

Note to Chair of HoC Finance Committee

New Palace Yard Project

Key Benefits

The NPY Programme aims to provide access for Members, staff, and the general public while protecting those legitimately on the estate, and the building itself, from those intent on causing damage or harm. The project will ensure that strong physical barriers are combined with effective methods of screening of vehicular, cycle, and pedestrian entry into the Estate, whilst facilitating efficient access and egress, and respecting the heritage nature of the site. The aim is to reduce the risk in several areas:

- i. Loss of life or serious injury to personnel on the estate and/or in the surrounding area.
- ii. Loss of business continuity of critical parliamentary business and support functions.
- iii. Major damage to property of historic value.
- iv. Compromise of sensitive parliamentary information.
- v. Reputational damage.

Costs

The 2017 Outline Business Case (dated 11 April 2017) aimed to address the security vulnerabilities identified, including the risk of covert intrusion by single persons or mass overt intrusion.

Financial Change

The table below shows the changes since the original SOP in 2018 and the interim approval points since.

Programme/Project Cost Estimates £'000	SOP/C 2018	Revised OBC 2019 v2 (Ph1 FBC)	FBC 2021 v9 (Ph2 only)	Further revision (this FBC-A)
Total resource costs	Not identified	£0	£0	£1,841
Total capital costs	£34,133	£47,069	£32,407	£64,836
Post implementation costs	Not identified	£11,380	£25,828	£1,827
TOTAL	£34,133	£58,449	£58,235	£68,504

The complexity, scale and size of the project surfaced during design development and the approach to the delivery of the works was explored further as it was critical to maintain access to NPY for operational use and to minimise disruption. This resulted in an increase in cost, including risk. The Phase 2 Full Business Case (FBC) v9.0 was approved to spend **£58m**, inclusive of risk, optimism bias and running costs.

The FBC-Addendum, January 2023, approved total cost **£68.5m** including adjustments for all phases whilst the project had evolved.

Phasing of the Project:

Phase 1 of the Security Enhancements was completed in May 2021 and comprised pedestrian crowd control barriers outside of Carriage Gates covered by a separate FBC approved in 2019.

Phase 2 is currently on site and is the subject of the FBC-A & comprises the following works:

- a. Secondary perimeter railings inside NPY to prevent pedestrian incursion.
- b. Security-rated, guard boxes and control boxes.
- c. Pedestrian access control systems and 'tiger trap'-style barriers for vehicles.
- d. Installation of additional secure, accessible pedestrian/and cyclist pods/turnstiles
- e. Renewal/upgrade of Intruder Detection Systems and CCTV provision.
- f. Re-instatement of some original heritage features within the NPY area.

Phase 3 has been removed from C2209 via change control to be delivered as a separate project.

Strategic Direction Received to Date outside of FBCA Approval

The table below outlines the key direction the project has received to date:

Date	What	Direction	Received From
28/03/2019	OBC	Development of options to align with updated PDS Operational Requirements	Accounting Officers and FDs
26/07/2019	FBC Phase 1	In lieu of separate OBC for Phase 2 enabling works and confirmed preferred option to be developed	Accounting Officers and FDs
20/05/2021	FBC	Confirmation of preferred option for Phase 2	Accounting Officers and FDs
09/02/2022	CCF058	Removal of Search and Screen see Appendix R	Executive Sponsor
25/02/2022	CCF60	Updated railing specification see Appendix R	Executive Sponsor and SRO
07/07/2022	CCF065 and email confirmation	Removal from scope of Phase 3 from C2209; note PRF was raised/rejected; alternative arrangement agreed with SEPMO to capture Phase 3 which remains on hold See Appendix R	Executive Sponsor and SRO
14/06/2022	Briefing Paper	Update on C2209 project since FBC and requested agreement to proceed with contract award. Paper accepted with comments, but no further action required pending FCA Addendum	Accounting Officers and FDs

New Palace Yard					
	Revised OBC	FBC	FBC-A	Covid funding	Forecast Outturn cost
	March 2019	Feb 2021	January 2023	Covid funding	
	£m	£m	£m	£m	£m
Pre Construction	0.7				2.46
Main Works	19.3	19	29	0.3	35.50
Fees	4.02	2.4	9		8.50
Risk	9.1	5.2	16		4.49
OB	6.1	0.88	1.4		0.60
subtotal	39.22	27.48	55.4		51.55
VAT	7.8	5.5	10.9		10.31
Total	47	33	66.6		61.86
post implementation cost	11.4	25	1.8		0.33
Revised total	58.4	58	68.4		62.19

The latest financial assessment shows the programme is on track with a forecast of **£62m**.

I. Programme/Schedule

- Area A complete – 10/05/2024
- Area B complete – 18/09/2025
- Area C complete – 24/11/2025
- Project completion date – 19/01/2026
- End of defects – 19/12/2026

Supply Chain Build up from Cost Plan

Item	Role	Forecast Out turn Cost
BAM	Main Works Contractor	£ 42,600,789
Sundry Suppliers	Erith Asbestos removal works DBR stone inspections, EE (Environmental Essentials) & SIS.	£ 516,365
Professional fees	Project Management & Cost Management & MDS	£10,210,011
Risk Capital Projects	Remaining Risk Upon Completion	£4,390,456
Risk to spend	Agreement of remaining Compensation Events and PMCM closure	£1,000,000

Allendale	Management of Traffic Marshalls	£2,550,370
Sundries	Resource, cleaning, Security	£200,168
Optimisation Bias Capital		£725,040
Total Project Cost		£62,193,198

Reason for change

The significant number of changes under the Option A NEC3 contract, resulting in over 1,800 Project Manager's Instructions (PMIs), reflects the cumulative impact of client-driven alterations, incomplete and evolving design information, and scope gaps that introduced ambiguity into the delivery process. These factors, compounded by logistical adjustments required to maintain site operations, have led to cost escalation and programme delays. The high volume of PMIs underscores the complexity of managing change within a fixed-price framework when initial design certainty and scope clarity are not fully established.

Valuation of Change

- Under NEC3 ECC Option A&B (Fixed Priced), compensation events are valued using the Defined Cost plus Fee approach, not the original tendered rates. The contractor submits a quotation detailing the forecast 'actual' cost of the work affected plus the agreed fee. The Project Manager assesses the quotation for reasonableness and may adjust it. This is a significant departure from other standard building contracts in that, (1) it seeks to establish the true cost of change rather than using tendered rates, this being fairer to both parties and (2) it values change on a 'prospective' basis. In essence, a forecast is produced and agreed for future costs and at the point of implementation, that becomes a fixed price. It can only be changed if any of the underlying assumptions change. The benefit of this approach is cost certainty and programme integrity. A disadvantage is the lack of retrospective visibility of actual costs post event. An alternative approach is Option C cost recovery, where in effect, only the actual costs are recovered retrospectively, but does not give cost certainty.

Audits and Findings

- BDO audit (March 2025) – Undertaken as part of Parliament's Internal Audit Plan for 2024/25, approved by the two Houses' Audit Committees, the audit was to review of the project management arrangements for the New Palace Yard Construction Programme (Area A).. Conclusion: "We are able to provide **moderate assurance** that the principal business objective is being achieved. For the purposes of this exercise, we have defined the business objective as follows: To ensure that the NPY Security Construction Programme is being effectively managed to deliver expected benefits within agreed time, cost and quality specifications".
- JCBA Audit July 2023: Focussed on broader matters of supply chain and operational efficiency, productivity and commercial relationships and made recommendations on these matters.

Key Change Events

In March 2017, the Joint Investment Board requested the establishment of a programme to consolidate existing resources into a single programme.

In July 2018, the Strategic Outline Programme Case (SOPC) for the Security Programme was approved by the Clerks of the Houses, bringing the project within the estate-wide Capital Delivery Security Programme.

The Phase 1 main works initiated in November 2019 with close-out in May 2021.

The Phase 2 main works contract award report was approved by the Accounting Officers on 18 July 2022, the work commenced on 22 August 2022 and is due to finish January 2026.