

Rt Hon Steve Barclay MP
Chair, Finance Committee
House of Commons

15 April 2026

Dear Steve,

Thank you for your letter of 6 March outlining the Finance Committee's concerns with the Norman Shaw North project. I am grateful to the Committee for its consideration of the request for additional funding, and for its scrutiny of the project generally, and have discussed the issues you have raised with the project team. I have set out answers to each of your questions below.

Managing costs

Catering

The catering outlet was originally approved as a core benefit within the Business Case. Its primary purpose is to ensure that Parliament can maintain reliable catering provision during periods of significant disruption. By creating an additional, self-contained facility, we reduce dependency on Portcullis House and strengthen our ability to keep services running when other outlets need to close for extended periods, whether for Restoration and Renewal, CBIP activity, or the wider catering review.

The catering facilities in Norman Shaw North comprise two distinct areas: an open plan atrium of approximately 500 sqm; and about 160 sqm of ancillary catering facility space, such as kitchens and wash-up areas. These spaces could theoretically be repurposed for a range of alternative uses, however, these have not been professionally scoped. As with other large atrium spaces around the estate, it is worth noting that the former area is likely to serve other purposes in its lifespan, and may well come to be used for periodic exhibitions, stand-up meetings, or as informal working space.

The overall cost of the catering installation is approximately £790k, which comprises equipment, connections and finishes, but excludes mechanical and electrical services, which were installed across the building as part of a separate package. Much of this overall cost is sunk, but there remains the possibility of recouping some of the cost of the equipment – which was ordered in late 2025 but has not yet been delivered – should the installation of the catering facility be cancelled. We are unable to determine the exact size of the saving without engaging the manufacturer, so while our working assumption is that the saving would be about £380k, it could be much less: the

equipment is bespoke, so is likely to attract a low re-sale value, and the saving would be contingent on how much of the order has been produced. If the equipment were placed into storage for future use, any potential saving would be minimal and would be offset by storage costs. Moreover, if Parliament were to purchase the same equipment later, it would almost certainly be at a higher cost. We would estimate that a further £30k might be saved in finishes, however, an additional £20k would be required to terminate the services (water, electrics etc.) at the kitchen perimeter. This leaves a possible – but caveated – saving of £390k if we were to decide not to proceed with the catering installation. Omitting the fit-out of the kitchen would not save any time on the project as it is an activity that is happening concurrently to others and it is not on the critical path.

The Norman Shaw North catering facility is required during the upcoming CBIP works – with Richmond House catering ceasing from 2027/28 and 1 Parliament Street (Bellamy's) from 2033. However, to achieve earlier savings we could replace these two existing outlets with the Norman Shaw North catering facility once the building is commissioned next year. Together, those units are forecast to operate at a net cost of around £570k in FY 2025/26. Consolidating activity into a single, more efficient offer is expected to bring us much closer to break-even, with full financial plans to be developed once wider estate-level changes are confirmed. Importantly, one of the existing spaces, and its associated back-of-house areas, could be repurposed for alternative uses, creating opportunities to unlock additional benefits for the estate. This approach supports our broader ambition to bring catering to a break-even position before the end of this Parliament, while making better use of the estate overall.

Given the amount that has already been spent on catering equipment, and the implications for long-term resilience if we were to not proceed with the facility, I am not convinced that a decision to remove the catering offer from the scope of the project would demonstrate value for money. However, it is clearly important that the catering facility that forms part of the finished building operates as efficiently as possible and is good value for the taxpayer. To this end, I have asked Morgan Edwards, Managing Director of Customer Experience and Service Delivery, to develop plans for the consolidation of catering outlets on the Northern Estate, along with associated financial plans, and to report back to your Committee and the Administration Committee with specific proposals by July.

Other, non-statutory aspects

Given the advanced stage of the project, opportunities for significant further savings are now limited. We are nevertheless reviewing potential reductions in the furniture package, external works and other non-statutory fit-out elements to identify any remaining areas where modest savings might be possible. I have instructed colleagues to report back to the Committee on this matter. Any additional reductions, whether in furniture, landscaping, or elements such as catering, would affect the benefits set out in the Business Case and are likely to impact the experience of Members and staff.

Previous estimates

It is clear that the worst-case figure quoted to the Committee in September 2025 was inaccurate, and significantly so. At the time of that meeting, there was considerable uncertainty about the total costs that the fire regulation changes were likely to cause to the project and, as such, it was premature for the figure of £5 million to have been couched as anything other than a developing estimation. I regret both that the original figure was inaccurate and that your Committee was not informed of this sooner. In part, this was because of significant turnover in project personnel. However, it is still unacceptable, and I have asked the Director General (Operations) to work with the incoming interim Managing Director of Strategic Estates and the Finance Director to review other large-value estimates given to your Committee for estates work to see whether they remain accurate and to take steps to ensure future estimates provided are more robust.

The updated requirement of approximately £10 million reflects the development of statutory fire safety obligations as design assurance progressed, particularly the evolving implications of the Building Safety Act 2022. The Act has been implemented in stages through secondary legislation, with significant regulatory detail continuing to emerge throughout 2023 and 2024, leaving us unable to fully anticipate these requirements earlier in the project. The resulting additional costs were made up of multiple changes to construction approaches, materials used, compartmentation requirements, and certification standards for the fire safety works. The team had to re-categorise and interrogate 64 changes to capture the impact and quantum of the new requirements.

The construction industry's response to the new regulatory environment has also evolved, including changes in supplier offerings, contractor methodologies, and the approach taken by consultants and their insurers when certifying compliance. The extent of these developments only clearly emerged at later stages of design assurance.

As this understanding matured, the cost estimate increased accordingly. By early 2026, it became clear that the cumulative impact of statutory requirements and associated industry practice amounted to an additional c.£10 million.

Project governance

Further trade-offs

Value engineering was undertaken at RIBA (construction) stages 3, 4, and 5, and has delivered over £6m in savings. These reviews involved the full project team, including Wates and key supply chain partners, and focused on specification adjustments and technical solutions that maintained functionality. A list of these savings has been provided at Annex A.

In a project of this scale, the identification of significant and costly additional statutory requirements would typically see the project team explore savings in other, non-statutory areas to bring the total works within the agreed budget. The issue faced by the Norman Shaw North project has been that the additional statutory burden only became apparent at a very late stage, after many unrecoverable costs had been sunk.

Senior staff seeking cost reductions

Senior staff representing the consultants, contractors and the in-house team meet weekly to review all aspects of the ongoing work. At these meetings, there is a standing agenda item on the commercial aspects of the project to seek more cost-effective solutions to the work. These discussions typically yield low-risk, easy-win savings that can be realised quickly, and help maintain a focus on value for money throughout all stages of the works.

The budget and options for value engineering are also discussed at every Project Board, which considers higher-impact, further-reaching savings proposals, informing and involving the Executive Sponsor Board where necessary. During the construction phase, the Project Board made decisions regarding the extent of mosaic floor repairs undertaken, plaster repairs to less visible areas, landscaping, potential nugatory external works and practical application of ceiling conduits. All of these fed into the £6 million of savings outlined at Annex A. As this is a Grade 1 listed building, all such changes have required significant negotiation with Historic England and Westminster City Council to achieve.

Legal enquiries

[REDACTED]

Notification to Accounting Officer

It became apparent in August 2025 that the new statutory regime would have cost implications for the project, although the exact scale was not known. The cost impact

was estimated with more certainty in November 2025, following detailed design assurance and supply chain engagement. A paper for the Finance Committee was drafted and shared with me, as Accounting Officer, in January 2026 when the project team believed they would appear in front of the Committee.

Lessons from the Norman Shaw North (NSN) project are already being shared across Strategic Estates, with a full lessons learned report to follow handover. Key learning, such as earlier regulator engagement, clearer scope change decision points, and stronger escalation of cost risks, are now being built into project planning.

The Restoration and Renewal (R&R) Programme has already applied these lessons directly. It has strengthened surveying, risk management, and contingency planning, with structured high and robust contingency ranges to give clearer visibility of risk.

I hope that this information is useful to the Committee, but please do not hesitate to get in touch if there are any further details you require.

*Yours ever,
Tom*

Tom Goldsmith
Clerk of the House

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Annex A: Cost reductions achieved to date

Cost Reductions Achieved	Cost Inc. VAT
Retention of temporary pedestrian turnstiles to Commissioners Yard Gate (CYG) for future CBIP construction operatives entry onto the estate (removal saving).	£ 48,000
Transfer, payment and management of the storage of CYG vehicle gates to CBIP (as they will be reinstalling them in the future).	£ 18,000
Reduction in scope of external landscaping (including underground ducting and level changes to Laundry Road) which will be part of other Northern Estate projects (to avoid abortive works due to cross over scope with CBIP and the adaptations to Derby Gate projects).	£ 2,416,329
Reduction in scope of works in and around basement areas eg. brickwork repairs.	£ 24,000
Reduction in fireplace refurbishment scope.	£ 54,221
Modification of scope to historic floor areas due to uncovered extent of previously damaged mosaic / terrazzo tiles.	£ 3,449,973
Rationalisation of plaster repair scope following surveys	£ 79,000
Total	£ 6,089,523