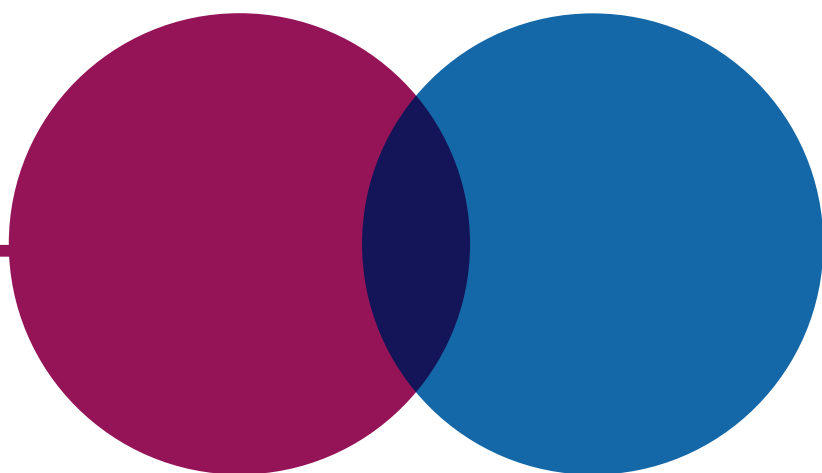




National Audit Office



Restoration and Renewal of the Palace of Westminster: Progress update

Houses of Parliament

REPORT

by the Comptroller
and Auditor General

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

Summary

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

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

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

Key findings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 The Sponsor Body needs clarity on a series of related projects, which are delayed or not fully developed. For Parliament to return to the Palace a series of other projects must be delivered in sequence and on time. This includes the House of Commons administration providing accommodation for the House of Commons during the works and the Sponsor Body providing space for the House of Lords and heritage collections. The timing of these projects affects the business case analysis, and these projects themselves need information from the Programme, such as when accommodation will be required. The Sponsor Body has established ways to understand and manage the interfaces between projects, but has consistently raised this as an issue that could undermine the Programme. For example, in November 2020 the House of Commons Commission closed the programme developing plans to accommodate the House of Commons during the works. The House of Commons administration is now exploring options to complete a business case for approval in 2023, alongside the Programme business case. In November 2021, the Programme redeveloped its integrated schedule to better coordinate supporting projects into its timetable (paragraphs 3.22 to 3.24 and Figure 12).

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

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

Figure 1

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

New risks have emerged since we last reported in April 2020

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

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

Concluding remarks

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