

Restoration and Renewal Programme

Sponsor Body Quarter 4 Report

January – March 2022



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CEO Introduction and Programme Summary

- 1) This report covers the Q4 period (January – March 2022) highlighting the activity of the Sponsor Body (SB) and the Delivery Authority (DA).
- 2) Until the end of January 2022, the Programme was following the objectives agreed with the Commissions following the publication of the Strategic Review in early 2021, and as set out in the Corporate Plan, to produce a Programme Business Case (PBC) for submission to the Houses in 2023.
- 3) Following initial advice from the SB and DA about the initial estimates of potential cost and timescales for delivering the Restoration and Renewal Programme in accordance with the 2018 Resolutions, 2019 Act and Strategic Objectives, the House Commissions have decided to propose major changes to the future direction of the R&R Works, and to the SB and the work of the DA. Since then, work on the PBC has stopped and work has focused on engagement with the Houses on transition activities.
- 4) The two House Commissions met at a specially convened joint meeting on 17 March and published a statement the next day about the outcome. Commission members agreed a new approach to the R&R Programme that recognises not only their collective duty as custodians of the globally iconic building but also their responsibility to ensure the safety of all those who work in and visit the Palace.
- 5) The Commission members agreed that the new approach would be guided by the following parameters:
 - a) A primary commitment to health and safety, including fire safety.
 - b) Ensuring lessons from previous project activity are embedded in future project activity.
 - c) Works to improve mechanical, electrical and other essential systems should be prioritised.
 - d) A shorter life expectancy for the completed works should be considered (i.e., the infrastructure might require further renewal or ongoing upgrades in future decades rather than the current underpinning assumption to avoid this).
 - e) A wider range of options to decant Members and staff from areas of the building affected by the works needs to be considered.
 - f) There must be a more integrated and cohesive approach between R&R works and other critical works on the Parliamentary estate.
 - g) Different levels of ambition for programme scope should be considered to ensure maximum value for money.
 - h) There should be a broader range and a greater number of options for delivering the works developed prior to down-selection of final options.
 - i) An incremental approach to the works and the funding should be considered, in line with standard practice for many major public works.
- 6) The Commission members agreed to seek independent advice and assurance on the new approach to the Works, as well as on proposals to take forward the Commissions' decisions to replace the SB. They also asked the DA to place a high priority on continuing with the already planned programme of intrusive surveys, and other necessary work to inform future decisions, as swiftly as possible.
- 7) The Commissions' statement also explains that a revised mandate for the works and changes to the sponsorship function will be sought from the two Houses and that this is currently planned to take place before the summer recess although no date has been set.
- 8) Following the Commissions' decisions in early February concerning the R&R Programme of works and the future of the sponsor function, the SB and DA implemented a number of expenditure controls, mindful of obligations under Managing Public Money and to ensure continuing spend provided value for money. These included pausing new contract awards, freezing recruitment, reviewing internal delegations, and undertaking a review of current work.

- 9) In addition, the SB worked to provide the DA with new instructions in relation to the work to be undertaken in the current circumstances. This was done by preparing a Task Brief (a formal instruction) for issue to the DA. The SB issued the new task brief (Task Brief 005) to the DA on 25 February 2022. Before the House Commissions' announcements there had been several task briefs in force; these were all cancelled and superseded by the new Task Brief.
- 10) In the new Task Brief, the SB set out the work it requires the DA to undertake in the coming period (based on the outcome of the Commissions meetings in February). The Task Brief was structured to address: stopping and completing activities that were no longer relevant; continuing activities that would be relevant for any future programme of works; developing a new approach to the works in accordance with the agreed parameters, developing a new operating model, and continuing necessary corporate functions.
- 11) As a result, 11 specific tasks were set for the DA (Table 1). Each task has a named senior SB Executive to oversee it.

Table 1: Tasks set by Sponsor Body to Delivery Authority, February 2022

Task	Summary
1	Stop work on the Palace of Westminster Essential and Intermediate Schemes
2	Complete the current design stage (RIBA) 2 for House of Lords decant to QEII but cease other design work including preparatory surveys
3	Stop activity for the Heritage Collections Decant project, except some specific "solution neutral" tasks such as assessment of heritage objects.
4	Stop development of the Programme Business Case
5	Propose any activity which should pause or continue such as corporate functions
6	Work with the Sponsor Body to develop parameters for a future programme as set out in the Joint Commission statement of 18th March 2022.
7	Complete work on identifying opportunities to reduce the decant period estimates (previously tasked by the Sponsor Body on 21 December 2021)
8	Continue Palace of Westminster surveys
9	Continue work on agreeing Programme Standards and Strategies with Parliament
10	Support the Sponsor Body in developing a new R&R operating model and governance
11	Support the Sponsor body in Parliamentary engagement

- 12) Although the new Task Brief was issued to the DA ahead of the Joint Commission meeting on 17 March, the parameters agreed by the Commissions are consistent with the tasks within the task brief.
- 13) The SB required the DA to draft a formal response by 18 March on what the DA proposes to do in relation to the tasks, together with resources, timescales, and costs. The DA duly submitted the response by the deadline of 18 March and the SB accepted the DA's response on 25 March.

- 14) The DA has prepared a plan of work which outlines how the organisation will support the development of the future Programme during this transition period. In its Response, the DA summarised the SB's 11 tasks into three over-arching objectives it will meet to support the SB and Parliament through the transition period:
- Objective 1: Continue Operations in the Delivery Authority
 - Objective 2: Develop Future Operating Environment
 - Objective 3: Develop New Approach to the Works
- 15) Preparatory work to support the transition has begun. Existing governance structures involving officials from the two Houses, the SB and the DA will be used to provide oversight to the transition activity. Eight Workstreams (including, for example, legal, financial, HR, data, etc, as well as those supporting the new approach to the works) have been set up collaboratively between the four parties to ensure alignment across parties and best use of resources.



Transition Programme Governance

Steering Group

Membership:
Determined by whether acting as R&R Steering Group or BAU or as Transition Programme Exec Board

Transition Implementation Group

Membership: Chair + 1 lead from each workstream + standing membership from each organisation

Chair:

HoC

SB

Sec

HoL

DA

1 Design of the Client Function

Scope Includes:

- Scope of internal client function
- Estimate arrangement
- Structure within Parliamentary governance (House services & Member governance)
- Interface with DA
- Hosting/location of client (consequential location of corporate functions)
- Future governance and funding model
- "Political Decision making" i.e. where the ultimate decision-making authority sits

2 New Approach to Works

Scope Includes:

- Critical scope of works
- Approach to decant
- Scope, Delivery and Cost trade offs

3 People

Scope Includes:

- TUPE transfer/ending of secondments
- TU/Employee Representative Forum engagement
- Post mapping/due diligence
- Ongoing staff support
- Training/Induction to Parliament
- Retention: Impact on DA expertise and capability (ie. expertise loss and recovery)
- Exploring opportunities for shared processing

4 Legal

Scope Includes:

- Legislative changes
- Property lease
- Accounting Officer transfer
- Identifying liabilities and assets
- Contracts (non-employment)
- Dissolution of SB and formal establishment within Parliament (non-people) & flow through to DA Governance

5 Finance

Scope Includes:

- Annual Report
- Annual Estimate Arrangements
- Programme Funding
- Winding up (Tax registrations, going concern)
- Systems banking and cash systems
- OSCAR reporting
- Approach to shared processing

6 Digital and Data

Scope Includes:

- Information cleansing
- New repository set up
- Information transfer
- User devices
- Information Management Parl/SB/DA
- Option for purchase of devices
- Exploring opportunities for shared processing

7 Communications

Scope Includes:

- Implement programme of communications to promote transparency & confidence in the programme
- Build comms around key audiences, provide consistent messaging.

8 Due Diligence, Advice Assurance and Risk

Scope Includes:

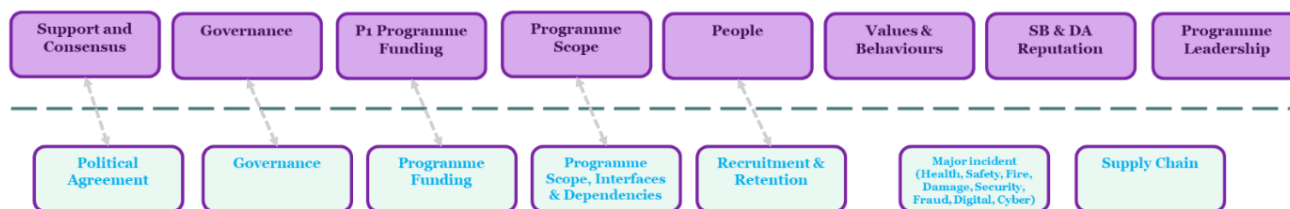
- Advise on and assure the new governance arrangements
- Assure the new approach to works

BAU

Risk

- 16) In January 2022 a comprehensive review of the Strategic Risks facing the R&R Programme for Phase 1 was completed by both the SB and the DA. This review culminated in a revised and rationalised set of strategic risks that brought enhanced clarity over both the interdependency and areas of commonality of our risks, which in turn has enabled the creation of joint mitigation strategies.

SB Strategic Risks



DA Strategic Risks

- 17) The announcement by the House Commissions in February 2022 to review the works and governance arrangements for the Programme, has significant implications for our risk strategy, associated mitigation plans and reporting requirements. Whilst a number of the strategic risks set out above will continue in the longer term the SB and DA in collaboration with the two Houses are now focussed on identifying and mitigating risks to the transition period. These are centred around the transition workstreams set out above.

Finance

- 18) Against the budget, there is a full year underspend of £38.6m. Of this, £20.8m relates to the House of Lords Decant and Heritage Collections Decant projects which have both been delayed as a result of Parliamentary decisions requiring further time for option selection or objective agreement. The remaining underspend is driven by delivery of savings across the Programme, enhanced by the pausing of activity following the February Commissions' announcements.
- 19) As part of the ongoing focus on delivering efficiencies and savings, in addition to the £4.4m of savings that were embedded in the budget, a further £8.6m of planned savings are being delivered in the year due to management actions.
- 20) Following the publication of the House Commissions decisions to review the governance and delivery models for the Programme, mindful of our responsibilities under Managing Public Money as Accounting Officers, the Programme has taken the following actions.
- Reviewed all commercial commitments and either terminated or reduced the scope where possible to complete existing pieces of work where relevant.
 - No new commitments are being entered in to.
 - All recruitment has been stopped unless roles will be essential for any future programme.
 - All contractors have been let go unless critical to current operations.
- 21) We undertook a detailed exercise to consider which work should Stop/Pause/Continue across all areas of the business and associated resourcing plans. The funding proposal for 2022-23 financial year was revised at pace and with increased levels of uncertainty around requirements. This exercise resulted in a significant decrease to the proposed budget for 2022-23. The new budget is aligned with the tasks in the SB's Task Brief and the DA's Response. The Programme Budget and funding request was presented to both House Commissions on the 21 March. The decision to approve a funding envelope for £87m was

recorded and the R&R Estimates Commission will formally consider the Main Estimate for 2022-23 financial year in April 2022.

- 22) The National Audit Office (NAO) were consulted on the internal controls introduced as a result of the changes to the programme, and completed its Interim Audit providing very positive feedback with no matters of concern highlighted. The teams are continuing to develop the Annual Report and Accounts to be laid pre-recess at the end of July.
- 23) The Audit and Assurance Committee was also presented with an annual internal audit report giving a positive annual opinion, stating that ‘the organisation has an adequate and effective framework for risk management, governance and internal control’ in place.
- 24) The NAO published a report on 21 January, setting out what has happened in the R&R Programme and any change to risks since their first report in April 2020. This report was cleared by the SB Accounting Officer and the Clerks of the Houses. A hearing of the Public Accounts Committee discussed the NAO report and the wider developments on the Programme on 14 March, and a follow up hearing is planned for 11 May.
[National Audit Office – Restoration & Renewal of the Palace of Westminster: Progress update report](#)
- 25) A financial summary is set out in Appendix A.

APPENDIX A: Financial Summary & R&R Savings Plan

RESTORATION & RENEWAL FINANCIAL OUT TURN	FULL YEAR			
	Actual £m's	Budget £m's	Variance £m's	%
Sponsor Body	11.6	15.7	4.1	26%
Delivery Authority Management	33.4	44.4	11.0	25%
Data & Digital	29.0	34.8	5.8	17%
Palace of Westminster	37.9	42.5	4.6	11%
House of Lords Decant	2.7	16.6	13.9	84%
Heritage Collections Decant	0.7	7.6	6.9	91%
Delivery Authority Adjustments	1.7	(6.0)	(7.7)	128%
Total Expenditure	117.0	155.6	38.6	25%

All figures are the draft outturn and are subject to change as part of the year end process and audit.

Sponsor Body – The full year underspend of £4.1m was mainly driven by a £1.2m lower than planned resource needed to develop the business case, release of £1m utilised contingency budgeted and delayed timing of recruitment against budget assumptions resulting in a £0.5m saving. Other savings included £0.3m due to a change in public engagement strategy resulting in less spend with third party suppliers and reverting to inhouse delivery, reduced demand led activities savings of £0.5m on professional fees and consultancy spend. The exercise to continue/pause/stop activities following the decision by the commissions has reduced spend by £0.6m in the last two months.

Delivery Authority Management – The full year underspend of £11m is mainly driven by a lower headcount than budgeted, resulting in lower staff costs. As well as staffing savings, the full year underspend also includes procurement savings from changes in commercial approach, lower consultancy costs, and underspends in legal fees. There is a £1.3m underspend against the Q3 forecast which includes the impact of the recruitment freeze and pausing/reduction of other activities such as estimating assurance and requirements management.

Data & Digital – The full year underspend of £5.8m is due to the proactive deferral of several pieces of work including the Requirements Management system, work to repatriate R&R data from the supply chain and software to integrate data across the Programme. Some of this activity was expected to commence in Q4 but paused in line with the Commissions' decision, contributing to the £0.5m underspend against the Q3 forecast. There is expected to be a further significant reduction in spend in 2022-23 and all investment spend is subject to internal business cases.

Palace of Westminster – The full year underspend of £4.6m to date is driven by the delayed start to intrusive surveys. This is partly offset by an acceleration in design activity from 2022-23 to 2021-22; although where possible this was reduced in Q4 accounting for the £1.2m underspend against the Q3 forecast. Tenders have been issued for all of the future intrusive surveys and an extensive programme of survey activity is planned for the 2022 summer recess period.

House of Lords Decant – The £13.9m full year underspend was due to the in-year delays to the project with Parliamentary decisions requiring further time for option selection. The slippage of design and surveys work

into 2022-23 has been forecasted and reported all year; however, following the Commissions' decision only a small amount of work will be undertaken in 2022-23 to conclude the current stage of design.

Heritage Collection Decant – The £6.9m underspend is due to the paused expenditure on design and planning work in the budget as a result of Parliamentary decisions requiring further time for roadmap definition. Similar to the House of Lords decant, this underspend has been expected and previously reported. Current activity is focused on 'option neutral' activity, such as planning for the movement of Heritage objects, with other activity, such as planning for the facility for storage of the collection, on pause.

Delivery Authority Adjustments – This full year budget reflects an overprogramming allowance included in the budget to mitigate the impact of phasing variances, offset by a central risk allowance and contingency.

R&R Savings Plan Financial Year 2021/22

	Savings (£m)	Staff £m's	Non- Staff £m's	Total £m's	% Saving on budget	Comments
Delivery Authority	(1) Embedded savings built into base budget	2.2	2.2	4.4	3%	As part of last year's business planning process, £4.4m of savings were embedded into the Budget. All have been delivered.
	(2) Full year planned savings identified through forecast process	4.7	3.9	8.6	6%	In addition to embedded savings, a further £8.6m of savings will be delivered through planned management action
	Total – Net Planned Savings	6.9	6.1	13.0	9%	
	(3) Full year unplanned savings identified through forecast process	7.5	5.8	13.3	10%	With the budget set prior to the Strategic Review, and as the Delivery Authority matures as an organisation, we have also identified savings on initial budgeting assumptions of £13.3m. There have also been cost increases of £3.9m identified, which are largely offset through the release of contingency funds of £5.2m.
	(4) Delivery Authority unused contingency			5.2	4%	
	(5) Cost increases	(0.2)	(3.7)	(3.9)	(4%)	
	(6) Total: Net Unplanned Savings			14.6	10%	
Sponsor Body	(7) Savings identified through forecast process	0.2	1.8	2.0	13%	Savings relating to headcount have been recognised and savings on spend with third party suppliers have been achieved.
Programme	Total savings identified through forecast process (2 + 3 + 4+ 7)			29.1	19%	
Programme	Net savings identified through forecast process (2 + 6 + 7)			25.2	16%	

As part of our focus on value for money, the Programme is committed to delivering savings. The DA has made planned savings of £13.0m; £4.4m captured in the business plan, and a further £8.6m which have been delivered in-year. Another £13.3m of unplanned savings have been identified, based on revised assumptions and with greater certainty on the costs of activities, partly offset by in-year cost increases.

Including embedded savings, in total £29.6m of programme net savings have been achieved in-year. This does not include a further £3.9m of cost reductions driven by scope changes identified since the House Commissions' decisions relating to the future of the Programme, with an in-year review of activity to be paused/stopped in line with the revised Task Brief the DA is working to.