



National Audit Office



REPORT

Progress on the Buckingham Palace Reservicing programme

The Royal Household

SESSION 2024-25
HC 122



We are the UK's independent public spending watchdog.

We support Parliament in holding government to account and we help improve public services through our high-quality audits.

The National Audit Office (NAO) scrutinises public spending for Parliament and is independent of government and the civil service. We help Parliament hold government to account and we use our insights to help people who manage and govern public bodies improve public services.

The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. We audit the financial accounts of departments and other public bodies. We also examine and report on the value for money of how public money has been spent.

In 2022, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £572 million.



National Audit Office

Progress on the Buckingham Palace Reservicing programme

The Royal Household

Report by the Comptroller and Auditor General

Ordered by the House of Commons
to be printed on 22 July 2024

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

Gareth Davies
Comptroller and Auditor General
National Audit Office

17 June 2024

Value for money reports

Our value for money reports examine government expenditure in order to form a judgement on whether value for money has been achieved. We also make recommendations to public bodies on how to improve public services.

The material featured in this document is subject to National Audit Office (NAO) copyright. The material may be copied or reproduced for non-commercial purposes only, namely reproduction for research, private study or for limited internal circulation within an organisation for the purpose of review.

Copying for non-commercial purposes is subject to the material being accompanied by a sufficient acknowledgement, reproduced accurately, and not being used in a misleading context. To reproduce NAO copyright material for any other use, you must contact copyright@nao.org.uk. Please tell us who you are, the organisation you represent (if any) and how and why you wish to use our material. Please include your full contact details: name, address, telephone number and email.

Please note that the material featured in this document may not be reproduced for commercial gain without the NAO's express and direct permission and that the NAO reserves its right to pursue copyright infringement proceedings against individuals or companies who reproduce material for commercial gain without our permission.

Links to external websites were valid at the time of publication of this report. The National Audit Office is not responsible for the future validity of the links.



Contents

Key facts 4

Summary 5

Part One

How the Buckingham Palace
Reservicing programme has
been set up 14

Part Two

Progress with the Buckingham Palace
Reservicing programme 23

Part Three

Managing risks to the end of
the Buckingham Palace
Reservicing programme 36

Appendix One

Our audit approach 43

This report can be found on the
National Audit Office website at
www.nao.org.uk


If you need a version of this
report in an alternative format
for accessibility reasons, or
any of the figures in a different
format, contact the NAO at
enquiries@nao.org.uk


The National Audit Office study
team consisted of:


Jemma Dunne, Heather James,
George Mélançon-Talboys,
with assistance from
Lamees Hashim, Zahara Lloyd
and Farhan Subhan, under the
direction of Lee-Anne Murray.

For further information about the
National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

 020 7798 7400

 www.nao.org.uk

 @NAOorguk

Key facts

£369mn

fixed budget for the Buckingham Palace Reservicing programme (the programme), funded through an uplift to the Sovereign Grant (2016 prices)

10 years

length of the programme from 2017 to 2027

£238.9mn

net expenditure at March 2024, 65% of the £369 million budget (actual prices)

one

there has been one Senior Responsible Owner for the duration of the programme, who is also the Master of the Household

£22.5 million

the Royal Household's assessment of the cost impact of COVID-19 on the programme

**July 2020,
October 2022 and
January 2024**

date of the three resets on the programme to manage challenges and take advantage of opportunities

£100 million

Sovereign Grant funding to be received in the final two years of the programme (27% of total funding)

£1.6 million

estimated underspend at the end of the programme based on scenario analysis; the outcome ranged from a worst-case projected £5.9 million overspend to a best-case £8.8 million underspend

£3.4 million

expected annual additional income and utilities savings for 40 years until 2066 included in the business case (2016 prices)

Summary

Introduction

1 Buckingham Palace (the Palace) is a Grade I listed building of international standing and is the official residence of The Sovereign. It was built and updated in stages between the early 18th century and the mid-20th century. It is a working building with over 700 members of staff. The Palace hosted around 50,000 guests in 2023-24, who attended a range of events and functions from small lunches to large receptions, as well as garden parties and investitures. Around 500,000 people visit the Palace during its annual summer opening.

2 Since 2017, the Royal Household (the Household) has been undertaking the 10-year Buckingham Palace Reservicing programme (the programme) to update the plumbing, pipes, wires and heating, some of which date from the 1940s and 1950s. A framework agreement between the Household and HM Treasury requires that the Occupied Royal Palaces be maintained as buildings of State to a standard that is consistent with the operational needs of the Household as well as the royal, architectural and historic character of the buildings.¹ Detailed technical assessments of the Palace carried out in 2016 established that some systems needed urgent replacement within two years, and others substantially upgrading in the next 10 to 15 years. The Household assessed that no action would result in a real risk of significant service failure, fire, flood, health and safety incidents and damage to the Palace.

3 The overall objective of the programme is to mitigate the real risk of operational failure within the Palace through reservicing to deliver an enduring building infrastructure with a life expectancy of 50 years. The reservicing programme is a combination of works to update the Palace's essential services, including electric cabling and heating systems, and operational improvements, including new lifts, lavatories and improved disabled access. The Household aims to keep the Palace occupied and operational during the works. It agreed with HM Treasury a fixed budget of £369 million for the programme, which is funded through an uplift to the Sovereign Grant, paid over 10 years from 2017.

¹ The Occupied Royal Palaces are Buckingham Palace, St James's Palace, Clarence House, Windsor Castle, Hampton Court Mews, Windsor Home Park and parts of Kensington Palace. The Palace of Holyroodhouse is maintained by Historic Environment Scotland.

Scope of this report

4 Our report examines the Royal Household's progress in delivering the Buckingham Palace Reservicing programme. It considers whether:

- the programme is set up for success;
- progress to date and how effectively the programme team has navigated delivery challenges; and
- how effectively the Household is managing risk to the end of the programme and the delivery of benefits.

5 This report does not seek to comment on the merits of the decision on the option taken forward for the programme or the wider role of the Royal Household. We make recommendations to the Household and highlight that further lessons could be drawn out for other heritage programmes.

Key findings

Programme set-up

6 The Household developed a clear business case to secure funding for the 10-year programme. The Household decided on a 10-year phased refit after considering a range of options for the programme. It expected this option to cause minimal disruption to the running of the Household and public access. The Household was clear about the programme's purpose, core objectives, and benefits. The scope of the work was well-defined and manageable, supported by a phased delivery plan. The Household developed its cost estimate using high-level assumptions and an optimism bias of 20%, following advice from experts, to reflect the risk and uncertainty of works on a heritage building. The Household told us that it and HM Treasury considered two funding models: a temporary uplift in the Sovereign Grant to be paid over 10 years or a one-off capital grant. HM Treasury decided on the temporary uplift model (paragraphs 1.7 to 1.15).

7 The chosen governance model reflects the risks and opportunities of carrying out a programme in a live environment, with clear accountabilities allowing for informed and quick decisions. The Senior Responsible Owner (SRO) has clear delegated authority and has been in post since the Household started developing the business case in 2015. He is also the Master of the Household, responsible for all hospitality, catering and housekeeping across the Occupied Royal Palaces. His dual role has helped the Household to recognise issues and make timely decisions about the trade-offs needed to keep the Palace operational during the works, as well as from the perspective of being the operator of the completed Palace. The Household decided to have an in-house programme management office (PMO) to keep close control and oversight over the works, given the fixed budget. It set up an operations team, also reporting to the SRO, to provide a link between the normal business of the Palace and the Royal Collection Trust and the programme, allowing issues to be managed and resolved quickly in a live environment. There is independent oversight, specialist scrutiny, advice and guidance in the form of a Programme Challenge Board (paragraphs 1.16 to 1.25, and Figure 2).

Progress with the programme

8 The Household has made good progress against the overall programme objective to mitigate the real risk of operational failure. The phased delivery approach has focused on doing the most important work first to address the risks of fire and flood. Completed works include moving water tanks, installing new boilers, a switch panel and back-up generators, removing 3.5 kilometres of dangerous electrical cabling, the East Wing, and some projects in the West Wing. The PMO estimates that 82% of operational improvements are now complete, including new lavatories, lifts and an accessible entrance ramp (paragraph 2.3, and Figures 3 and 4).

9 The programme is within budget, but some individual projects have increased in cost and taken longer to complete than expected. At the end of March 2024, the programme's net expenditure was £238.9 million, 65% of the £369 million budget (actual prices). While the Household has taken opportunities to bring forward work where possible, some of the work originally planned to be completed by this stage, such as the South Wing main section, has been deferred to the final years of the programme. There have been delays and cost increases on some individual projects, for example the East Wing was completed over two years later than planned and at March 2024 was 78% over its estimated cost. However, some projects have come in under budget. Costs related to managing the programme are higher than estimated in the outline business case. This is partly due to costs that were originally assumed to be covered elsewhere and because the Household decided to invest more of its budget on managing the programme reflecting its better understanding of programme risks. The PMO estimates that £40.8 million, 11% of the programme's total budget will be spent on management costs (paragraphs 2.4, 2.12, 2.13 and 2.20, and Figures 4 and 5).

10 The reasons for delays and cost increases on some individual projects vary, and some were more in the control of the Household than others. Some challenges have been outside the control of the programme, for example the COVID-19 pandemic, variable inflation and supply chain difficulties. In October 2023 the PMO calculated the total programme-wide cost impact of COVID-19 as £22.5 million. The Household has also delayed work due to the availability of funds in-year. Increases in annual funding have been lower than expected in the original funding profile, largely due to the impact of the COVID-19 pandemic on the Sovereign Grant. The Household was not able to bring forward funding from future years to cover costs or match the desired pace of work. It will receive the balance of funding in the last two years. Other challenges were more likely and were in the Household's control. While the Household expected to encounter some issues, it thought it had a relatively good understanding of the Palace and had planned on that basis. In the end, it discovered more asbestos and structural damage – which are common issues for heritage programmes – than expected, resulting in project delays (paragraphs 1.15, 2.5 to 2.11, and 3.2, and Figure 6).

11 The Household has absorbed any increased costs within the fixed budget and funding profile. As the programme is funded through an allocation from the Sovereign Grant agreed with HM Treasury, the Household considers the overall programme budget to be fixed and therefore needs to absorb any additional costs, including inflation, within its funding envelope. Where project or management costs have exceeded budgets, they have been funded by the programme's overall contingency. At the end of March 2024, the programme had spent £90.8 million (65%) of the £140 million programme contingency. Total expenditure exceeded the cumulative funding received for the programme by the end of 2022-23. To manage this, the programme has borrowed from the core Sovereign Grant Reserve. At the end of March 2024 it had borrowed a total of £4.7 million, which it plans to repay by the end of the programme (paragraphs 1.2, 1.14, 2.15, 2.16 and 3.12, and Figure 7).

12 The Household regularly reviews its plans and has adapted its approach to manage within its means while maintaining the core scope. The Household has focused on the overall objectives and benefits of the programme, as set out in the business case, when it has needed to make trade-off decisions and has made only minimal changes to the scope. For example, the Household reviewed the case for the Visitor Admissions Centre because the cost estimates and project complexity had increased. It decided not to go ahead with the Centre as it could achieve the benefits and scope of the programme by other means, such as introducing Schools Week for pupils to learn in the State Rooms. To manage challenges and take advantage of opportunities it has reset the timelines and delivery strategy for the programme three times. The July 2020 reset brought some work forward, given the reduced number of public events and staff onsite during the COVID-19 pandemic. Resets in October 2022 and January 2024 have revised the works schedule and sequencing to manage funding, including paying back what it has borrowed from the core Sovereign Grant. Using a phased approach made these resets possible, increasing the Household's ability to manage risk and uncertainty, and apply lessons as the programme progresses (paragraphs 2.17 to 2.20).

13 The Household is monitoring benefits and is making progress towards its targets. The business case listed the programme's benefits, including an expected £3.4 million annual additional recurring income and utilities savings for the 40 years to 2066 (2016 prices). The Household is tracking and reporting performance on benefits, including benefits that were unforeseen at the start of the programme. However, it could do more to bring all this information together to ensure that everyone involved in delivering benefits can understand progress and actions needed. Some benefits have already been achieved, such as reducing the risk of fire and flood by removing 3.5 kilometres of Vulcanised Indian Rubber cabling and moving water tanks from the roof to the basement, and completing some reservicing works and operational improvements across the Palace. To help ensure the benefits are monitored and realised after the programme is complete, the Household is looking to include benefits targets in its normal performance reporting process, which will include assigning responsibility within the Household for achieving benefits (paragraphs 1.13, 3.16, and 3.18 to 3.20, and Figure 9).

14 The programme has a culture of collaboration and continuous improvement. The Household has sought out external scrutiny for the programme and acted on the recommendations that it has received. It has also put in place a system to capture and embed lessons learned. The Household has used a variety of techniques to create transparency and secure 'buy-in' from internal and external stakeholders and contractors, throughout the programme. The Household has developed good engagement within the programme team and with the rest of the Palace organisation. This has been essential in allowing the Household to manage dependencies and ensuring that the Palace remains operational and occupied while reservicing work happens (paragraphs 1.23 to 1.25, 2.21 to 2.24, 3.6 and 3.11).

Risks remaining

15 The Household has deferred some work to later stages because of funding and other challenges, increasing risks in the later stages. The programme will receive the final £100 million of funding (27%) in its last two years and expects to spend £51.5 million in the final year of the programme (2026-27). The work to be completed over the next three years includes works on essential services and the West Wing, which are underway, and the North and South Wings, which are yet to begin main works. The Household has carried out work to understand the risks to completion and how it can manage these. It is carrying out enabling works before tendering the main works contract to mitigate the risk of delays leading to more cost. To reduce dependencies between projects it is doing work on the North and South Wings at the same time rather than sequentially. With concurrent work taking place, there is a risk that there is not enough capacity in the PMO to manage this, or in the supply chain to carry out the work. In addition, as the programme comes to an end, key staff may leave (paragraphs 2.3, 3.2 to 3.11, and 3.13, and Figures 5 and 8).

16 There is limited unallocated contingency left in the programme budget for the Household to deal with any unknown risks without reducing what is delivered.

The PMO's analysis at March 2024 estimates net unallocated contingencies at £5.0 million. In addition, the PMO estimates, based on previous competitively tendered rates, that £54.6 million of expected design and construction work is not yet in contract, meaning these costs are uncertain until contracts are finalised. In March 2024 the PMO analysed different scenarios. It estimates a £1.6 million underspend using its current mitigations. In the analysis the outcome ranged from a worst-case projected £5.9 million overspend (once all contingency has been spent) to a best-case £8.8 million underspend. To keep within the funding envelope the PMO has identified projects that could be dropped and are not critical to achieving the programme's benefits. The total budget for the projects which the Household considers it could drop to ease budget pressures is £10.7 million. The Household has also considered how to fund the programme if something happens that means it cannot complete works within budget. In this case, it will fund any difference from the core Sovereign Grant, which would put pressure on other areas funded from the core Sovereign Grant (paragraphs 3.7 to 3.9 and 3.12 to 3.14).

17 The Household forecasts the programme will achieve its key benefits, including its primary objective of mitigating the real risk of fire and flood; but achieving some benefits will need further activity beyond the programme.

The Household had a clear primary purpose to mitigate the risk of operational failure of the Palace by replacing core services. It prioritised these works and is on track to achieve its objectives. The business case also contained financial and qualitative wider benefits, such as improving public access, operational efficiencies and improving environmental sustainability. Overall, the Household is forecasting to exceed the target of £3.4 million annual additional recurring income and utilities savings at the end of the programme (2016 prices). The Household will need to invest outside the programme to achieve some benefits. For example, as noted at the time of the outline business case, additional investment will be needed to achieve benefits related to increasing income from renting out offices in the grounds of St James's Palace. Plans are underway to deliver this work through the Royal Household Property Section's Annual Works Programme (paragraphs 1.9, 2.3, 3.16 and 3.17, and Figure 9).

Conclusion

18 The Household has managed the £369 million, 10-year Buckingham Palace Reservicing programme well and has demonstrated good practice in a number of areas. It had clear objectives and a budget that reflected the risk of undertaking a heritage programme. There has been a strong focus on keeping within the budget, and the Household has managed this so far despite challenges, by making trade-offs, actively managing risks and learning lessons. The Household has worked hard to engage stakeholders within the Palace and through the supply chain, and the Palace has remained operational throughout. The Household has responded well to challenge and assurance, fostering a culture of honesty. While risks remain to the overall value for money of the programme, particularly given the backloading of work on to the last two years and the limited remaining unallocated contingency, if the Household continues to manage risks effectively, its approach to the programme should set it up to deliver good value for money.

Recommendations

19 In completing the Buckingham Palace Reservicing programme the Royal Household should:

- a** Review capacity and capability requirements within the PMO following the most recent reset, and act quickly where it sees risks. As more work is to be delivered in the final stages, it should consider carefully when is the right time to close programme structures and ensure it has the right people in place until the end of the programme.
- b** Continue to monitor benefits, including additional benefits of the programme, by bringing all information together in a single shared tracking system. This will make it easier to monitor progress, understand performance and provide clear forecasts for all those involved in delivering the benefits, such as internal and external stakeholders required to realise third-party benefits (for example, additional rental income and increased number of visitors to the Palace).
- c** At the end of the programme in March 2027, set out how much it has spent, what it has achieved through the programme, and what additional work is required to maximise benefits, and how this will be funded. It should set out plans for how it will optimise value for money in the longer term.
- d** Carry out an evaluation between five and 10 years after the programme ends, publishing and communicating the findings. The evaluation should assess and demonstrate what value the programme has delivered, including for wider society, and could inform decision making for similar investments across the Royal Estate.

- e Identify the lessons it has learnt and discuss these with the Infrastructure and Projects Authority (IPA) and HM Treasury to decide a set of lessons for major projects, particularly for heritage projects and those taking place in a live environment. We have set out some potential lessons that could be explored.
 - **Have as much continuity in senior, critical positions as possible.**
The programme has had one Senior Responsible Owner (SRO) from programme design throughout delivery. The programme director and operations director have also been in post from early in the programme, developing a strong relationship and deep knowledge of the programme and the building. This has also facilitated an open and transparent culture.
 - **There may be advantages in appointing an SRO who is also the ultimate operator of the asset, particularly where the programme is taking place in a live environment.** Major works disrupt normal business. For the Palace, it must still be a home, workplace and venue hosting events of national importance. The SRO understands how the building currently operates and could in the future, and has clear delegated authority, enabling them to anticipate issues, make trade-offs, identify opportunities and make the final decisions about when to stop and start work.
 - **For heritage projects, plan to spend time on discovery and enabling works, take account of high levels of uncertainty in the budget, and do not proceed too quickly to finalising design and starting work.** Even with a well-understood building, it is very likely that significant issues that need to be remedied will be found. It is useful to build a flexible delivery plan, phasing work and dividing it into smaller, discrete projects, to deal with unexpected issues and allow trade-offs to be made.
 - **Think carefully about what skills and experience are needed in the governance and assurance models, and how those skills will be used.** For heritage projects it is important to have people who understand the peculiarities of older buildings and what is likely to be found. We also found that, as the reservicing included elements to improve sustainability, it was important to involve people who understood this in the governance arrangements.
 - **When considering funding models, think through how the different options might operate under different scenarios.** For example, heritage projects are likely to find unexpected issues, such as asbestos and structural damage, which may require replanning of work. Working in a live environment can create dependencies which may affect how work is carried out.

20 The IPA and HM Treasury should share the lessons with government's project delivery and project assurance and review communities. This could mean, for example, that the IPA adds the lessons to the government's project delivery hub, includes examples on its assurance reviewer and major project leadership academy training courses, and updates any relevant guidance, particularly for heritage projects; and that HM Treasury writes to spending teams dealing with major projects setting out the lessons and how they might encourage departments to implement them.

Part One

How the Buckingham Palace Reservicing programme has been set up

1.1 This part of the report sets out:

- how the Royal Household (the Household) funding and oversight work for the Buckingham Palace Reservicing programme (the programme), and the history of Buckingham Palace (the Palace);
- the success of the Household in setting the foundation for the programme; and
- whether there is effective governance on the programme.

Royal Household funding and oversight for the programme

1.2 The programme is funded by the Sovereign Grant (the Grant). The Grant provides public funding for the Household under the Sovereign Grant Act 2011 (the Act), which came into force from 1 April 2012. In July 2023 we reported on *Royal Household spending and accountability*, which described the funding arrangements for the Household.² The Act sets out the approach to calculating the value of the Grant paid by HM Treasury to the Household to support the official duties of The Sovereign and to maintain the Occupied Royal Palaces.³ Under the Act, the Grant is based on a percentage of The Crown Estate's revenue account profit in the year that began two years prior to the funding year. For example, the 2021-22 revenue account profit was used to determine the Grant level for 2023-24.

² Comptroller and Auditor General, *Royal Household spending and accountability*, Session 2022-23, HC 1661, National Audit Office, July 2023.

³ The Occupied Royal Palaces are Buckingham Palace, St James's Palace, Clarence House, Windsor Castle, Hampton Court Mews, Windsor Home Park and parts of Kensington Palace. The Palace of Holyroodhouse is maintained by Historic Environment Scotland.

1.3 HM Treasury is the Royal Household's sponsoring department, and the Grant is part of HM Treasury's budget. It is therefore responsible to Parliament for the Grant. It is responsible for paying the Grant to the Household and ensuring that the Household complies with all necessary requirements. The Keeper of the Privy Purse and Treasurer to The Sovereign is the Accounting Officer of the Grant and is accountable to HM Treasury and to Parliament. The Keeper delegates authority to the executive members of the Lord Chamberlain's Committee, which operates as the executive board for the Royal Household, to make decisions and spend up to pre-set limits. Members of the Lord Chamberlain's Committee include the heads of the Royal Household's five departments, one of which is the Master of the Household, who is also the Senior Responsible Owner (SRO) for the programme.

Buckingham Palace

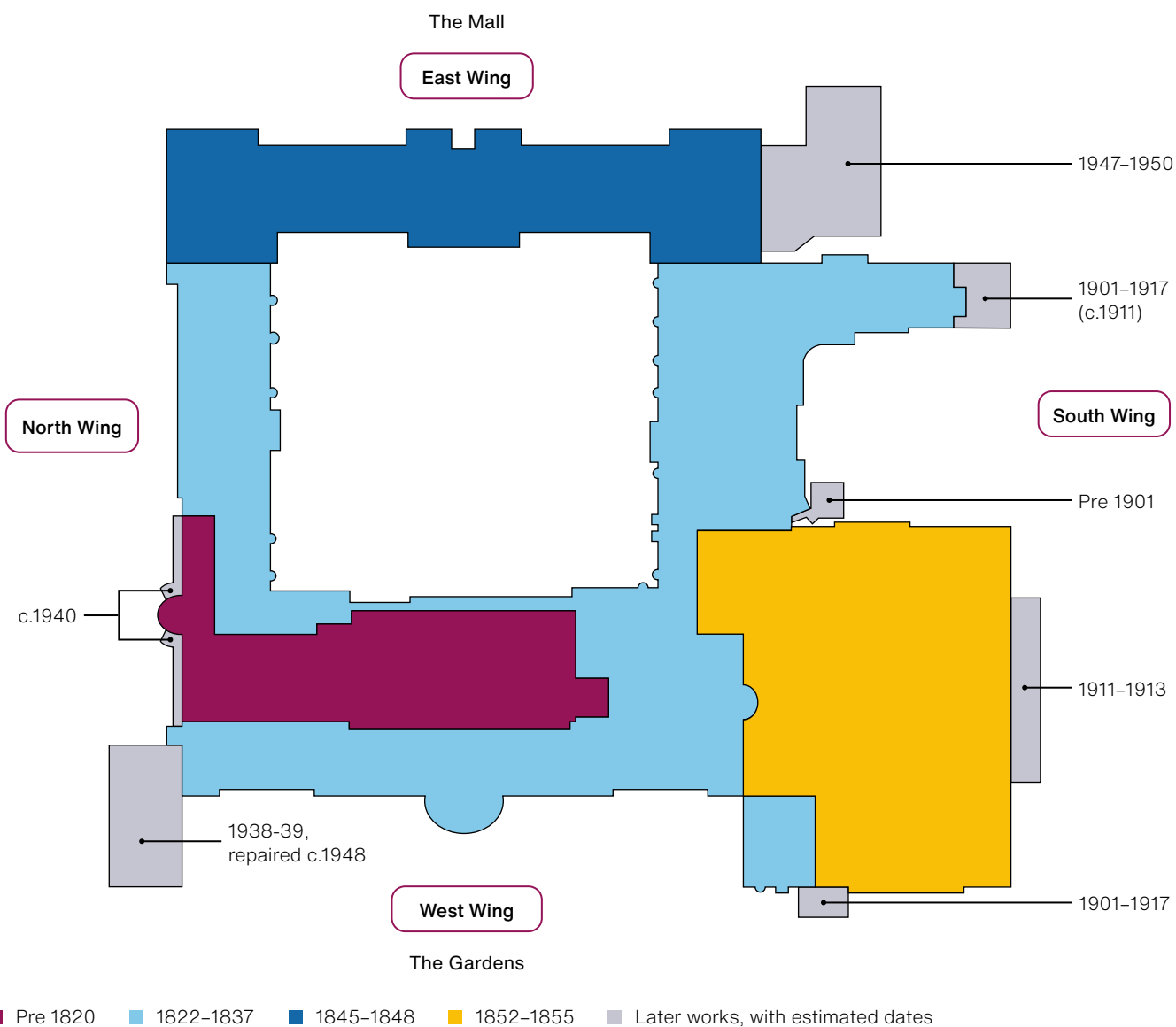
1.4 Buckingham Palace (the Palace) is a Grade I listed building of international standing and is the official residence of The Sovereign. It is a working building, where The Sovereign carries out their official, ceremonial, diplomatic and representational duties as Head of State and Head of the Commonwealth. There are over 700 members of staff, and the Palace hosted around 50,000 guests in 2023-24, who attended a range of events and functions from small lunches to large receptions, as well as garden parties and investitures. Around 500,000 people visit the Palace during its summer opening, and millions of UK and overseas tourists visit the gates of the Palace to witness the Changing of the Guard throughout the year.

1.5 The Palace is a quadrangle and has been extended and remodelled over time. While the oldest parts of the Palace date from the early 18th century, the majority of the building is 19th century, with some additions built after the Second World War (**Figure 1** overleaf). The Palace's services (such as water, heating and electrics) have been added and updated over time and some date from the 1940s and 1950s. The different periods of build mean that different construction methods have been used and there are no consistent blueprints of the Palace.

1.6 A framework agreement between the Household and HM Treasury requires that the Occupied Royal Palaces be maintained as buildings of State to a standard that is consistent with the operational needs of the Household as well as the royal, architectural and historic character of the buildings. Building condition reports suggested that over 45% of the Buckingham Palace Estate was below target condition at 31 December 2015 compared with 39% at March 2012. Based on the findings of the condition surveys in 2012 and 2015, the Household undertook further detailed investigations with a view to carrying out a full reservicing of the Palace.

Figure 1
Plan of Buckingham Palace by age of building work

The construction of Buckingham Palace took place over different periods



Notes

- 1 The original building was demolished in 1699 and then Buckingham House was created.
- 2 Buckingham Palace contains operational spaces, office space, overnight rooms for staff, state rooms, event spaces, guest suites, private apartments and offices for members of the Royal Family.
- 3 The West Wing contains the state rooms open to the public, including the picture gallery and ballroom.
- 4 The East Wing contains the Principal Floor, used by the Royal Family for official meetings and events, and the balcony.

Source: National Audit Office analysis of Buckingham Palace Reservicing programme data

Setting up the programme

Developing the business case

1.7 In 2015, the Household commissioned an options appraisal which assessed the condition of services within the Palace and recommended a range of operational improvements and options for undertaking the work. The series of detailed technical assessments carried out in 2016 examined the material state of the Palace, including the electrical cabling, power generation, heating systems and pipework, hot- and cold-water pipework and data systems (fire alarms, telephones and IT). These assessments established that elements of the Palace's essential services were significantly beyond their maximum useful life and required urgent replacement. The technical assessments noted that, while some systems required high-priority immediate repair (next two years), others needed substantially upgrading within the next 10 to 15 years. The Household assessed that no action would result in a real risk of significant service failure, fire, flood, health and safety incidents, damage to the fabric of the Palace and/or the potential loss or damage to the works of art in the Royal Collection.

1.8 The Lord Chamberlain's Committee approved the options appraisal in June 2016, which included options ranging from full decant to full occupation. The Household developed a strategic outline case for the programme that was accepted by HM Treasury in July 2016, which then instructed the Household to produce an outline business case. The Lord Chamberlain's Committee approved the outline business case in November 2016.

Objectives, scope and benefits

1.9 The overall objective of the programme is to mitigate the real risk of operational failure within the Palace through a programme of reservicing to deliver an enduring building infrastructure with a life expectancy of 50 years. The Household has six objectives for the programme, most of which are inter-related and considered by the programme management office (PMO) to be of equal importance.

- Replace the ageing core services of the Palace to eliminate the very real risk of fire or flood.
- Preserve the iconic Palace for future generations.
- Ensure the Palace remains fit for purpose as the principal residence of The Sovereign.
- Increase public access to the Palace.
- Improve energy efficiency of the Palace.
- Ensure the programme offers value for money.

1.10 The Household developed an outline business case based on a 10-year phased refit option. This preferred option allowed the reservicing to take place while the Palace remained operational and occupied, a preference of Her Majesty Queen Elizabeth II. It was expected that this option would be the least disruptive to the running of the Household.

1.11 The programme is a combination of reservicing and operational improvements to:

- update the Palace's essential services, including the electrical cabling, power generation, heating systems and pipework, hot- and cold-water pipework and data systems (fire alarms, telephones and IT); and
- improve the operational performance of the building; this includes new lifts, lavatories and increased disabled access.

1.12 The Household planned to sequence the works wing-by-wing to enable the late Queen to stay in residence and allow the Palace to stay open. The Household expected each wing to take two to three years to complete, except for the West Wing, which would be managed as a series of sub-projects throughout the length of the programme to ensure continued public access. The work on the wings would be supplemented by the advanced and High Priority Works over the first two years. These works were focused on replacing key services in the basement and creating a new energy centre (providing electrical and heating generation and distribution), which includes two new back-up generators. The works also included moving the water tanks from the roof to the basement, and replacing the dangerous Vulcanised Indian Rubber electrical cabling, reducing the risk from fire and flood, one of the main reasons for the programme.

1.13 The programme's outline business case set out its financial and qualitative benefits, including estimated annual additional recurring income and utilities savings of £3.4 million for the 40 years to 2066 (2016 prices). The business case contained a benefits plan, which included targets, allocated responsibility for realising each benefit across the Household and the Royal Collection Trust, and a plan for incorporating benefits into monitoring, evaluation and reporting.

Agreeing the budget and funding

1.14 HM Treasury approved a budget for the programme of £369 million over 10 years, which is funded through the Sovereign Grant (2016 prices). The Household told us that it and HM Treasury considered two funding models, a temporary uplift in the Sovereign Grant to be paid over 10 years, or a one-off capital grant. HM Treasury decided on the temporary uplift model. The business case and costs had to be produced in time to inform the Royal Trustee's (the Trustees) Sovereign Grant review 2016 and to allow HM Treasury to approve the budget in time for the 2016 Autumn Statement.⁴ Following the Trustees' first periodic review in 2016, Parliament increased the percentage of the Crown Estate's revenue that the Grant is based on from 2017-18 to 25% (from 15%) to fund the reservicing of the Palace, and placed it in law. The Trustees' 2016 report noted the government intended to reset the level of the Grant to appropriate levels once the reservicing works had finished.⁵

1.15 The budget was based on cost estimates for the works and inflation forecasts in October 2016. The costs assumed that the programme started in April 2017 and work was completed within a 10-year period. In our 2020 report *Lessons learned from major Programmes* we set out that estimates produced from early high-level information are unlikely to be suitable for setting a programme budget and schedule, and should be seen as provisional.⁶ At the outline business case stage, the cost plan was based on a number of assumptions rather than a formal design. The Household knew there were many uncertainties in reservicing the Palace, and so included contingency and optimism bias in its budget. It also did not think it would be acceptable to ask for additional funding at a later stage. The budget was made up of capital costs of £307 million, including £35 million of construction contingency, with 20% optimism bias (£62 million) on top. The Household had increased the amount of optimism bias from 10% to 20% based on advice from experts reflecting the risk and uncertainty of works on a heritage building.

Programme governance

1.16 The Household chose to follow the government model to have a Senior Responsible Owner (SRO) for the programme and appointed the Master of the Household to this position in December 2015. The SRO has delegated authority, is responsible for delivering the benefits and, jointly with the Accounting Officer (AO), is responsible for the delivery of the programme to cost, time and specification. He was involved in developing the business case and options for how to deliver the programme.

4 The Royal Trustees are the Prime Minister (as First Commissioner of HM Treasury), the Chancellor of the Exchequer and the Keeper of the Privy Purse (Civil List Act 1952, Section 10).

5 In July 2023, following an expected increase in the net revenue profit of the Crown Estate from offshore wind option fees, and considering the expected costs of the Household until 2026-27, the Trustees reduced the Grant percentage from 25% to 12%. This change does not affect the programme's total budget, but it does impact the timing of funding, including an expected increase in the annual funding for the final two programme years.

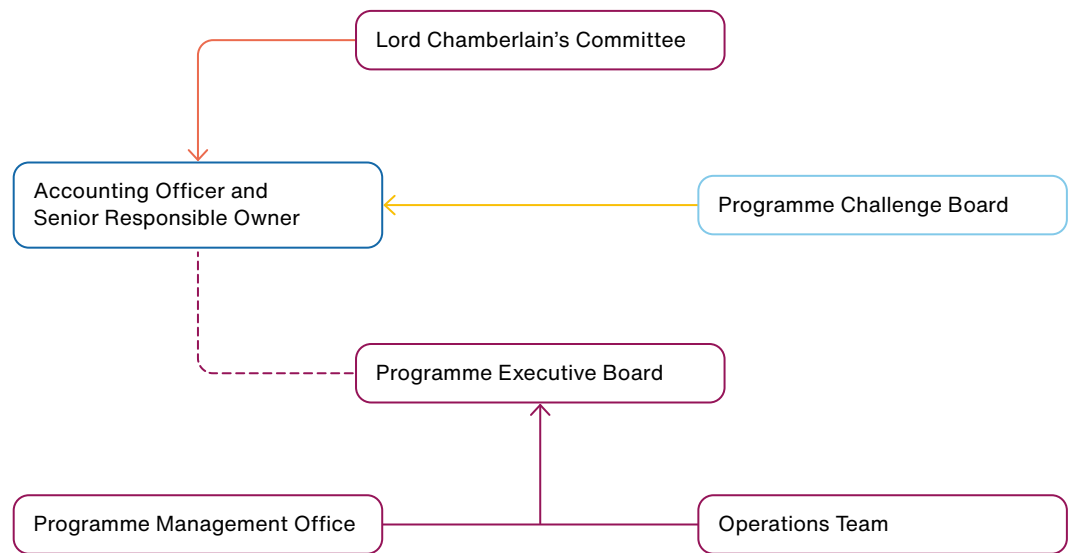
6 Comptroller and Auditor General, *Lessons learned from Major Programmes*, Session 2019-2021, HC 960, National Audit Office, November 2020.

1.17 In 2016 the Household set up the Programme Board which it replaced with two new boards in 2017, the Programme Executive Board and the Programme Challenge Board. Both boards have clearly defined roles and reporting lines (**Figure 2**).

Figure 2

Governance structure for the Buckingham Palace Reservicing programme (the programme)

The programme’s decision-making functions are embedded into the Royal Household’s internal governance structure and receive external challenge



- Within Royal Household
- External
- Individuals
- Reporting lines
- Challenge
- Informs decisions
- Delegates

Notes

- 1 The Accounting Officer (AO) sits on the Lord Chamberlain’s Committee and the Programme Executive Board.
- 2 The Senior Responsible Owner (SRO) chairs the Programme Executive Board and sits on the Lord Chamberlain’s Committee.
- 3 The Lord Chamberlain’s Committee is responsible for the oversight of the programme and is made up of the Lord Chamberlain, five heads of department and two non-executive members, where the AO and SRO report on the programme.
- 4 The Programme Challenge Board members are external to the Royal Household. The board provides specialist scrutiny, oversight, advice and guidance to the SRO and AO.
- 5 The Programme Executive Board makes recommendations to the SRO and AO who have decision-making authority delegated by the Lord Chamberlain’s Committee.
- 6 The programme management office and operations team jointly report to the Programme Executive Board.

Source: National Audit Office analysis of Buckingham Palace Reservicing programme data

1.18 The **Programme Executive Board** meets every month and oversees the delivery of the programme to cost, time and specification. The Programme Executive Board provides a forum for the SRO to make decisions matching the pace of delivery. It is chaired by the SRO and includes senior management from the Household, and an independent non-executive with extensive property project management experience.

1.19 The Programme Executive Board reports via the SRO and AO to the Lord Chamberlain's Committee and the Sovereign Grant Audit Committee on progress of the programme and the impact on the Household's operations. The Household also set up a number of working groups (including the Finance Review Group, Commercial Review Group and Sustainability Group) with separate responsibilities, which all report into the Programme Executive Board.

1.20 The **Programme Challenge Board** meets every quarter and provides specialist scrutiny, oversight, advice and guidance to the Programme Executive Board. There is an independent chair, and other members include officials from HM Treasury and the Infrastructure and Projects Authority, and a heritage buildings consultant. Three of the eight members of the Programme Challenge Board were members of the original Programme Board in 2016, and one member sits on both the Programme Executive Board and Programme Challenge Board, which has helped with corporate memory of the programme. In March 2022 a sustainability expert joined the Programme Challenge Board.

1.21 Working in a live environment can add cost, time and complexity. The Household decided to have an in-house programme management office (PMO) to keep close control and oversight over the works, given the fixed budget and need to keep the Palace operational. PMO staff are either employed directly by the Household or on secondment from the private sector, and the programme director has been in role since early in the programme. There are clear roles and accountability for the delivery of the programme through the programme director and the SRO. Alongside the PMO sits the operations team, headed by the director of operations who also reports to the SRO and has also been in role since early in the programme. The operations team provide a link between the programme and business-as-usual stakeholders such as Members of the Royal Family, Royal Household staff and the Royal Collection Trust, which is responsible for the Royal Collection of art, allowing issues to be managed and resolved quickly in a live environment.

Monitoring performance

1.22 Our report *Lessons learned from Major Programmes* discussed how accurate, timely and relevant information is crucial to guide and monitor the delivery of programmes.⁷ We found a well-thought through process for regularly monitoring and reporting on performance, risks, cost and contingency from the PMO and contractors to the SRO, Programme Executive Board and AO.

1.23 An Integrated Assurance Group meets quarterly and provides advice and assurance to the SRO and the Programme Challenge Board that assurance activities are appropriate to the levels of risk across the programme. The programme has developed an Integrated Assurance and Approval Plan which maps out assurance activities across the lifecycle of the programme. The programme has voluntarily gone through formal Gateway Reviews and checkpoint audits by independent reviewers.

Managing dependencies

1.24 To ensure that the Palace remains occupied and operational during the programme has involved managing many dependencies. The programme has had a consistent single point of accountability with one SRO since the programme started, who has the right information available and is able to make decisions. The Master of the Household, is also responsible for all hospitality, catering, and housekeeping across the Occupied Royal Palaces. The SRO's dual role means the Household is an informed client and they can make decisions about the trade-offs needed to keep the Palace operational during the works, as well as from the perspective of being the end user of the completed Palace, both of which are key risks for the programme. The SRO manages interfaces between the programme and business as usual for the Palace, supported by the operations team.

1.25 Maintenance works need to take place alongside the programme. There is a clear understanding of the different responsibilities and scopes of work between the PMO and the Royal Household Property Section (Property Section) who meet monthly to review short- and long-term projects and maintenance works, key issues impacting PMO and Property Section projects, coordination of projects and supporting activities. The programme also provides opportunities for the Property Section to carry out some work while the programme is ongoing. For example, the programme works in the Picture Gallery roof gave the Property Section access to areas in which work would usually result in significant disruption to business-as-usual activities.

⁷ See footnote 6.

Part Two

Progress with the Buckingham Palace Reservicing programme

2.1 This part of the report examines:

- what the Buckingham Palace Reservicing programme (the programme) has achieved;
- the programme's progress against the costs and schedule; and
- how the programme has managed risks.

What the programme has achieved

2.2 The 10-year programme began in 2017 and is now in its eighth year. During this period there has been a change in Sovereign as well as many major world events (**Figure 3** on pages 24 and 25).

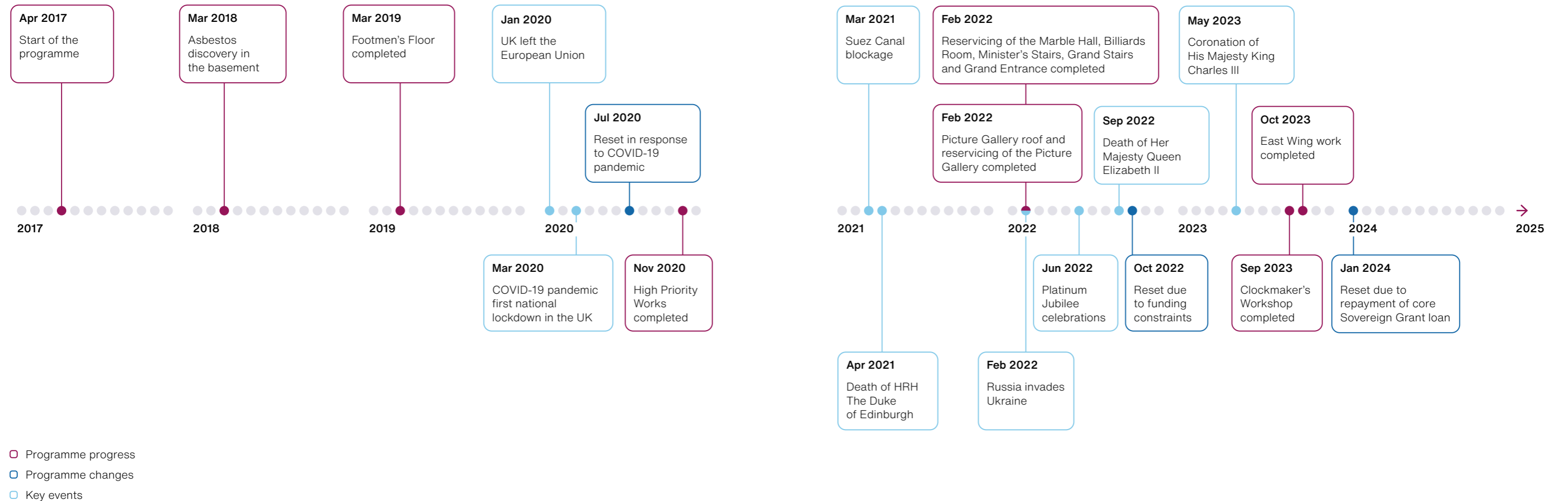
2.3 The phased delivery approach has focused on doing the most important work first to address the risks of fire and flood. Completed works include:

- the advanced works project including removing 3.5 kilometres of Vulcanised Indian Rubber electrical cabling and converting the Footmen's Floor from accommodation to open plan office space for over 100 staff;
- the High Priority Works project including moving water tanks and installing new boilers, a switch panel and back-up generators;
- parts of the West Wing including the Picture Gallery and roof, Grand Stairs, Grand Entrance and Marble Hall;
- the East Wing (**Figure 4** on page 26); and
- 82% of the operational improvements, as estimated by the programme management office (PMO), such as new lavatories, two new lift shafts in the East Wing and an accessible ramp.

Works ongoing include the South Wing, West Wing, and Palace Wide Infrastructure to replace essential services in the basement; and early surveys are ongoing in the North Wing.

Figure 3
Timeline of work completed and events affecting the Buckingham Palace Reservicing programme (the programme) between April 2017 and March 2024

There have been many major world events that have affected the programme during its first seven years



Notes

- 1 The Footmen's Floor project converted under-utilised bedrooms into open plan office space for over 100 staff.
- 2 The High Priority Works were focused on addressing the risk of fire and flood including replacing key services in the basement and energy centre (electrical and heating generation and distribution).
- 3 COVID-19 lockdowns and restrictions paused work and then reduced the number of people able to be on site at any time.
- 4 The UK leaving the European Union, COVID-19, the Suez Canal blockage and the Russia-Ukraine war have had an impact on inflation, interest rates and market stability.

Source: National Audit Office analysis of Buckingham Palace Reservicing programme data

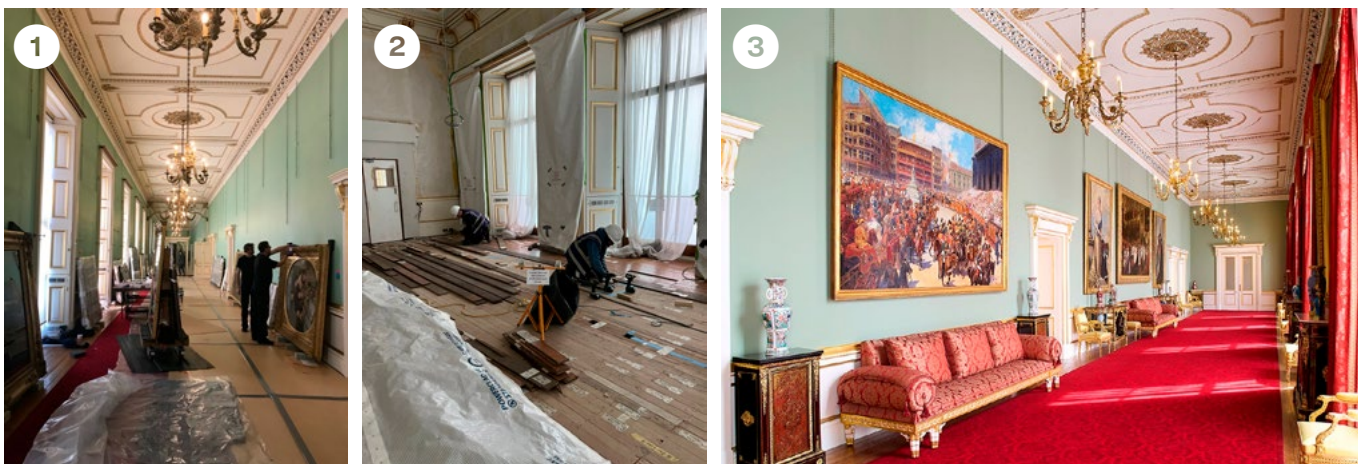
Figure 4

Overview of the East Wing project

The East Wing completed in October 2023, two years later than planned due to challenges

The Buckingham Palace Reservicing programme (the programme) East Wing project included mechanical, electrical, public health and operational improvement works.

Key dates and costs	<ul style="list-style-type: none"> ● Start date: October 2019 ● Forecast practical completion: August 2021 ● Actual practical completion: October 2023 ● Percentage overrun on costs: 78%
Achieved	<ul style="list-style-type: none"> ● Replaced primary heating, distribution boards and electrical wiring ● Installed water leak detection system ● Provided new en suite accommodation ● Installed five additional guest lavatories for visitors and events, three of which are accessible ● Installed two lifts ● Improved Privy Purse Door entrance, including installing a ramp
Challenges	<ul style="list-style-type: none"> ● COVID-19 caused site closures and reduced working capacity ● Work took longer than anticipated due to finding greater structural damage than expected requiring redesign and re-sequencing of works, and slower than expected design team performance ● The programme found unforeseen building fabric requiring design alterations for the two lifts ● The programme found more asbestos in the floor voids than anticipated



Notes

- 1 Practical completion is the end of the construction period.
- 2 The forecast practical completion date for the East Wing was based on the tender estimate.
- 3 Cost figures were commercially sensitive at the time of writing so have been represented as a percentage.
- 4 The first picture shows the East Wing Principal Floor during the decant.
- 5 The second picture shows the East Wing Principal Floor during the reserving.
- 6 The third picture shows the East Wing Principal Floor after the reserving.

Source: National Audit Office analysis of Buckingham Palace Reserving programme data

Progress against cost and schedule

2.4 The programme is making good progress, although it is behind the schedule set out in 2017 (**Figure 5** overleaf). A number of internal and external factors have affected the cost and schedule of the programme. The early schedule did not include all the current operational improvements as these were not fully detailed at that stage. The Royal Household (the Household) now expects the programme to finish closer than anticipated to the March 2027 deadline. Under the original plan it would have completed the advanced and High Priority Works, including the basement trenches, and the East Wing and South Wing main section by the end of March 2024. The overall forecast cost remains within budget. At the end of March 2024, the programme had spent £241.8 million. The programme's net expenditure was £238.9 million (total expenditure less interdepartmental income and recharges), 65% of the £369 million budget (actual prices).⁸

External factors

2.5 The original funding profile for the programme assumed that Crown Estate revenues would increase each year, providing the same uplift in the Sovereign Grant, and therefore programme funding. However, the Sovereign Grant has not increased in line with expectations (**Figure 6** on page 29), largely because of the impact of COVID-19 on Crown Estate revenues, although funding was already starting to diverge prior to the impact of COVID-19 being felt. By March 2024, the programme had received £7.2 million of Sovereign Grant funding less than expected in the original funding profile (2% of the total budget).

2.6 The programme's funding mechanism allows the programme to build up reserves to use in later years, but does not allow the Household to bring forward funding to cover costs or to match the desired pace of work. We discuss the backloading of work in Part Three. Increased costs combined with lower-than-expected funding have limited the Household's ability to build up reserves for the later stages of the programme, and it has had limited ability to respond to the impact of the pandemic or other challenges, leading to delays.

2.7 The COVID-19 national lockdowns and restrictions, coupled with the change in working practices and additional measures that had to be put in place between 23 March 2020 and 30 March 2022 paused work for six weeks and then reduced the number of people able to be on site at any time. In October 2023 the PMO calculated the total programme-wide cost impact of COVID-19 as £22.5 million. This includes indirect costs such as inflation, which will impact the remainder of the programme.

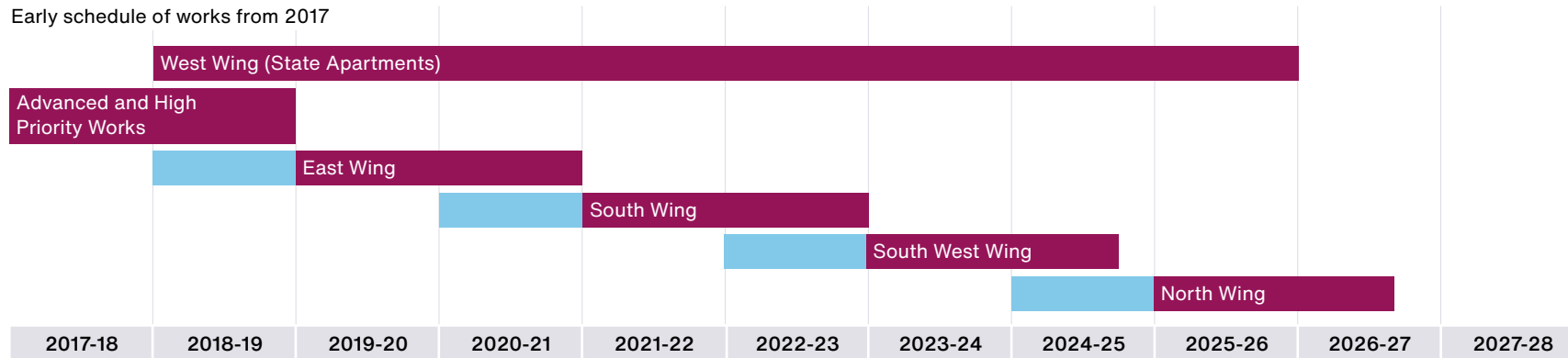
⁸ Figures are those reported by the PMO and used to manage the programme. They may differ from figures disclosed in the annual report and accounts as the accounts separate out revenue and capital expenditure, and due to accounting adjustments and rounding. At the time of this report the annual report and accounts for 2023-24 had not been published.

Figure 5

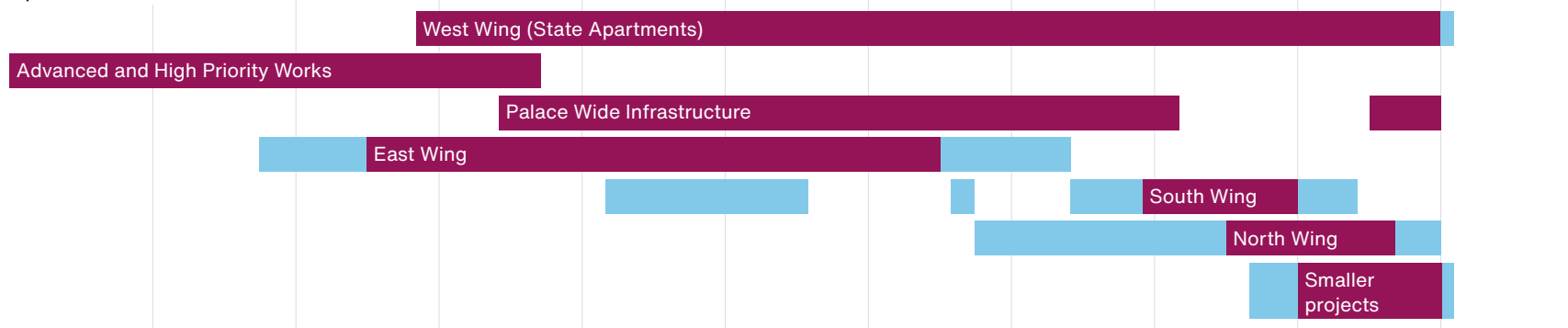
Early and updated schedule of Buckingham Palace Reservicing programme (the programme) works, 2017–2027

The works schedule has been updated since the programme started in 2017

Early schedule of works from 2017



Updated schedule of works



■ Main works ■ Preparation, decanting and reinstallation work

Notes

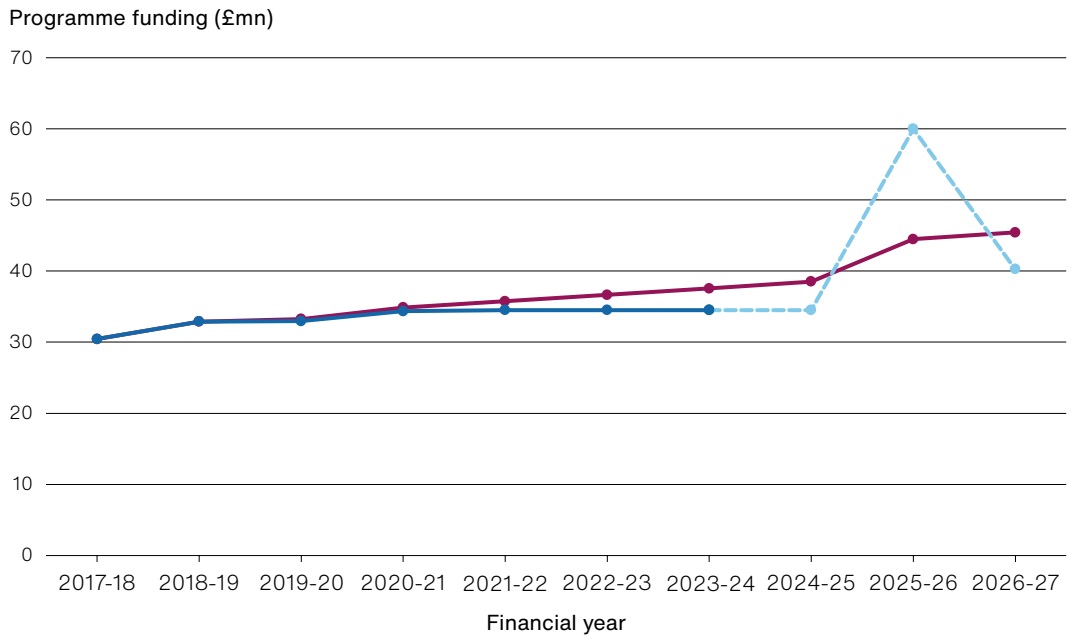
- 1 Financial years running from April to March are used, with approximate project dates.
- 2 The programme is due to finish at the end of March 2027.
- 3 The early schedule did not include all current operational improvements as these were not fully detailed at that stage.
- 4 The updated schedule of works uses actual dates and plans as reported in January and February 2024.
- 5 The South West Wing in the early schedule has been split into the West Wing and South Wing projects.
- 6 Some reinstallation work will take place in 2027-28.
- 7 The updated schedule does not show projects which the Royal Household Property Section have agreed to deliver after the programme is complete.

Source: National Audit Office analysis of Buckingham Palace Reservicing programme data

Figure 6

Original forecast and actual funding for the Buckingham Palace Reservicing programme (the programme) from 2017-18 to 2026-27

Original forecast and actual funding began to diverge in 2019-20, with a large spike in funding now expected in 2025-26



	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
● Original forecast funding	30.4	32.9	33.2	34.9	35.8	36.6	37.6	38.5	44.5	45.4
● Actual funding	30.4	32.9	33.0	34.4	34.5	34.5	34.5			
● Current forecast funding								34.5	60.0	40.3

Notes

- 1 The programme is funded via the Sovereign Grant, which is linked to the Crown Estate revenue.
- 2 The total programme funding has been set at £369 million.

Source: National Audit Office analysis of Buckingham Palace Reservicing programme data

2.8 The programme has progressed in a volatile market with variable inflation and rising interest rates, along with labour and materials shortages. World events, including the UK leaving the European Union, the COVID-19 pandemic, the Suez Canal blockage and the Russia–Ukraine war have contributed to the market volatility. The PMO has not calculated the impact on costs of these factors. Annual inflation experienced by the programme between 2019 to 2024 has averaged 3.15%, although it has been variable, reaching 10.3% in 2022.⁹ The Household had estimated inflation to be 3.5% over the programme, based on industry four-year construction forecasts and the 30-year construction industry trend average.

Internal factors

2.9 In setting the original schedule the Household understood previous works had cleared the basement trenches of asbestos. The trenches house the distribution pipes for water, electrics and heating. After discovering that asbestos remained in these trenches, the PMO introduced a new Palace Wide Infrastructure project. This project will remove the asbestos in the basement before replacing essential services. The discovery of asbestos means the service distribution pipes are held in temporary housing until the asbestos is removed. The Palace Wide Infrastructure project includes some works originally envisaged to be completed as part of the wing projects. The discovery of asbestos and resulting change in delivery strategy caused delays and cost increases to this aspect of the programme. In September 2023 the PMO calculated the impact of the asbestos discovery, removal and change in strategy, was £10.1 million. Asbestos has also been discovered in other areas too, affecting other projects.

2.10 The Household has found incidents of historic damage in the Palace, which are common issues in heritage programmes, such as significant structural damage to joists and jack arches. Although these are not within the scope of the programme, the programme works cannot progress without the damage being repaired. The Programme Executive Board agreed to fund the repairs in the first instance. This has led to delays and cost increases. The total capital cost of repairing the damage to end of March 2024 was £3.1 million, not including costs incurred through delays or design fees.

2.11 The PMO has identified design issues as a contributory factor in the East Wing and some West Wing projects. The PMO decided to award the final stage design of the West Wing to an alternative design team to mitigate against further delays. Progress on finalising the designs for the East Wing were slower than the PMO expected, due to discovery of issues in the building that required designs to be amended and slower-than-expected design team performance. The PMO has worked closely with the design team to resolve issues. The PMO was reluctant to break the contract in part because of the potential impact on the already delayed East Wing.

⁹ Based on analysis provided to the PMO using year-on-year quarter two increases of the tender price indices published by BCIS as at 11 March 2024.

Changes in cost and schedule

2.12 In September and October 2023, the PMO analysed a selection of works completed to date, including the East Wing, High Priority Works and West Wing projects, to document key factors impacting the duration and cost. Of the five projects which had reached practical completion by the end of March 2024, all five had been delayed and three had increases to their costs. The East Wing achieved practical completion in October 2023 over two years later than expected and as at March 2024 costs were 78% above the original estimation at October 2019 (Figures 4 and 5).¹⁰ Other projects with increased costs are:

- the Footmen's Floor – 47% increase; and
- the High Priority Works – 9% increase.

This is partially offset by some West Wing projects completing under budget, for example, the Picture Gallery and roof which was 25% under its forecast cost.

2.13 The Household has invested more of its budget in running the programme than envisaged in the outline business case, in part as the programme budget is now covering aspects that were originally assumed to be covered elsewhere, including insurance, third-party fees and some resources. This reflects the work that has been needed to deliver the programme while keeping the Palace operational, which was not fully understood at the time the budget was set. The PMO estimates that £40.8 million (including VAT), 11% of the programme's total budget will be spent on management costs including direct staff costs, secondees and overheads such as insurance. The largest component of this is £27.9 million (excluding VAT) for PMO and staff costs, which has increased by £8.2 million (41%), from £19.7 million (excluding VAT) in the outline business case. Staff costs includes a number of Household operations staff not envisaged at the outline business case stage, the increase also reflects cost increases since 2016 when the outline business case was costed.

How the programme has managed risk

Managing costs and funding

2.14 The PMO has reviewed budget allocations regularly as the scope of works, costs and risks became clearer. Between October 2016, when the outline business case was costed, and March 2024, it has increased contingency from £97 million to £140 million, although the overall budget has remained at £369 million. Included in contingency is a £45 million fund to cover the cost of operational improvements such as four new lifts, and requests from the Household that were not in the outline business case. The SRO is responsible for this fund, enabling them to retain control over contingency spend and to use the contingency flexibly according to programme and client needs.

¹⁰ Final costs for the East Wing are still being agreed.

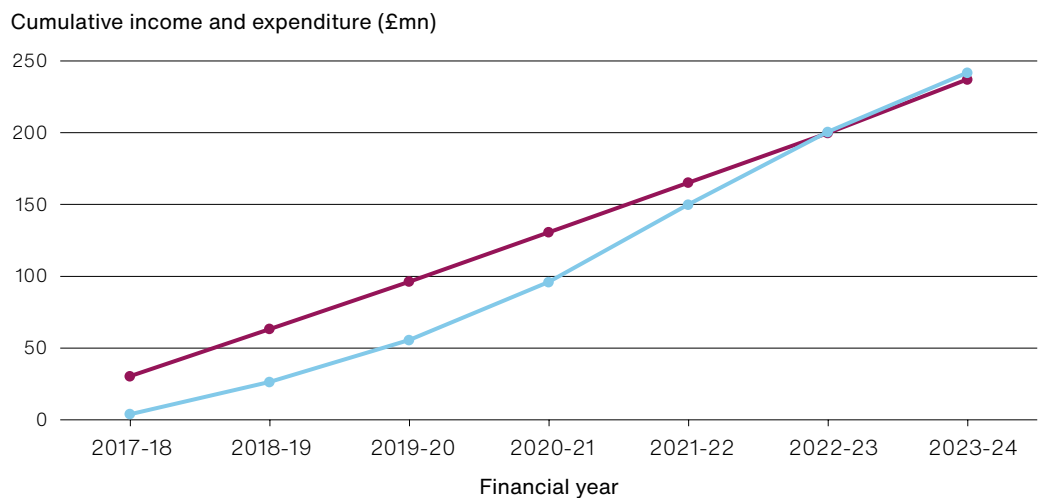
2.15 The £140 million of contingency included in the budget has allowed the increases in project costs or management costs to be absorbed and provided flex without having to request additional funds. At the end of March 2024, the programme had spent £90.8 million (65%) of the £140 million contingency budget.

2.16 At the end of 2022-23, total programme expenditure had exceeded cumulative income received (**Figure 7**). The Accounting Officer has worked proactively with HM Treasury and the PMO to identify ways to bring forward funding. In July 2023 HM Treasury wrote to the Accounting Officer, setting out the restrictions under the Sovereign Grant Act 2011 and that it was not possible to bring additional funding forward to 2023-24 or 2024-25. To manage in-year pressures, the programme has borrowed from the core Sovereign Grant Reserve Fund. At the end of March 2024 the programme had borrowed £4.7 million to be repaid by the end of the programme.

Figure 7

Buckingham Palace Reservicing programme (the programme) cumulative income and expenditure from 2017-18 to 2023-24

At the end of 2022-23 total programme expenditure exceeded cumulative income for the programme and the programme began borrowing money from the core Sovereign Grant Reserve



● Cumulative income	30.4	63.3	96.3	130.6	165.2	199.8	237.1
● Cumulative expenditure	4.1	26.5	55.7	96.0	150.0	200.5	241.8

Notes

- When programme income exceeded expenditure, the surplus was held in the Sovereign Grant Reserve Fund for use in later years.
- Cumulative programme expenditure has exceeded cumulative income since 2022-23. As a result, at the end of March 2024, the programme had borrowed a total of £4.7 million from the core Sovereign Grant Reserve, due to be repaid by the end of the programme. It borrowed £0.7 million in 2022-23 and £3.9 million in 2023-24. Numbers do not sum due to rounding. Numbers may not reconcile exactly to those in the Sovereign Grant and Sovereign Grant Reserve Annual Report and Accounts due to rounding.
- Income includes Sovereign Grant funding for the programme, interdepartmental income and recharges from the programme repairing historic damage. In 2023-24, the PMO recharged £2.2 million.
- Expenditure includes costs incurred on behalf of other Royal Household departments which are recharged. At the end of 2023-24, net programme expenditure was £238.9 million – total expenditure less interdepartmental income and recharges.
- Programme expenditure includes both capital and revenue.

Trade-offs and programme resets

2.17 The programme's phased approach has allowed the PMO to react to both internal and external challenges and adapt as needed to stay within budget and on schedule. It also allows the programme to apply lessons as the programme progresses. The overall objectives of the programme have not changed, with only minimal changes to the scope, but the timelines and delivery strategy have been updated.

2.18 The programme's SRO has approved several decisions around the scope, including removing the Visitor Admissions Centre, location of lifts as part of the operational improvements and converting the Footmen's Floor from bedrooms into additional office space for over 100 staff. The conversion of the Footmen's Floor was an unforeseen operational improvement, providing the Household with a permanent asset unlike the originally envisaged temporary office accommodation. In making these decisions the SRO has had to consider the benefits alongside budget, programme objectives and protecting the heritage fabric of the building. The stakeholders we spoke to noted they had been included in relevant discussions and understood the balance struck.

2.19 The SRO and Accounting Officer focused on benefits when they decided to remove the Visitor Admissions Centre from scope in January 2022, following a review as cost estimates and complexity had increased. The centre's benefits were to provide a new learning facility and improved visitor access to the Palace. After consulting with stakeholders, the PMO concluded that the design was unlikely to provide the space required to meet the objectives and that the centre could cost £2.4 million more than it had budgeted. The PMO identified alternative means by which the programme could still achieve its expected benefits and overall scope, for example, by using the State Rooms as an alternative place to provide learning facilities. In 2023, the first Schools Week took place with 722 pupils using the State Rooms for learning, which would not have been possible before the programme.

2.20 There have been three resets of the programme so far.

- July 2020 (reason – COVID-19 pandemic): After the initial shutdown, the PMO took the opportunity to bring some work forward, given the reduced number of public events and staff onsite. The accelerated works began in July 2020 with the South Wing. Work on the North Wing was delayed.
- October 2022 (reason – cash constraint): As early as April 2020 the Programme Executive Board recognised the potential impact of the pandemic on the Crown Estate revenue as a risk to the programme’s projected cashflow. In November 2021 the PMO began to review the cashflow and delivery strategy, to identify opportunities to reduce expenditure during the years of flat Sovereign Grant (Figure 6). The Programme Executive Board approved the reset plan in October 2022. It re-sequenced the Palace Wide Infrastructure project, regrouped the West Wing projects and deferred the start dates of various West Wing groups, the North Wing and South Wing main section.
- January 2024 (reason – repayment of core Sovereign Grant loan): Following an indication from the Accounting Officer of the likely requirement to repay a loan from the core Grant in 2024-25 (paragraph 2.16), the PMO reviewed the delivery schedule for the remaining years. It has now brought forward the North Wing decant, enabling works and main works, and delayed the South Wing main section until January 2025.¹¹ Some smaller projects have been pushed back to 2026-27.

Programme culture and managing stakeholders

2.21 Engaging internal stakeholders – those who work and live in the Palace – in both the disruption of the programme works and what the completed Palace would be like, is vital to meeting the programme’s objectives. We found good internal engagement. Stakeholders were able to voice concerns and opinions and shape the vision for the Palace, enabling more informed decision-making and better management of dependencies.

2.22 The Household has successfully created a ‘one team’ culture with its external delivery partners. The Household carries out a range of activities to update delivery partners on progress and help them understand how they contribute to the wider programme. Our work on other major programmes demonstrates the importance of having the right culture on a programme. Our report *Lessons learned: Resetting major programmes* found that, where government bodies and suppliers discuss progress openly and honestly, a programme is more likely to succeed.¹² These behaviours follow the tone set by programme leaders and the culture of the organisation.

¹¹ Enabling works include intrusive surveys that allow the design to be updated and validated prior to the main construction phase.

¹² Comptroller and Auditor General, *Lessons learned: Resetting major programmes*, Session 2022-23, HC 1198, National Audit Office, March 2023.

2.23 There is a culture of continuous improvement. The PMO has actively sought out external scrutiny and implemented recommendations, and has been running lessons learned workshops since 2018, reflecting on what has gone well and what could be done differently. It carries out bi-monthly 'knowledge shares' with contractors, consultants and Household stakeholders to promote collaboration and best practice, and encourage lessons to be applied across the programme. It has set up a platform to capture and share lessons, noting the difficulty in maintaining knowledge when people change, and beyond the end of a project.

2.24 The Household has proactively engaged with Westminster City Council since before the programme began. Historic England had a pre-existing relationship with the Household. We found regular engagement with these key stakeholders, which has helped provide them with advance notice of consent applications, and a route to ask questions about the programme. We were told the consistency of those involved in these meetings and the open and honest line of communications has created a collaborative approach to address problems. The Household also has a Planning Resource Agreement with Westminster City Council, which funds an officer's time to provide a liaison service, given the demands of the programme. Historic England also provides pre-application advice. We were told that the PMO now factors in more realistic timescales in the programme schedule for decisions on consent.

Part Three

Managing risks to the end of the Buckingham Palace Reservicing programme

3.1 As the Buckingham Palace Reservicing programme (the programme) enters its final years the Royal Household (the Household) will need to manage risks to meet the programme's objectives and deliver the remaining work and benefits within cost and schedule. Some of these risks will be inherent to all programmes, especially those in the later stages, such as a loss of staff. Others are specific to this programme, for example, the risk caused by the funding model. This part sets out risks for the programme and examines how the Household is managing them.

Backloading work

3.2 The funding dictates the pace of the programme, and the mechanism via the Sovereign Grant (the Grant) means that more funding is due in the final two years of the programme than expected. We set out in Part Two the lower-than-expected funding to 2024-25 and the limitations with the funding model. The Royal Trustees Sovereign Grant Review 2023 set the Sovereign Grant for the period until the programme ends, ensuring the £369 million will be delivered within the 10 years. The programme will now receive the final £100 million (27% of total budget) in the last two years of the programme split 60:40 (**Figure 8**). Across the programme so far, spending peaked in 2021-22 at £54.0 million. Under current plans, programme expenditure will be £51.5 million in the final year of the programme (2026-27), this is the second highest annual level of expenditure across the entire programme, creating a risk for the programme management office (PMO) in managing a significant amount of work while it heads towards completion.

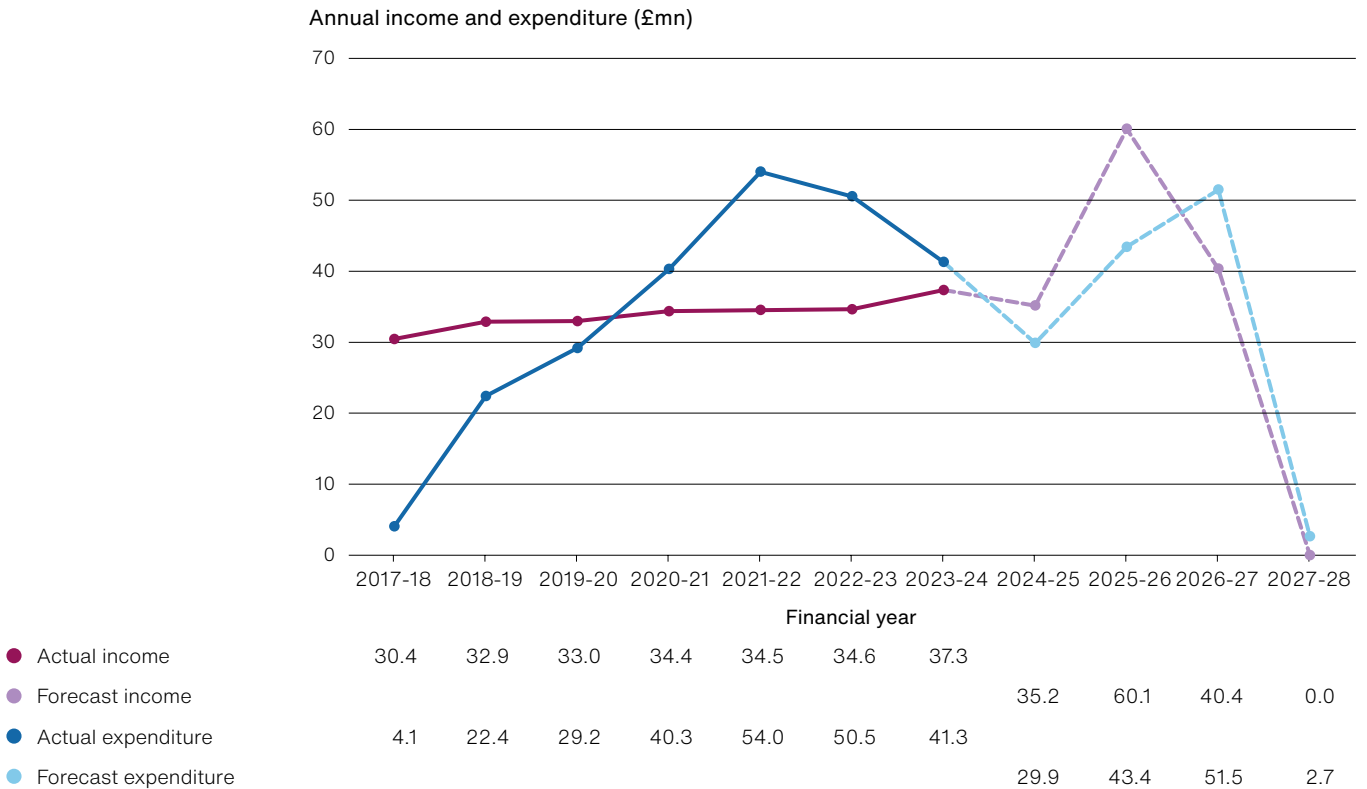
3.3 There is a significant amount of work remaining in the final years of the programme (Figure 5). Much of this work will be carried out at the same time to meet the 2027 deadline, putting pressure on the programme management office (PMO), contractors and the rest of the Household. In our 2019 report *Completing Crossrail* we spoke about how the aim of delivering by December 2018 meant multiple activities ran in parallel, which created risks on the critical path.¹³

¹³ Comptroller and Auditor General, *Completing Crossrail*, Session 2017-2019, HC 2106, National Audit Office, May 2019.

Figure 8

Buckingham Palace Reservicing programme (the programme) actual income and expenditure from 2017-18 to 2023-24 and forecast to 2027-28

The programme will receive £100 million of Sovereign Grant funding in its final two years



Notes

- 1 The programme is due to finish in March 2027 and no funding will be received after the 2026-27 financial year. The Royal Household expects it will incur some expenditure after March 2027, funded from the £369 million budget.
- 2 Income includes Sovereign Grant funding for the programme, interdepartmental income and recharges from the programme repairing historic damage, in 2023-24 £2.2 million was recharged for this. Across 2025-26 and 2026-27 £0.1 million of interdepartmental income is expected to be received.
- 3 Expenditure includes costs incurred on behalf of other Royal Household departments which is recharged. At the end of 2023-24, net programme expenditure was £238.9 million – total expenditure less interdepartmental income and recharges.

Source: National Audit Office analysis of Buckingham Palace Reservicing programme data

3.4 As part of the latest reset the PMO has removed a critical dependency between the North and the South Wings, although work will now take place concurrently. It has been able to decouple the work by opening the East Wing for staff to move into. However, there are still projects remaining that are interdependent, such as the remaining operational improvements, for example, where work cannot commence on the Side Door until a room that provides building services is relocated. In the final years, the PMO will have to manage the interfaces between the wings being delivered and the Palace Wide Infrastructure basement works. As the programme comes to an end the PMO will have increasingly less time to compensate for any delayed work.

Governance, capability and capacity

3.5 During the final stages a lot of work will be ongoing alongside ending the programme and reinstating areas of the Palace back to their intended use. The PMO therefore needs to have the right governance arrangements, monitoring information and capacity and capability to manage this. As the programme nears completion there is a risk of losing key staff and with it the knowledge, culture, and skills that they bring. It also needs to guard against winding down the PMO too early.

3.6 The Household and PMO are aware of the risks and have started to take additional steps to mitigate risks. When the previous Chair of the Programme Challenge Board stepped down in June 2023, the Household appointed a new Chair with experience of closing out programmes. The PMO has plans in place to try to maintain the right staff to the end of the programme, and have included actions in the programme's cost estimates in relation to this.

Cost increases

3.7 The PMO estimates, based on previous competitively tendered rates, that around £54.6 million of expected design and construction work is not yet in contract. Where contracts are not in place, costs are uncertain. In addition, the PMO has noted that the construction industry, and in particular, heritage trades are struggling with resource; however, it remains confident it can mitigate this risk through ensuring the contract value makes it attractive and accessible to a range of contractors.

3.8 The framework agreement between the Royal Household and HM Treasury requires Household contracts to always be placed on a competitive basis, in line with best practice, unless there are convincing reasons to the contrary. We have previously reported on the importance of competition in public procurement.¹⁴ The PMO is going through a non-competitive process of appointing a main works contractor for the North Wing. This is to enable a single contractor for the main works contracts of the North and South Wings to take advantage of potential savings from economies of scale and savings on early works. Before using this approach, the PMO had run a competitive process for an earlier phase, had tested the market and established recent benchmarks. It has set out a clear case for how it expects to achieve value for money and how it will monitor this.

¹⁴ Comptroller and Auditor General, *Lessons learned: competition in public procurement*, Session 2022-23, HC 1664, National Audit Office, July 2023.

Limited budget

3.9 At the end of March 2024, the Household had spent £90.8 million of the contingency budget, with an additional £16.9 million contractually committed. Of the £140 million contingency, there is £32.3 million (23%) remaining. The PMO has analysed contingency based on programme-identified risks, trends and opportunities and also on previous project over-spend. In March 2024, the PMO estimated its net unallocated contingencies to be £5.0 million. It did scenario analysis in March 2024 using previous project cost increases, which estimated a £1.6 million under-spend based on current mitigations. In that analysis the scenario outcomes ranged from a worst-case projected £5.9 million overspend (once all contingency has been spent) to a best-case £8.8 million underspend. Should there be other unexpected costs or events, the Household has limited ability to respond without making decisions about scope.

3.10 To help manage the budget, the PMO has tracked expenditure related to repairing historic damage found during works and completed as part of the programme. As set out in paragraph 2.10, these works are not within the scope of the programme. The Household has now agreed for costs greater than £100,000 to be recharged back to the core Sovereign Grant. By the end of March 2024 the total capital cost of repairs was £3.1 million, not including costs incurred through delays or design fees. In 2023-24, the PMO recharged £2.2 million back to the core Sovereign Grant.

3.11 The PMO considers the remaining reservicing works have a lower risk profile due to the nature of the work, for example, less structural work will be required due to the majority of the operational improvements being completed. The PMO has learnt lessons from the East Wing project. It plans to complete enabling works before tendering the main works contract to mitigate the risk of delays leading to more spend. Completing enabling works means the PMO can update the design before contracting for main works.

Reducing scope

3.12 The SRO and Accounting Officer told us they do not intend to request additional funding from HM Treasury to deal with cost pressures. They intend to manage the remaining budget and time by focusing on work related to the programme's core objectives, making trade-offs around scope and using the core Sovereign Grant (the element of the Grant which covers non-programme expenditure) to fund any overspend. Any overspend would put pressure on other areas funded from the Sovereign Grant.

3.13 The PMO has identified five small projects, a mix of reservicing and operational improvements, which they consider are not integral to delivering the benefits of the programme and can be dropped, should further savings be required.¹⁵ The estimated total savings from these projects is £10.7 million. The PMO told us it will prioritise reservicing work if it does need to reduce scope, rather than operational improvements.

3.14 Of these projects, the Visitor's door ramp and Guard room (part of the South Wing Peninsula project) will not be completed when the funding and programme ends in March 2027. They are next to an area required for the programme building works and so cannot be delivered before the end of the programme. The Household plans that the Royal Household Property Section will carry out this work on behalf of the programme. It will transfer funding to cover expected costs, however any subsequent increases in costs could put pressure on its annual works programme.

Maximising benefits and value

3.15 Our recent report *Lessons learned: Delivering value from government investment in major projects*, set out how it can take time and additional investment to realise value from major projects and that the potential value from a project can go beyond the value that was originally intended or expected.¹⁶

3.16 The Household has made progress against its benefits targets (**Figure 9** on pages 41 and 42). It is on track to deliver its primary objective of reducing the real risk of fire and flood. Also as set out in Part Two it has completed some of the reservicing works, as well as some operational improvements such as new lavatories, which will help realise benefits. It has also identified unforeseen benefits which were not in the business case, such as reusing, repurposing and repairing decanted items across the Palace instead of buying new ones, and developing a comprehensive and well understood blueprint of the Palace to support future maintenance. The Household expects to realise recurring benefits around increased public access, St James's Palace properties rental, and sustainability benefits at the end of the programme.

3.17 The Household is currently forecasting to exceed the target of £3.4 million annual additional recurring income and utilities savings at the end of the programme (2016 prices). To achieve some of the benefits, the Household needs to invest outside of the programme, with rental increase reliant on the Household refurbishing and converting properties in the grounds of St James's Palace. This work was assumed at the time of the business case, and has been incorporated into the Royal Household Property Section's annual works programme. Other increases in income are reliant on increased visitor numbers and events, which may also incur additional costs to be managed outside the programme.

¹⁵ The smaller projects are the side door, West Terrace ramps, Visitor's door ramp (all operational improvements) and the F block and South Wing peninsula (core reservicing).

¹⁶ Comptroller and Auditor General, *Lessons learned: Delivering value from government investment in major projects*, Session 2023-24, HC 554, National Audit Office, February 2024.

Figure 9

National Audit Office (NAO) assessment of Buckingham Palace Reservicing programme benefits progress at April 2024

The Buckingham Palace Reservicing programme (the programme) has made some progress against its benefits especially those related to de-risking fire and flood






Benefit theme	Outline business case benefits targets	NAO progress assessment
<p>Heritage protection and operational resilience</p> 	<p>Reducing the risk of operational failure, fire and flood stopping operations and damaging the Royal Collection.</p> <p>Protecting and preserving Buckingham Palace (the Palace) for future generations.</p> <p>Effective planned repairs and maintenance.</p>	<p>Good progress made on reducing risks, for example, moving the water tanks to the basement and removing 3.5 kilometres of Vulcanised Indian Rubber cabling.</p> <p>Benefits will be fully achieved once Palace Wide Infrastructure works are complete and all core services are running as planned.</p>
<p>Enhanced public access</p> 	<p>Ongoing public access and visibility of Buckingham Palace as the central London home of The Sovereign, maintaining the economic benefit derived from tourism.</p> <p>An extra 150 evening tours per year for 4,500 additional visitors, delivering £280,000 additional net revenue.</p> <p>Over 115,000 additional paid visitors at the Palace generating £1.35 million a year.</p> <p>Up to 110 additional events or an increase of 30%, increasing income by £370,000 a year.</p> <p>A dedicated Visitor Admissions Centre for education and learning for over 30,000 students a year, releasing running cost savings of £350,000 from temporary structures.</p> <p>A greater number of disabled groups given access to extended areas of the Palace, with appropriate facilities for the disabled.</p>	<p>There has been public access throughout the works.</p> <p>The Palace is now more accessible with the installation of the Privy Purse Ramp and accessible lavatories, with further work to be completed.</p> <p>The annual visitor targets are forecast to be fully realised at the end of the programme.</p> <p>Removing the Visitor Admissions Centre from the scope means the £350,000 savings will not be realised, although other benefits previously attributed to the centre, such as providing an enhanced visitor experience and valuable learning facilities are expected to be achieved through alternative means.</p>
<p>Operational efficiencies and enhanced staff output</p> 	<p>Improved fit-for-purpose working environment for staff. Modern working practices enabling better use of the Palace.</p> <p>Release space at St James's Palace generating additional rental income of £800,000 a year.</p>	<p>The programme has improved the working conditions of the Palace through modern office space and modernised live-in accommodation.</p> <p>The programme plans to deliver office enhancements within the North Wing project.</p> <p>Staff moving from St James's Palace to work in the new spaces in Buckingham Palace will create space at St James's Palace for refurbishment and rental.</p>
<p>Environmental sustainability</p> 	<p>Reducing carbon emissions by 554 tons through reducing annual energy consumption by 40%, with financial savings of £260,000.</p>	<p>The new Energy Centre has reduced carbon emissions.</p> <p>The programme forecasts to exceed the financial target.</p> <p>This benefit cannot be accurately evaluated until the programme is finished and Buckingham Palace returns to business as usual.</p>

Figure 9 *continued*

National Audit Office (NAO) assessment of Buckingham Palace Reservicing programme benefits progress at April 2024

Benefit theme	Outline business case benefits targets	NAO progress assessment
<p>Programme delivery benefit to UK economy</p> 	<p>An estimated 50% of materials will be UK-sourced and the programme largely resourced by UK nationals.</p> <p>Apprenticeships within the programme, assisting heritage-related skills development.</p> <p>Re-using temporary accommodation as expansion or decant space for another major public sector project or activity.</p>	<p>The programme reported in February 2024 that 78% of materials have been sourced from within the UK.</p> <p>The programme reported in February 2024 that 41 apprentices and 20 graduates have worked on the programme.</p> <p>The recycling of the temporary accommodation benefit target was dropped when the Footmen's Floor was converted into office space, removing the need for the purchase of temporary accommodation during the programme.</p>

Notes

- 1 Performance data are as reported in February and April 2024.
- 2 The outline business case includes £3.4 million annual additional recurring income and utilities savings (2016 prices) made up of: £260,000 energy savings, £1,350,000 additional visitors income, £280,000 additional evening tour income, £370,000 additional events income, £800,000 additional St James's Palace rental income, and £350,000 temporary structure savings.

Source: National Audit Office analysis of Buckingham Palace Reservicing programme data

3.18 To manage realising benefits, the PMO tracks performance using a series of benefits dashboards which it reports to both the Programme Executive and Challenge Boards. The PMO has increased its reports from every six months to quarterly due to the increase in the number of benefits being identified and realised as projects finish.

3.19 In 2023 the PMO produced a report on the benefits of the programme so far, which includes benefits unforeseen at the start of the programme. The PMO uses different metrics to measure and report on the achievement of benefits. The PMO has recently produced analysis against the financial figures included in the outline business case, but this does not include performance against other metrics. Bringing all the information together into one place could be useful as the programme moves into its final stages and will help to continue to monitor benefits at this later stage.

3.20 Following a recent external review, the Household is looking to embed benefits targets into its performance framework to ensure there are clear accountabilities for those responsible for realising the benefits after the programme completes. Post-programme benefits delivery will become the responsibility of the Royal Household Operations Committee.

Appendix One

Our audit approach

Our scope

1 Our report examines the Royal Household's (the Household's) progress in delivering the Buckingham Palace Reservicing programme (the programme). We make recommendations to the Royal Household and highlight that further lessons could be drawn out for other heritage programmes. This report does not seek to comment on the merits of the decision on the option taken forward for the programme or the wider role of the Household. Our report considers:

- whether the programme is set up for success;
- progress to date and how effectively the programme team have navigated delivery challenges; and
- how effectively the Household is managing risk to the end of the programme and the delivery of benefits.

Our evidence base

2 The audited body of this report is the Royal Household. The conclusions are based on work carried out between September 2023 and May 2024.

Teach-ins

3 In October and November 2023, we received five verbal briefs from the programme management office (PMO) and the operations team on key areas to further our understanding of how the programme worked and to inform our document review and interview areas. These briefs covered the following topics:

- planning, schedule and construction;
- design and change management;
- commercial arrangements and contracts;
- governance, performance management and risk;
- funding and cost management;
- stakeholder management and engagement; and
- benefits management, business as usual and maintenance.

Interviews

4 Interviews were conducted between December and February 2024. We undertook 29 in-person and virtual interviews with Royal Household officials and wider stakeholders. We selected stakeholders to ensure a broad range of perspectives on the delivery of the programme. We identified stakeholders via desk research and discussions with the Royal Household and invited them to participate in an interview by email. Interviews typically lasted around one hour, and we took detailed notes. The interview questions were tailored to the job roles of those being interviewed. We used this analysis to inform further lines of enquiry and triangulate evidence from other sources.

Interviews with the Royal Household

5 We undertook 14 semi-structured interviews with officials responsible within the Royal Household for delivering different aspects of the programme. The interviews were structured by the key research themes of our study: cost management, funding, governance, performance, risk, external stakeholder engagement, benefits, scope, contracts, critical path, dependencies, resets, and health & safety. The interviews were held in person and virtually, based on questions we had identified from our document review, earlier teach-ins and discussions with the PMO. The interviews informed our understanding and assessment of the programme and identified further information and documents we requested to review.

Interviews with stakeholders

6 We undertook 15 semi-structured interviews with wider stakeholders. The purpose of these interviews was to seek their views on the programme, their engagement and involvement with it, the key challenges and lessons learned as well as risks for the future. Questions were tailored to the responsibilities and expertise of each interview participant. The stakeholders we spoke to were:

- Members of the Programme Challenge Board;
- HM Treasury;
- Historic England;
- Westminster City Council;
- Crown Premises' Fire Safety Inspectorate;
- the programme's external expert on Health & Safety;
- Royal Collection Trust;
- East West Connect;
- Sir Robert McAlpine; and
- WSP.

Document review

7 We reviewed key programme documents to understand the set up and delivery of the programme, how the Household is managing the programme (including risks), progress made and plans to manage the programme to completion. The type of documents reviewed included:

- capability, capacity and resources documents;
- external assurance reviews;
- financial reports and accounts;
- programme reports;
- board minutes and papers;
- internal process documentation;
- schedules;
- scenario analysis and plans;
- business cases;
- risk management documents; and
- reports on benefits.

8 We carried out our review between September 2023 and May 2024. Meeting minutes provided by the audited body were from the period January 2016 to April 2024. We reviewed documents against our overarching audit questions. This allowed us to refine the scope of the study and to inform our interview questions, helping to triangulate the findings from interviews.

Visits and observations

9 We toured the reservicing works at various points during our fieldwork, to understand how it was progressing and to provide context to our audit. We also observed one logistics call, a quad briefing and two events held in Buckingham Palace (the Palace) to understand the culture of the programme and how the Palace continues to operate while works continue.

10 Observations:

- Operations and logistics call (January 2024);
- Investiture (January 2024);
- Queen's Anniversary Prize (February 2024); and
- Quad briefing and awards ceremony by the Senior Responsible Owner (March 2024).

Quantitative and financial analysis

11 We analysed data from internal reporting on cost management, risk, contingency and benefits. We analysed financial data to understand the current cost versus budget position, how this has changed over time and what the latest forecast position is for the remainder of the programme, and what financial risks there may be for the programme. We also reviewed and analysed data from published Sovereign Grant and Sovereign Grant Reserve annual report and accounts, and the preliminary 2023-24 annual report and accounts. We analysed benefits data in relation to performance against stated benefits targets, current position, and latest forecast for the relevant amount of time the benefits are expected to be realised for, to understand the progress the programme has made and the risks to achieving the benefits.

12 Figures are those reported by the PMO and used to manage the programme. These are inclusive of VAT unless otherwise reported. They may differ from audited figures disclosed in the annual report and accounts as the accounts separate out revenue and capital expenditure, and due to accounting adjustments and rounding. At the time of this report the annual report and accounts for 2023-24 had not been published.

This report has been printed on Pro Digital Silk and contains material sourced from responsibly managed and sustainable forests certified in accordance with the FSC (Forest Stewardship Council).

The wood pulp is totally recyclable and acid-free. Our printers also have full ISO 14001 environmental accreditation, which ensures that they have effective procedures in place to manage waste and practices that may affect the environment.



National Audit Office

Design and Production by NAO Communications Team
DP Ref: 013916-001

£10.00

ISBN: 978-1-78604-556-0