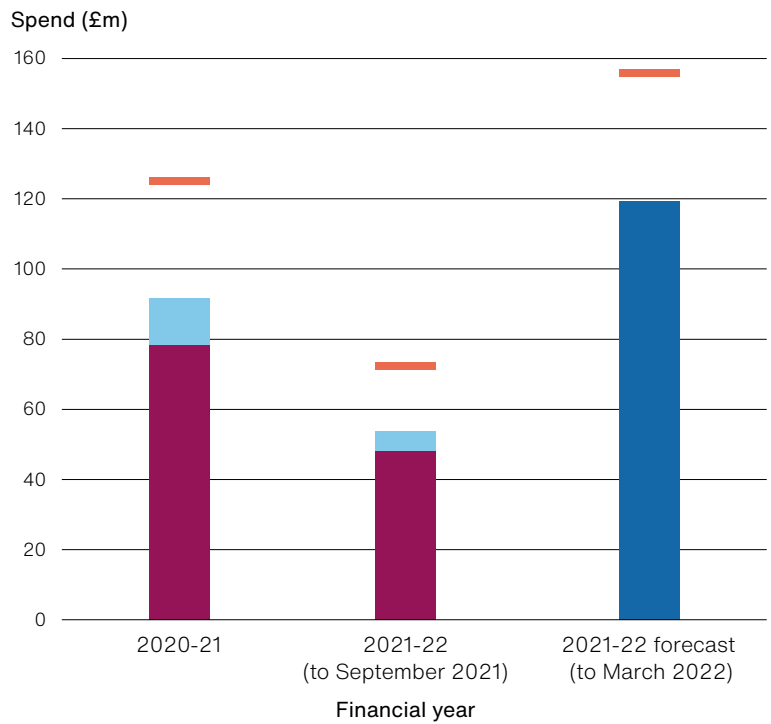
⁹ Figures may not sum due to rounding.

¹⁰ The Northern Estate Programme covered the refurbishment and redevelopment of parliamentary buildings across Parliament's Northern Estate.

Figure 6

Restoration and Renewal Programme spend against budget, April 2020 to September 2021

The Sponsor Body and the Delivery Authority have spent £145.5 million since they became substantive organisations in April and May 2020 respectively



■ Delivery Authority spend (£m)	78.6	48.1	-
■ Sponsor Body spend (£m)	13.1	5.6	-
■ Total spend (£m)	91.8	53.7	119.2
— Total budget (£m)	126.2	74.4	155.6
Variance (£m)	34.4	20.8	36.4
Variance (%)	27	28	23

Notes

1 Data for 2020-21 do not include spend incurred before the Programme organisations became substantive. The Sponsor Body became substantive on 8 April 2020. The Delivery Authority was incorporated on 16 April 2020 and its operations started in May 2020.

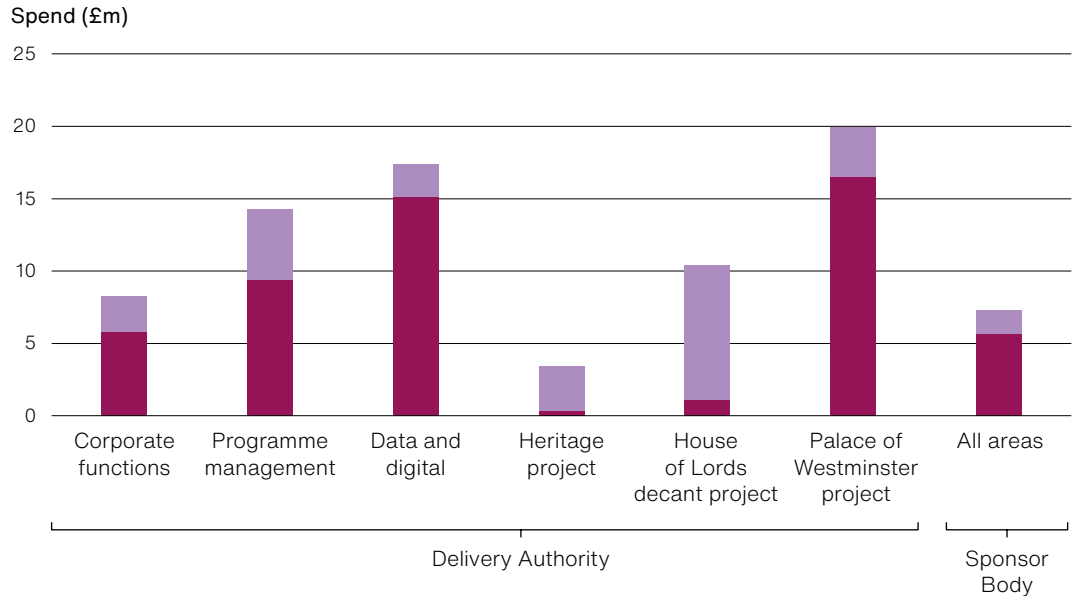
2 Figures may not sum due to rounding.

Source: National Audit Office analysis of Sponsor Body and Delivery Authority data

Figure 7

Restoration and Renewal Programme spend against budget by category, April to September 2021

There have been underspends across all areas of the Restoration and Renewal Programme (the Programme), with two projects spending around 10% of their budget



	Area of spend						
	Corporate functions	Programme management	Data and digital	Heritage project	House of Lords decant project	Palace of Westminster project	All areas
■ Spend (£m)	5.7	9.3	15.1	0.3	1.1	16.5	5.6
■ Budget (£m)	8.3	14.3	17.4	3.4	10.4	19.9	7.3
Variance (£m)	2.5	4.9	2.3	3.1	9.3	3.4	1.7
Variance (%)	31	35	13	90	89	17	24

Notes

- 1 This figure uses un-audited data.
- 2 When its 2021-22 budget was set, the Delivery Authority anticipated its business areas were likely to underspend, so it reduced its total budget using a central accounting adjustment. The Delivery Authority’s total budget for April to September 2021, as shown in Figure 6, is therefore lower than the sum of the budgets for each Delivery Authority area.

Source: National Audit Office analysis of Sponsor Body and Delivery Authority data

1.15 Given the stage of the Programme, in 2020-21 94% of spending was resource rather than capital expenditure. The Sponsor Body and Delivery Authority spent £13.8 million on staff costs, equating to an average annual salary of around £70,000 per employee.¹¹ These figures include £6.4 million spent on temporary staff, equating to 34 full-time equivalents on an average day rate of £737. In April 2021, the Estimates Commission, who review the Programme's funding estimate, challenged the staff costs. The Sponsor Body said high costs result from the Programme prioritising recruitment to more senior roles and recruiting technical specialists from a competitive market. As the Programme is recruiting fewer temporary staff and more junior staff, it forecasts that its average cost per employee will decrease in 2021-22 and 2022-23.

1.16 In 2020-21, in line with its delivery strategy, the Programme employed two consultancies as technical partners: Jacobs to provide programme, project and costs management services, and BDP to provide architectural and engineering services. The Programme organisations inherited these contracts from Parliament (see paragraph 2.5). The Delivery Authority spent £40.6 million on these contracts in 2020-21 (52% of its spending).

1.17 The Sponsor Body and Delivery Authority have underspent against budget by 27% to date, with further forecast underspends in 2021-22. The main reasons for the 2020-21 underspend include the Strategic Review and the COVID-19 pandemic, which led to pauses and delays for activities, such as surveys. Reasons for the 2021-22 underspend include the House of Lords and Heritage decant projects being delayed to allow more time for parliamentary engagement and decisions. They both expect to spend around 10% of their budgets for the period (see Figure 12). Staff costs in 2021-22 have also been lower than expected, in part due to decisions to pause or delay recruitment (see paragraph 2.4).

¹¹ The £13.8 million total staff costs include social security costs, other pension costs and VAT and agency fees for non-permanent staff. These costs are excluded in the calculation for the £70,000 average annual salary per employee.

Part Two

Delivering the Programme

2.1 Since we first reported on the Restoration and Renewal Programme (the Programme) in April 2020, the Sponsor Body and Parliament have sought to build their maturity to oversee and deliver the Programme and build effective relations. This part describes progress in these areas.

Overseeing the Programme

2.2 The Parliamentary Buildings (Restoration and Renewal) Act 2019 (the Act) established a two-tier Programme governance structure – a Sponsor Body having accountability for the Programme and a Delivery Authority undertaking the detailed work. At the time of our last report, the Sponsor Body had just been formally established, with the Delivery Authority following in May 2020. The Sponsor Body had operated in shadow form and the Delivery Authority developed from a parliamentary estates team within the House administrations. We identified risks around these bodies not establishing an effective relationship, having the right skills and capabilities and their arrangements not being appropriate to the Programme stage.

2.3 The Sponsor Body and Delivery Authority have continued to develop their governance and processes. In May 2020, they formally outlined how they would work together with an agreement setting out how, for example, the Sponsor Body would monitor the Delivery Authority. The organisations have since built a close working relationship, with a third-party review referencing the high level of collaboration and trust between them.

Building capability

2.4 As new bodies, the Sponsor Body and the Delivery Authority must build their capabilities to deliver the Programme. Since May 2020, both have expanded with staff increases of 40% and 74% respectively, which includes a fall in the number of interim staff used (**Figure 8**). The Sponsor Body told us that in October 2021, 24% of full-time equivalent posts in the Sponsor Body and 37% in the Delivery Authority were vacant following delays and decisions to cancel or defer recruitment. At that time, some gaps remained across key roles, including digital within the Delivery Authority and business case development within the Sponsor Body, although both organisations have continued to recruit.

Figure 8

Restoration and Renewal Programme staff numbers, 2019–2021

Since the Sponsor Body and Delivery Authority became substantive, the number of staff directly employed by the Restoration and Renewal Programme (the Programme) has increased relative to the number of interims

	Programme organisations substantive			
Staff responsible for managing the Programme			May 2020	October 2021
	March 2019	December 2019		
House administration team working on restoration and renewal			Delivery Authority staff	
Permanent	54	65	29.9	116.3
Interim	0	0	49	21
Total	54	65	78.9	137.3
Sponsor Body staff			April 2020	October 2021
	March 2019	December 2019		
Permanent	12	25	24.6	40.8
Interim	0	10	6	2
Total	12	35	30.6	42.8

Notes

- 1 Staff numbers refer to full-time equivalent posts. 'Permanent' staff figures include secondees.
- 2 The Sponsor Body became substantive in April 2020 and the Delivery Authority in May 2020. Staff in the House administration team transitioned to the Delivery Authority when it became substantive.
- 3 The data in this figure differ from that published in our April 2020 report which included technical consultants providing programme, project and cost management services. These have been excluded as comparable data is not available.
- 4 Figures do not include parliamentary staff involved in related work in 2020 and 2021, nor staff on interdependent projects for which the Programme is not responsible.

Source: National Audit Office analysis of Sponsor Body and Delivery Authority data

2.5 As at December 2021, the Delivery Authority is using 330 full-time equivalent staff from consultancies to provide technical programme management, cost management, design and survey skills which it would be difficult to develop or hire directly (see paragraph 1.16). The two main consultancies (Jacobs and BDP) are engaged on 10-year contracts (valued at up to £336 million) initially let by the House administrations in 2017. In response to questions from the Parliamentary Works Estimates Commission in March 2021, the Delivery Authority's chief executive assured the Commission that the Jacobs contract represented good value for money. It would re-compete the contract after completing detailed work plans and when there was a clear idea of the role a technical contractor could provide.

Risk management and assurance

2.6 The Sponsor Body has responded to our and the Committee of Public Accounts' recommendations to make the most of opportunities to assure the Programme. It has developed an assurance strategy and has embedded a representative within the Delivery Authority to better understand performance. It also invited a third-party review team containing Infrastructure and Projects Authority (IPA) accredited reviewers to undertake two reviews looking at its capability and governance (April 2021) and then business case planning (December 2021). The IPA itself does not have a formal role in Programme assurance.

2.7 In April 2021, the third-party review team recommended the Sponsor Body provide clarity on who is responsible for particular risks and hold Parliament's Accounting Officers to account against risks they own. The Sponsor Body has set up mechanisms to track these risks. For example, the Parliamentary Relationship Agreement defines an owner for each of its 16 risk categories and the Sponsor Body, House of Commons and House of Lords regularly share their top risks. The Delivery Authority is developing its internal risk management capability, although it is not yet at its target level of maturity.

Change control

2.8 The long-term nature of the Programme makes it likely that technology and working practices will change while it is ongoing. As a result, the objectives and requirements set early in the Programme may need to be revisited. At the time of our last report, the Sponsor Body and Parliament had not yet agreed a process for making changes after business case approval. To ensure stable assumptions to develop the business case, the Sponsor Body has since decided to introduce formal processes for design changes from January 2022. The Sponsor Body has set out how it will manage changes, Parliament and the Sponsor Body now need to work together to understand how their respective change processes fit together.

Developing Parliament and Sponsor Body relations

2.9 Parliament has set up the Sponsor Body as a single entity accountable for the Programme. Although Parliament has delegated responsibility for the Programme, parliamentary approval is required for the works and funding. It is therefore important there is support within Parliament for the Programme scope, requirements, and budget.

2.10 The Sponsor Body needs an effective relationship with various parts of Parliament to complete its work. In April 2021 a third-party review found it was critical that the Sponsor Body reconsider its positioning in respect of Parliament and look to build itself as a “trusted representative” of the Houses. In December 2021, the Sponsor Body assessed a breakdown in stakeholder relationships as a red-rated strategic risk. Officials we interviewed described differing cultures and attitudes in Parliament and the Sponsor Body. For example, Parliament emphasised the value of using established governance processes to build political support for decisions, and the Sponsor Body has prioritised trying to speed up decisions by doing things differently.

Relationship with Parliament members and committees

2.11 The Sponsor Body needs to work with members of the House of Commons and House of Lords as end users of the Palace who approve the business case. As part of this, the Sponsor Body undertook an exercise to engage directly with members in November 2021, which had been delayed due to the COVID-19 pandemic.

2.12 To help build trust across the Houses, the Sponsor Body also needs to engage with the House Commissions and parliamentary domestic committees who can support members by giving them assurance. The House Commissions also have a formal role in these early Programme stages by approving the Sponsor Body’s funding limit before the business case is approved by Parliament.

2.13 The Sponsor Body has not always followed expected parliamentary governance processes. In autumn 2021, the Sponsor Body developed an integrated plan setting out when it would engage with various committees as part of the business case process, seeking approval for its plans from the House administrations in December 2021. As part of the plan, the time for Parliament to consider the business case has fallen from six months, when we last reported, to three months. The domestic committees do not have a statutory role, but the Sponsor Body may still need their endorsement to progress work on the Programme and supporting projects.

2.14 Up until the business case has been approved by Parliament, the House Commissions have responsibility for setting the Programme's funding limit. They can set a funding limit covering a multi-year period, for example until the business case is approved, or for a shorter period. Each year, the Sponsor Body must then prepare an annual budget estimate to be scrutinised by a dedicated Estimates Commission and approved by the House of Commons.

2.15 In March 2020, the Sponsor Body submitted to the House Commissions an estimate of £149.6 million to progress the business case in 2020-21, and a funding limit covering a two-year period. The House Commissions did not approve the funding limit owing to concerns about the potential impact of both the COVID-19 pandemic and the Richmond House planning application. In April 2020, they approved a £27.5 million funding limit for the three months to the end of June 2020. They subsequently approved, in June 2020, a £126.2 million limit for the full year, reflecting how much had already been spent and, in February 2021, £155.6 million for 2021-22.

2.16 In early 2022 the Sponsor Body will share, and request, its estimate of the funding needed to complete the business case. The House Commissions will be asked to approve the Sponsor Body's funding limit for 2022-23 and consider an assessment of the Programme costs and the impact of continued presence. Developing a continued presence approach within the business case will influence the amount of funding needed (see paragraph 3.8). To work quickly, Parliament and the Sponsor Body agreed for domestic committees to not scrutinise and endorse material going to the House Commissions at this stage.

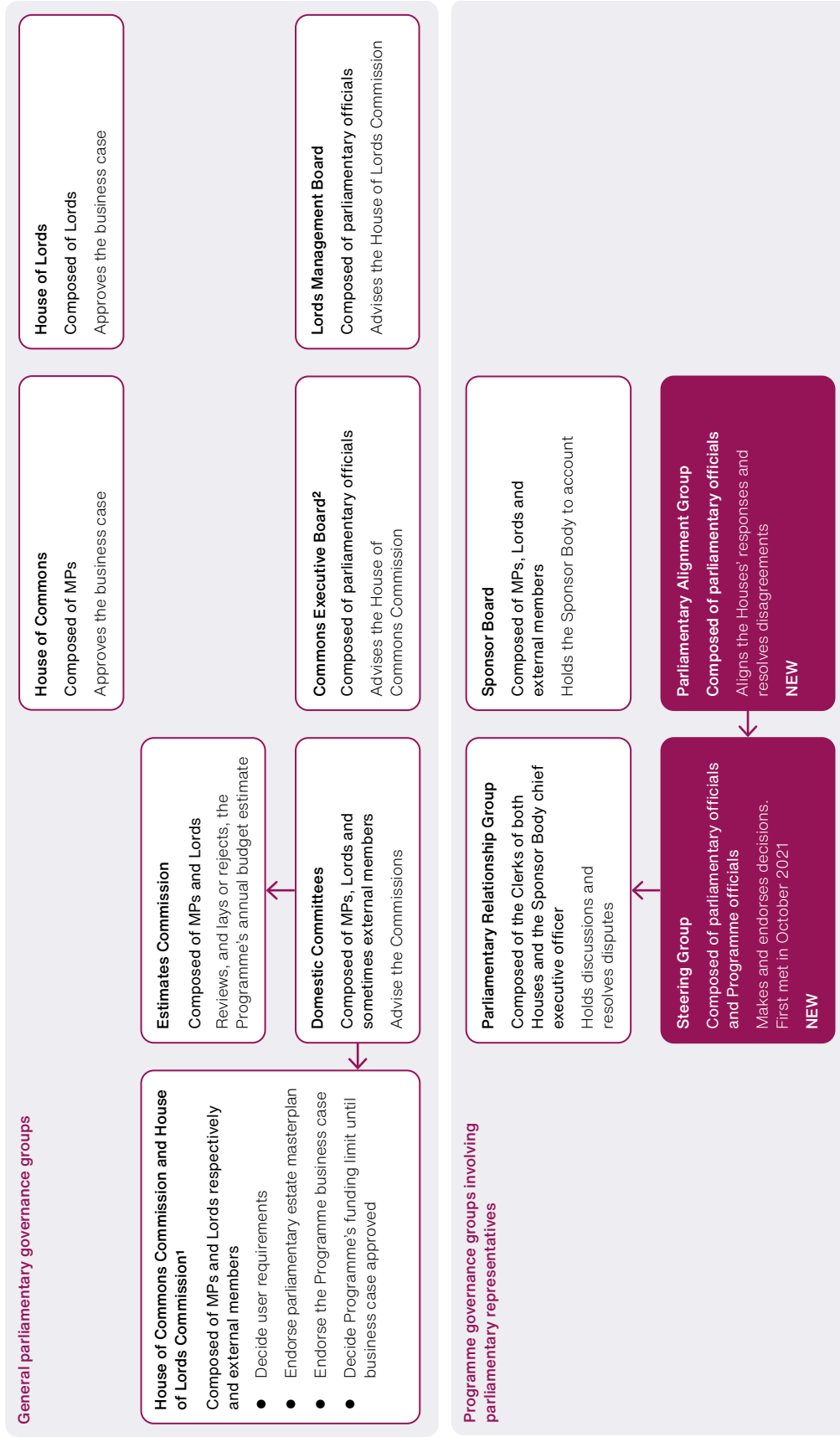
Relationship with House administrations

2.17 The House administrations manage the parliamentary estate and need to provide critical information to the Programme on the Palace's condition, as well as facilitating access to the Palace. In April 2020, the House administrations and the Sponsor Body signed an agreement setting out how they would work together. There continue to be challenges getting the working relationship and structures right. For example, in 2021, the Sponsor Body and Parliament found there needed to be greater clarity on how requirements would be agreed, and on responsibilities for managing the links between supporting projects and the Programme. In summer 2021, the Sponsor Body and House administrations carried out a review of the existing governance which found arrangements were not working. They agreed to "streamline" the structure and introduce a single decision-making Steering Group to replace various groups (see **Figure 9**). The Steering Group first met in October 2021, and in December 2021 adopted a joint timetable to secure approval of the business case by summer 2023. This outlined the proposed parliamentary engagement and governance activities.

2.18 Processes necessary to develop the information critical to the business case have put a strain on relationships. For example, Parliament's administration was given four weeks by the Sponsor Body to review and validate the strategic requirements (see paragraphs 3.13 to 3.16), while progress with the Programme's surveys, which have been affected by COVID-19 restrictions, remain at risk of delays given challenges accessing the Palace and Parliament's information (see paragraph 3.21).

Figure 9
The Restoration and Renewal Programme's interfaces with Parliament, December 2021

Restoration and Renewal Programme's (the Programme's) interfaces remain highly complex



Notes

- 1 The House Commissions provide strategic direction to the House administrations. They are chaired by the Speaker of their respective Houses.
- 2 The Commons Executive Board and the Lords Management Board are chaired by the Clerks and provide corporate leadership to the House administrations.

Source: National Audit Office analysis of Parliament and Sponsor Body data

Part Three

Developing the business case

3.1 The first formal milestone for the Restoration and Renewal Programme (the Programme) is for the Sponsor Body to produce a business case. It currently expects to present this to Parliament in early 2023 for its approval. This Part describes what a robust business case needs to include and the Sponsor Body's next steps in developing one.

What a business case requires

3.2 A business case helps transparent and evidence-based decision-making. It should set out several viable options for achieving an objective, alongside the information needed to decide which option to take forward. HM Treasury guidance requires a business case includes the following parts:

- **strategic case**, to give the decision-maker a clear understanding of a programme's rationale and objectives;
- **economic case**, to demonstrate the preferred option will deliver the best social value to society;
- **financial case**, to demonstrate the preferred option will be affordable;
- **commercial case**, to demonstrate the preferred option will result in a viable procurement and a well-structured deal; and
- **management case**, to show that robust arrangements are in place for programme delivery.

3.3 For the business case, the Programme will need cost, timeframe and risk analysis for different options of what a restored Palace of Westminster (the Palace) will look like. The analysis should reflect the uncertainties associated with the Programme's current stage. To achieve this, the Sponsor Body will need to understand the plans for, and timetable implications of, supporting projects and develop a design using information about the Palace's condition, and the specification for the restored Palace.

3.4 The House of Commons and House of Lords will decide which option to take forward. The chosen option will provide a foundation for the Sponsor Body to develop the Programme. As the client, Parliament may choose to revisit its decision during the lifetime of the Programme.

3.5 Before being presented to Parliament, the business case should be quality assured and, although not required by legislation, considered by the Sponsor Board and other parliamentary committees before being presented to the Houses. Members of the Houses will expect advice and assurance from domestic committees such as the finance committees.

Progressing the business case

3.6 When we last reported in April 2020, the Sponsor Body expected to present Parliament a business case in autumn 2021 for it to approve in 2022. The enabling works would then start in 2025, with main works in 2026. In early 2021 the Sponsor Body revisited its plans with the aim of establishing a more realistic timetable. Based on its current legislative remit, the Sponsor Body now plans to send the business case to Parliament in early 2023, for their approval before summer (**Figure 10** on pages 32 and 33). This allows up to 14 months to develop and assure the information and then get the necessary board and parliamentary approvals. On that basis, the Programme timeframe assumes that, at the earliest, enabling works will start in 2025 and main works in 2027. These dates do not include any contingency for potential delays.

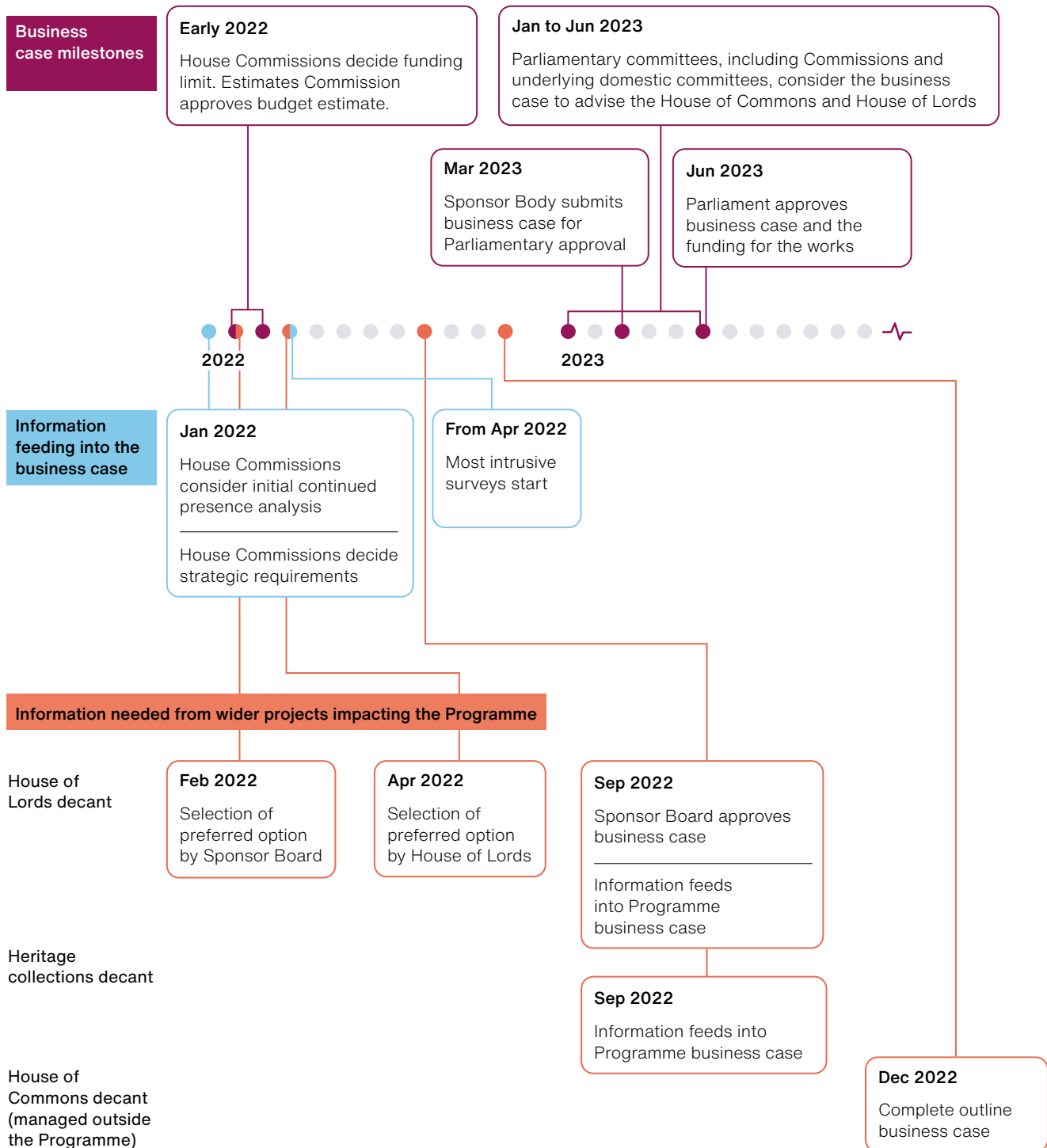
3.7 In November 2021 the Sponsor Body assessed the risk of a delay to the 2023 milestone as 'high'. In December 2021 the Sponsor Body shared with Parliament a detailed plan for developing the business case. This included timings for consulting Parliamentary stakeholders on the programme business case. The detailed plans for some dependent projects do not yet extend to 2023. The precise process for agreeing the Programme business case with Parliament has not yet been defined.

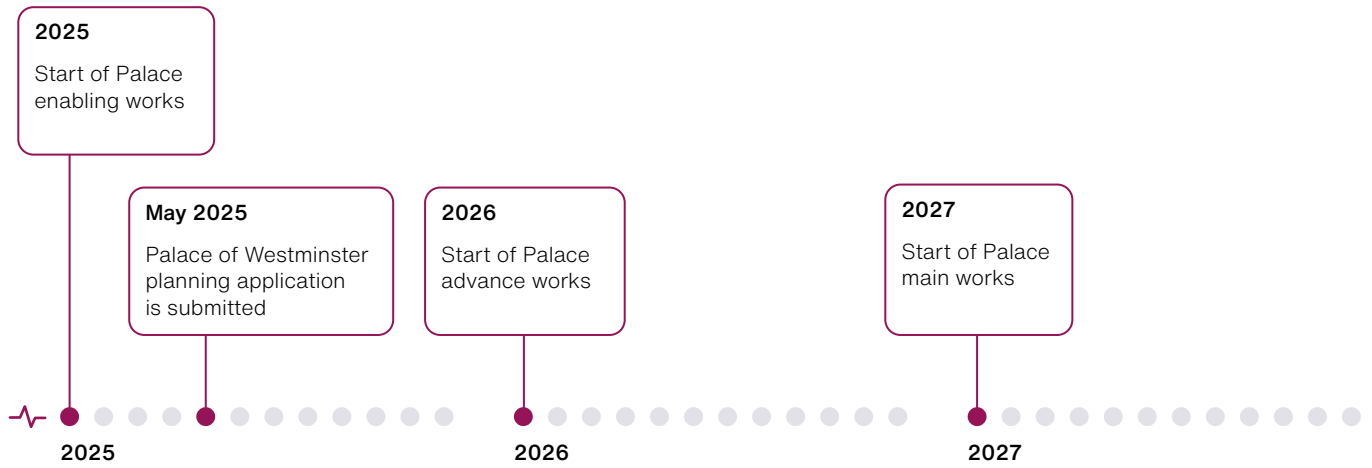
3.8 The Sponsor Body does not yet have funding to operate beyond March 2022. It needs to secure a revised funding limit (from the House Commissions) and then approval of its annual estimate (scrutinised by a dedicated Estimates Commission). To secure funding and progress the business case, the Sponsor Body needs clarity on what should be developed in the business case. The House of Commons Commission had previously asked the Sponsor Body to undertake initial analysis on the impact of continued presence during the works (see paragraph 1.12). The Sponsor Body presented this information to the House Commissions in January 2022 for discussion purposes. It has advised the Commissions that it is not currently conducting further work on continued presence. Developing this work as part of the business case will increase the time, cost and work involved in producing it.

Figure 10

Timeline for developing the Restoration and Renewal Programme business case, as at December 2021

To complete the business case, the Restoration and Renewal Programme (the Programme) must first achieve other milestones





Note

1 All milestones are 'zero risk', meaning a given event will not occur before this point, but it is likely to be later than the timeline indicates. The Programme does not have a risk-adjusted timeline with any contingency incorporated.

Source: National Audit Office analysis of Sponsor Body, Delivery Authority and Parliament data

Developing the business case information

Options to be considered

3.9 Within the business case, the Sponsor Body will develop and assess two options and select a preferred one (**Figure 11**). Each option will need to be operationally viable. It should also develop a business-as-usual option to compare other options against a situation where the Programme does not go ahead. The Sponsor Body recently identified a gap in its work and began to plan an appraisal of counterfactual costs in November 2021.

Figure 11

Options being developed for the Restoration and Renewal Programme business case, December 2021

The Houses of Commons and House of Lords will have two main options to select from

Option	Essential (do minimum) scheme	Intermediate scheme	Alternative intermediate scheme	Stretch (do maximum) scheme
Coverage in business case	Main options (fully assessed)		Longlist options (included but not fully assessed)	
Overview	Meet the essential objectives described in the Strategic Review ¹	Go beyond the essential objectives, but better value for money	Go beyond the essential objectives, but more affordable	Meet the stretch objectives described in the Strategic Review
Indication of what options cover				
Accessibility	75%–80% internal step-free access	90%–95% internal step-free access, including non-public areas		
Functionality	Some internal adaptations	New office space created in two to four covered courtyards		New office space in eight covered courtyards
Sense of history	Backlog repairs only	Repair, reinstatement and medium-term conservation to reduce the need for future works		Repair, reinstatement, and long-term conservation to minimise future works as far as possible

Notes

- 1 Parliamentary Works Sponsor Body, *Restoration and Renewal Programme Strategic Review*, March 2021.
- 2 All schemes will involve works to the external structure of the Palace of Westminster (the Palace) and to address asbestos, fire, building services and energy and carbon risks.
- 3 In January 2022 the Sponsor Body provided the House Commissions its initial analysis on the impact of a continued presence approach on the Programme.

Source: National Audit Office analysis of Sponsor Body data

3.10 The Strategic Review recommended that the Sponsor Body develop up to four options; a 'do minimum' based on essential objectives, a 'do maximum' based on stretch objectives, and up to two intermediate options. The Programme has decided to fully evaluate two of the four options (the do minimum option and one of the intermediate options) to reduce wasted effort and have a more efficient design process. Initial indications were that the do maximum option would be unacceptable in terms of cost, while the two intermediate options delivered broadly similar results. The Delivery Authority is developing concept designs for the options being taken forward for the business case and planning for early works.

Cost and timeframe information

3.11 During their early stages, complex infrastructure programmes face significant uncertainties which make it hard to estimate how long they may take, or how much they may cost. As such, programmes should develop cost and timeframe ranges with a plan for how these will reduce over time. In April 2020, we identified a risk for the Programme that the poor consideration and management of uncertainties would lead to over-optimistic cost and timeframe estimates, inefficient short-term decisions, and unrealistic expectations among stakeholders.

3.12 Drawing on the information available, the Sponsor Body has developed a provisional 'trending' cost and timeframe range. It undertook a benchmarking exercise to understand comparative costs and some surveys to understand the work involved. It has sought to understand uncertainties and developed a strategy to reduce these as it progresses the design and more data become available. Those independently assuring the Programme have suggested underlying uncertainties may mean a higher contingency will be needed in the business case than initially expected. Should the Sponsor Body decide it does not have sufficient information to develop a robust business case analysis, it could also delay the business case.

Uncertainties around what will be delivered

3.13 To inform the business case, the Sponsor Body needs clear, high-level requirements setting out, for example, the facilities required in the Palace. It sees these as fundamental to the success or failure of the Programme and has continually identified unclear requirements as a top strategic risk. As Parliament will approve the requirements as part of the business case, the Sponsor Body must consider Parliament's views when bringing them together. In April 2020 we recommended Parliament and the Sponsor Body put in place clear structures to work together to establish a single set of objectives and requirements.

3.14 Parliament and the Sponsor Body started discussing requirements in autumn 2020. In early 2021 the Sponsor Body did not have clear structures to establish the requirements. A third-party review team found that arrangements were inadequate and made recommendations to improve processes and information sharing. Parliament and the Sponsor Body also recognised the need to allow sufficient time for parliamentary committees to engage on the strategic objectives and user requirements.

3.15 In May 2021 the Sponsor Body provided Parliament around 200 detailed ‘design assumptions’.¹² It planned to engage on these for three months to resolve gaps, then re-engage members with the revised requirements for around six weeks. Parliament’s initial feedback was that their volume and presentation would make it hard to engage members and they suggested designing a new approach.

3.16 On 13 October the new Sponsor Body and Parliament Steering Group discussed requirements, with Parliament expressing concern around the timetable, complexity of the material and the need to engage members and committees. As a result, in November 2021 Parliament and the Sponsor Body agreed a revised plan, developed by Parliament. This involved working collaboratively and refining the requirements, prioritising those with most significant impact on the business case, in a compressed four-week timetable. The Steering Group deferred their endorsement from November to mid-December, for the House Commissions to then approve requirements in January 2022. This meant domestic committees would be engaged after requirements had been approved, with any changes they requested being considered through formal change processes. Requirements are being developed in parallel with cost and timeframe estimates and the designs.

Uncertainties around the Palace’s condition

3.17 To develop designs, the Delivery Authority needs data on the Palace’s condition. Given the age of the building, and given it has been modified over time, accurate records are not comprehensively available. At the time of our last report the Delivery Authority had started to survey buildings to test its assumptions about the Palace’s condition and the work required to develop a detailed and costed plan. In January 2021 the Sponsor Body told the Committee of Public Accounts that without survey data, it could not produce the information needed to progress the Programme with any level of certainty or demonstrate value for money.

¹² The Sponsor Body defines a ‘design assumption’ as an assumed answer to an unresolved requirement question and a parliamentary user requirement as what parliamentary stakeholders consider important for the programme to satisfy.

3.18 As at December 2021 the Delivery Authority had completed 50 (46%) of the 108 surveys it has planned. These were mostly non-intrusive surveys which investigate areas that are viewable or accessible, making them easier to undertake than intrusive surveys. Non-intrusive surveys are delayed due to COVID-19 related restrictions, staff shortages within the Programme's contractor, and limitations on parliamentary personnel being available to allow surveyors access to some spaces.

3.19 The Delivery Authority has made less progress undertaking intrusive surveys than it had planned. On 26 March 2021, the Delivery Authority requested expressions of interest, valued at £80 million over the next four years, to undertake this work from November 2021. The start of this work has been delayed until at least April 2022 given the Delivery Authority has not been able to use Parliament's existing framework suppliers; delays awarding the contract, following extra time needed for the procurement; and challenges setting up the practical arrangements. Three of these surveys will have a material impact on the business case information – the building intrusive survey, the ground investigation and the building services survey. These surveys will continue for years and progressively provide information to inform the business case and subsequent design and planning stages. Initial survey findings may lead to revisions to designs being produced now – whilst the impact of this would be significant, the Delivery Authority regards this as unlikely given the information already available.

3.20 While the Delivery Authority has undertaken fewer surveys than it had anticipated, it expects to have sufficient information by October 2022 when inputs to the business case analysis are finalised. To do so it told us it has prioritised work and cancelled 21 non-intrusive surveys that, as the design work has progressed, it considers no longer necessary. Delays collating this information will affect the level of uncertainty, and therefore contingency, to be reflected in the business case.

3.21 For surveys to be completed, the Delivery Authority and Parliament must work together effectively. To avoid redundant survey work, the Delivery Authority has requested parliamentary information on the Palace's condition. As of November 2021, it was awaiting a response to 45% (74) of its requests. As an indicative estimate, the Delivery Authority stated that gaps in this information could increase programme costs by many millions, though precise costs cannot be known at this stage. These costs may be unavoidable if Parliament does not hold the information requested. The two bodies also need to work together to ensure surveyors can access the Palace and necessary welfare facilities are available, which are constrained by Parliamentary business and the space available.

Understanding and managing supporting projects

3.22 To deliver the Programme a series of projects must be delivered in sequence and on time. The Sponsor Body is responsible for some of these projects, such as providing House of Lords accommodation, and the House administrations are responsible for others, such as providing House of Commons accommodation. These projects will be necessary regardless as to whether Parliament retains some presence in the Palace during the works, as facilities such as MPs' offices and Committee rooms would still be moved. Delays or issues with one project can impact the Programme as a whole.

3.23 The Sponsor Body needs a good understanding of these projects (and their associated uncertainties) to develop the business case and longer-term timeframes. Equally, these projects require information from the Palace to be developed, such as when decant accommodation will be required. In April 2020 we recommended the Sponsor Body sets out interdependencies to provide a realistic view of when projects should deliver and how interdependencies would be managed. The Sponsor Board and House administrations established a joint group to manage interdependencies. In November 2021, the Programme redeveloped its integrated schedule to better coordinate supporting projects into its timetable, which the joint Steering Group tracks performance against.

3.24 The most significant projects on which the Programme relies have been delayed or paused (**Figure 12**). The Sponsor Body and Parliament both recognise the risks with supporting projects, such as delays to the business case or works starting, but have struggled to address the underlying issues. The Sponsor Body has consistently raised this as an issue that could undermine the delivery of the Programme.

House of Commons decant accommodation

3.25 The House of Commons currently has responsibility for providing accommodation for the House of Commons on the parliamentary estate during the works. To do so, it must understand from the Programme the space and services required and when, which will in turn depend on whether Parliament maintains a continued presence during works and on the wider timetable. To produce a credible business case, the Sponsor Body will need to understand the costs, timing and risks of the decant project to house the House of Commons.

Figure 12

Wider projects critical to the Restoration and Renewal Programme, December 2021

Challenges in delivering wider projects may delay the restoration and renewal of the Palace of Westminster (the Palace)

Organisation responsible	Project	Status
Restoration and Renewal Programme (the Programme)	Heritage works Procure a storage facility and move staff and heritage collections artefacts out of the Palace. This requires surveying and cataloguing artwork, furniture and other heritage collections in the Palace.	The Sponsor Body has paused work for eight months to ensure that the project aligns with Parliament's long-term goal to consolidate its storage, safeguard the heritage collections, improve the care of collections and make them accessible. Parliament expects to set its plan to achieve its long-term goals in early 2022. COVID-19 restrictions impacted surveys, which were paused from mid-2020 to June 2021. These are now under way but are limited given the need to resolve concerns around data collection and handling and the limited availability of parliamentary staff to support the surveyors.
	House of Lords decant facilities Prepare temporary facilities from which the House of Lords can operate during the works.	The Programme is developing options to use the Queen Elizabeth II Conference Centre. Some parts of the project were paused during the Strategic Review. The selection of a preferred option was deferred pending further discussion on whether the approach to the Palace works would involve continued presence which would influence how long the House of Lords will need to decant. Difficulties associated with entering an agreement to lease the Conference Centre are contributing to prospective project delays. The decant project is due to be completed 13 months after the start of main building works.
Parliamentary administrations	House of Commons decant facilities Prepare temporary facilities from which the House of Commons can operate during the works.	The Northern Estate Programme, previously expected to enable the decant of the House of Commons to Richmond House, has been closed and replaced with a portfolio of projects which include using Richmond House as a decant accommodation for another building in need of restoration. In October 2021, the House of Commons began a project to develop new options, but no plan is yet in place for vacating the Palace by 2027.
	House of Commons moves Move people and belongings out of the Palace.	Work to develop this project has not started.
	House of Lords moves Move people and belongings out of the Palace.	Work to develop this project was put on hold by the House of Lords administration due to the Strategic Review. The project has a draft mandate.
	Archives Relocation Programme Relocate the parliamentary archives from their current home in the Victoria Tower.	The Programme is on time and under budget. Its forecast whole life costs are £18.3 million. The outline business case has been approved. The preferred option is to create a partnership with the National Archives, under which the parliamentary archives will move to Kew.

Notes

- 1 The table does not include all interdependent programmes, only those we judge to pose the greatest risks to the Restoration and Renewal Programme's timeframe.
- 2 The House of Commons is responsible for providing accommodation for the House of Commons on the parliamentary estate. The Sponsor Body is responsible for providing accommodation for the House of Lords and heritage collections. The House of Lords is responsible for providing accommodation for the archives. The parliamentary administrations retain responsibility for projects to move people to new accommodation.

Source: National Audit Office analysis of Parliament and Sponsor Body data

3.26 When we reported in April 2020, Parliament had expected to renovate Richmond House to accommodate the Commons as part of its Northern Estate Programme. The Sponsor Body planned to take responsibility for this work from Parliament in summer 2020. However, in September 2020 the House of Commons Commission, during the COVID-19 pandemic and the Strategic Review of the Programme, decided to use Richmond House as a decant location to renovate a different critical building on the estate. In November 2020 the Commission approved closure of the Northern Estate Programme. In March 2021 the House of Commons wrote off £70 million it had spent developing plans to renovate Richmond House.

3.27 In both April 2021 and December 2021, third-party review teams described how a lack of clarity on the Commons decant project jeopardised the Programme's success. In their April 2021 review, they recommended Programme interfaces be clearer and that a decant strategy or assumptions be urgently adopted to give confidence that the business case could be delivered.

3.28 The House of Commons administration is revisiting its plans for the decant accommodation and initiated a new project in autumn 2021. Given the condition and need for wider investment across the northern parliamentary estate, the House administrations are taking a wider look at the work needed across the estate beyond providing decant accommodation. It is currently exploring options to complete a business case in December 2022, for approval alongside the Programme business case in 2023. The Parliamentary Joint Investment Board approved a House of Commons decant accommodation project mandate in October 2021 and the Commons House administration shared draft assumptions for the Commons decant with the Programme in November 2021.

Appendix One

Our investigative approach

Scope

1 The Restoration and Renewal Programme (the Programme) aims “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 April 2020, we published a first report on the Programme to identify the value for money risks relevant to the approach approved by Parliament – doing repair work while it moves elsewhere. The report recommended how Parliament and the Sponsor Body can reduce these risks and described the potential impact of not doing so. This report intends to update Parliament on progress to date with the Programme, including developing the information needed for a credible business case, the next major milestone for the Programme. Our report describes:

- the Programme background and a summary of recent events;
- progress delivering the Programme; and
- the work required to develop a robust business case.

2 This report provides a factual update. Although we have drawn together our findings into concluding remarks, we do not evaluate the Programme’s value-for-money. We also do not comment on policy decisions, which are a matter for Parliament. We will revisit our understanding of risks as the Programme develops and plan to assess whether the business case sets the Programme up to deliver value for money.

3 The report is based on work undertaken between November and December 2021. The timing of this work means we have not audited the robustness of the Programme’s ‘trending’ cost and time estimates, nor have we assured the quality of the evidence submitted by the Sponsor Body to Parliament’s House Commissions.

Methods

4 As part of our fieldwork we reviewed a range of Programme-related documents, including:

- the Parliamentary Relationship Agreement and the Programme Delivery Agreement to understand how the organisations work together and the Programme is governed;
- organisation charts and internal data on staff numbers to understand current gaps and how numbers had changed over time;
- performance reports, board minutes and risk registers to understand progress with the Programme and how it was being managed;
- management accounts up to September 2021; published accounts from the Sponsor Body and Houses of Parliament; and financial information to understand budget and costs could be broken down;
- third-party Programme reviews, including from consultants and reviews containing Infrastructure and Projects Authority IPA (IPA)-accredited reviewers. The IPA itself does not have a formal role in Programme assurance;
- task briefs, strategies (including the Strategic Review published in March 2021) and planning documents to develop the business case to understand the approach taken and underlying risks. We reviewed similar information for related projects to understand how they aligned with the Programme; and
- transcripts of parliamentary discussions covering the Programme and related issues to understand public commitments and the decisions made by parliamentary bodies.

5 To supplement our document review, we conducted a minimal number of interviews which included speaking to:

- senior officials in the Sponsor Body, the Delivery Authority, the House of Commons administration and the House of Lords administration. This was to establish the status of the Programme, identify risks and challenges, and gather views on the relationship between Parliament and the Sponsor Body.
- Sponsor Body, Delivery Authority and parliamentary estates team staff to understand the Programme's current position and risks around surveys and financial management.

Appendix Two

Progress towards implementation of National Audit Office recommendations from our April 2020 report on the Restoration and Renewal Programme

See **Figure 13** on pages 44 to 48.

Figure 13

Assessment of the Restoration and Renewal Programme's (the Programme's) response to the National Audit Office's recommendations¹

Recommendation text	Status ²	Progress (and reference in report)
Requirements We recommend that:		
<ul style="list-style-type: none"> 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; 	Work in progress	The Sponsor Body has continually identified unclear requirements as a top strategic risk. Parliament and the Sponsor Body started discussing requirements in autumn 2020 and these continue to be developed in parallel with cost and timeframe estimates and the designs. Following challenges around processes and information sharing, in November 2021 Parliament and the Sponsor Body agreed a revised plan to work collaboratively and refine requirements, prioritising those with the most significant impact on the business case (paragraphs 3.13 to 3.16).
<ul style="list-style-type: none"> the Sponsor Body and Parliament put in place clear structures to work together to establish a single set of objectives and requirements; 	Work in progress	
<ul style="list-style-type: none"> 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 	Work in progress	
<ul style="list-style-type: none"> the Sponsor Body and Parliament, in agreeing requirements, consider the needs of those who will work in the Palace, and how the Palace will be maintained, in future years. 	Work in progress	
Engagement with Parliament We recommend that:		
<ul style="list-style-type: none"> Parliament allows the Sponsor Body to make decisions and fulfil its statutory role, using clear and agreed measures to monitor its progress; 	Implemented	<p>The Parliamentary Buildings (Restoration and Renewal) Act 2019 established formal structures to deliver the Restoration and Renewal Programme (the Programme) and set out how it would be managed. This described a Sponsor Body accountable for the Programme, answerable to Parliament. The Act also set out how the House Commissions would approve the Sponsor Body's funding limit until the business case has been approved.</p> <p>To secure funding and progress the business case, the Sponsor Body needs clarity on what should be developed in the business case. Following Parliament's endorsement in early 2018, the Sponsor Body's formal mandate was to prepare a business case based on Parliament fully moving out of the Palace during the works (known as a full decant). After requesting initial work as part of the Strategic Review, in December 2020, the House of Commons Commission agreed to request the Sponsor Body "carry out further work to fully understand the costs, time and wider implications of carrying out the necessary works whilst some presence was maintained in the Palace." The House of Lords Commission agreed to this additional work, but expressed concerns about increasing the risk of continuing uncertainty for the Programme and the need to minimise any unnecessary additional work. In April 2021, the Speaker of the House of Commons wrote to the Sponsor Body formally setting out the continued presence requirements to be developed through this analysis (paragraphs 1.6, 1.12, 3.8 and Figure 2).</p>

Figure 13 *continued*

Assessment of the Restoration and Renewal Programme's (the Programme's) response to the National Audit Office's recommendations¹

Recommendation text	Status ²	Progress (and reference in report)
Engagement with Parliament <i>continued</i> We recommend that:		
<ul style="list-style-type: none"> the Sponsor Body and Parliament clarify roles and responsibilities for managing risks and uncertainties, including how roles may change during the Programme; 	Implemented	In April 2021, a third-party review team recommended the Sponsor Body provide clarity on who is responsible for particular risks and hold Parliament's accounting officers to account against risks they own. The Sponsor Body has set up mechanisms to track these risks (paragraph 2.7).
<ul style="list-style-type: none"> the Sponsor Body finalises its engagement strategy to ensure Parliament is kept informed and its views are sought at the right time; and 	Implemented	The Sponsor Body needs an effective relationship with various parts of Parliament to complete its work. In April 2021, a third-party review found it was critical that the Sponsor Body reconsider its positioning in respect of Parliament and look to build itself as a 'trusted representative' of the Houses.
<ul style="list-style-type: none"> the Sponsor Body ensures that it has the necessary skills, knowledge, and expertise to engage effectively with Parliament. 	Implemented	The Sponsor Body has a 'Parliamentary Engagement Strategy'. In November 2021, it undertook an exercise to engage directly with members. This had been delayed given the COVID-19 pandemic. The Sponsor Body also needs to engage with the House Commissions and parliamentary domestic committees who can support the members by giving them assurance. The Sponsor Body has not always followed expected governance processes (paragraphs 2.10, 2.11 and 2.13).
Planning with uncertainty We recommend that the Sponsor Body:		
<ul style="list-style-type: none"> identifies and evaluates the elements of the Programme which are uncertain, and develops a plan to reduce this over time; 	Implemented	The Sponsor Body has sought to understand uncertainties and developed a strategy to reduce these as it progresses the design and more data become available.

Figure 13 *continued*

Assessment of the Restoration and Renewal Programme's (the Programme's) response to the National Audit Office's recommendations¹

Recommendation text	Status ²	Progress (and reference in report)
Planning with uncertainty <i>continued</i> We recommend that the Sponsor Body:		
<ul style="list-style-type: none"> 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; 	Implemented	Drawing on the information available, the Sponsor Body has developed a provisional 'trending' cost and timeframe range. It undertook a benchmarking exercise to understand comparative costs and some surveys to understand the work involved. The Sponsor Body has not started publishing this information in a standardised format. It expects to do so after the business case has been approved (paragraph 3.12, 3.17 to 3.19).
<ul style="list-style-type: none"> 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; 	Implemented	
<ul style="list-style-type: none"> 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 	Work in progress	
<ul style="list-style-type: none"> 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. 	Work in progress	
Change management We recommend that the Sponsor Body and Parliament:		
<ul style="list-style-type: none"> 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; 	Work in progress	The Sponsor Body now plans to use formal change control processes from January 2022. The Sponsor Body has set out how it will manage these formal change proposals. Parliament and the Sponsor Body now need to work together to understand how their respective change processes fit together (paragraph 2.8).

Figure 13 *continued*

Assessment of the Restoration and Renewal Programme's (the Programme's) response to the National Audit Office's recommendations¹

Recommendation text	Status ²	Progress (and reference in report)
Change management <i>continued</i> We recommend that the Sponsor Body and Parliament:		
<ul style="list-style-type: none"> ● 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 	Work in progress	Ongoing recommendation.
<ul style="list-style-type: none"> ● 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. 	Work in progress	Ongoing recommendation. The first formal milestone for the Programme is for Parliament to approve the business case, expected by summer 2023. A business case helps transparent and evidence-based decision making. It should set out several viable options for achieving an objective, alongside the information needed to decide which option to take forward (paragraphs 3.1 to 3.2).
Governance, assurance and risk We recommend the Sponsor Body:		
<ul style="list-style-type: none"> ● 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; 	Implemented	The Sponsor Board and House administrations established a joint group to manage interdependencies. In November 2021, the Programme developed its integrated schedule to better coordinate supporting projects into its timetable, which the joint Steering Group tracks performance against (paragraphs 3.23 to 3.24 and Figure 12).
<ul style="list-style-type: none"> ● establishes the processes and functions needed to manage the project interdependencies and to understand overall progress; 	Implemented	
<ul style="list-style-type: none"> ● where risks need to be taken, such as starting a project early given a wider interdependency, recognises and manages the additional risks; 	Implemented	

Figure 13 *continued*

Assessment of the Restoration and Renewal Programme's (the Programme's) response to the National Audit Office's recommendations¹

Recommendation text	Status ²	Progress (and reference in report)
Governance, assurance and risk <i>continued</i> We recommend the Sponsor Body:		
<ul style="list-style-type: none"> 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 	Implemented	The Sponsor Body and Delivery Authority have continued to develop their governance and processes. In May 2020, they formally set out how they would work together. The organisations have since built a close working relationship (paragraph 2.3).
<ul style="list-style-type: none"> 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. 	Implemented	The Sponsor Body has developed an integrated approvals and assurance plan. It has also responded to our and the Committee of Public Accounts' recommendations to make the most of opportunities to assure the Programme (paragraph 2.6).

Notes

- 1 Comptroller and Auditor General, *Palace of Westminster Restoration and Renewal Programme*, Session 2019–2021, HC 315, National Audit Office, April 2020.
- 2 The recommendation status is reported as at September 2021.

Source: National Audit Office analysis of Sponsor Body and Delivery Authority data

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