HOUSES OF PARLIAMENT
R&R SPONSOR BODY

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Response to Estimate Commission follow-up questions

1. Can you provide an update on whether the critical and essential recommendations from the IPA in their Gateway Review have been addressed?

The table in Annex A summarises the progress against the recommendations from the April 2021 IPA Gateway Review of the R&R Programme.

2. What was the rationale for selecting the West Midlands, Doncaster, North of Tyne, Liverpool, and Greater Manchester as areas for greater regional engagement? Is there scope to extend this engagement to regions within Wales, Northern Ireland, and Scotland?

The Chair of the Delivery Authority wrote to all the UK regions and nations to invite them to an introductory discussion and explore the opportunities and benefits of the Restoration and Renewal Programme to their residents and businesses. Meetings are being arranged according to the responses received.

To date, we have met with five regions in England, the CEO of the Scottish Chambers of Commerce, and the Welsh Government.

We are due to meet the Mayor of Cambridge and Peterborough and Ministers from the Northern Ireland Executive and Scottish Government in the coming weeks. These virtual meetings are aimed at explaining the broad scope, timing and supply chain and skills needs of the programme as well as getting input about regional and national skills strengths and the best ways of engaging them.

Doncaster and the West Midlands were the first regions to respond to our introductory meeting invitation and so we have worked with them and their local Chamber of Commerce to set up and deliver roundtable events with local stakeholders and businesses. These took place on 17th November (Doncaster, Yorkshire and the Humber) and 25th November (Wolverhampton, West Midlands).

Throughout 2022, we are visiting and hosting roundtables in all regions in England, and in Scotland, Wales and Northern Ireland, as part of a UK-wide engagement programme in partnership with the British Chambers of Commerce. The current timetable is set out below (with additional dates for Wales, East of England and London currently being arranged):

- Tue 8 February - North East (Tees Valley)
- Thursday 10 March - East Midlands (Nottingham)
- Wednesday 30 March - North West (Liverpool with visit to Manchester Town Hall)
- Wednesday 27 April - Scotland (Aberdeen & Grampian)
- Thursday 12 May - South West (Poole, Dorset)
- Thursday 19 May - Northern Ireland
- Thursday 23 June - South East (Sussex)

3. In April we recommended that the Delivery Authority sets targets for regional spend. Your letters in May and September do not directly respond to this recommendation. Have you considered setting targets for spending across the UK?

As set out in my letter dated 30 September 2021, we are committed to engaging with businesses across the UK.

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We do not have targets for regional spend and do not currently want to be committed to do so. The reason is that we have an overriding statutory obligation to secure value-for-money which means we need to open all our procurements to competition. As a result, it is not within our control where contracts and work actually land.

4. David had set a goal of 1 apprentice for every £5m spent. The £155m Estimate provision in 2021/22 would therefore equate to 31 apprenticeships. However, you have set a target of 15 apprenticeships. What is the reason for this discrepancy?

To clarify, the target of 1 apprentice per £5m is applied to *contract value let* through the supply chain, rather than derived through the annual Programme budget.

As noted in my letter to the Commission of 16 April 2021, the first real opportunity to apply the target of one apprentice per £5 million worth of contract value was in relation to the Intrusive Survey Work framework tender; we have applied a requirement to employ an apprentice on the largest expected work package at circa £4m.

For smaller packages of work, other requirements relating to skills include payment of the Voluntary Living Wage, and the provision of work experience placements where more than 25 contract staff are providing the works. For larger packages of work, suppliers are expected to offer apprenticeships at the level described above, offer mentoring to young people, participate in the provision of pre-employment training programmes with Further Education settings and provide wide visibility of Programme job vacancies through the government's Find a Job portal. The apprenticeship requirement is, therefore, part of a wider package of measures relating to skills, employment and education that form part of our contract requirements.

5. How many apprentices for this year have been recruited so far?

5 apprentices have been recruited directly to the Delivery Authority. All of these have now started work on the Programme team.

We are also in ongoing discussions with Historic England about offering secondments to a number of their heritage apprentices to join the programme for short-term placements.

More broadly across the Programme, we have 15 apprentices working with our programme delivery partners providing architectural, programme management and data and digital services to the Delivery Authority, taking the total number of current apprentices to 20 against the target of 15.

In respect of all of the above, it should also be considered that the target to employ apprentices sits alongside the Programme's planned Shared Apprenticeship Scheme which will support smaller suppliers to host apprentices on their R&R contracts, and on which we have previously updated the Commission. Whilst the volume of apprenticeship opportunities created is important, so too is their quality. We intend to ensure quality training for R&R apprentices, improve completion rates and promote opportunities in critical trades and occupations. Making improvements against these measures is arguably as valuable as just creating apprenticeships in their own right.

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6. Nearly half (46%) of staff costs last year were for 'other' staff. What measures are being put in place to reduce this reliance on off-payroll staff? And would you both consider setting yourselves targets to reduce this percentage?

Since the inception of the Sponsor Body and Delivery Authority in April and May 2020, our focus has been on reducing reliance on the seconded and interim staff we inherited, and ensuring we have the appropriate mix of skills and experience to deliver the Programme.

From the start our focus was on recruiting the senior teams and then staffing the rest of the organisation with direct recruits and a reducing reliance on external interim labour.

Reducing the reliance on external support such as interims has been clearly set out in the R&R Programme Business Plan and the Annual Report and Accounts. The business model of the Programme does however rely on buying services on the equivalent of out-sourced contracts to supply specialist skills in time-limited arrangements where it would not represent value to have full time employees. The steps taken so far to reduce the reliance on interims are:

1) Recruitment of directly employed staff to substantive staff posts. Well over 100 staff have been directly recruited into the Delivery Authority since the summer of 2020 and we expect directly employed staff to be around two-thirds of the total on the programme by the end of the coming year.
2) All requests for new interim contractors or extensions have to be given a business justification and approved at a senior level.

While it is unlikely that we will totally eliminate interims for the reasons given above, the focus continues to be on recruiting directly employed staff and keeping interims to a minimum.

7. What is the structure of the staff bonus scheme within the Delivery Authority? (This was referred to in the Annual Reports and Accounts under 'Contingent Liabilities'). Why could a provision for this not be made in last year's accounts?

The Delivery Authority operates a discretionary scheme to pay performance-related bonuses, and this is benchmarked against comparative private sector and major project schemes. Given the coronavirus pandemic and its ongoing economic impact, as well as the Delivery Authority's status as a new organisation, the decision was taken in relation to the 2020/21 financial year to generally defer payment of discretionary bonuses related to performance until 2021–22 and this is why it was captured in the 2020/21 Annual Report and Accounts as a 'contingent liability'. Therefore, any bonuses paid in relation to 2021-22 may also contain an element of recognition for performance in 2020-21 carried over.

The Delivery Authority's performance-related bonus scheme determines that bonuses are calculated as a percentage of salary. Actual payments will be calculated with reference to the corporate performance (as determined by the organisation Performance Scorecard) and individual delivery against personal objectives.

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8. In the Annual Report and Accounts there is a second contingent liability regarding IR35 compliance and queries that have come from HMRC were currently being addressed. Has this now been resolved and if so, was the programme liable for any additional payments?

This has been fully resolved.

We identified a potential liability relating to the implementation of IR35 on contracts novated during 2020/21 from the House of Commons. A full review was undertaken and:

- All existing contracts were reassessed and bought in under IR35 if appropriate;
- All new contracts are now assessed under the framework before commencement;
- A settlement has been reached with HMRC (£260,000) and we have had the new process reviewed by HMRC and are confident there is unlikely to be any future liability. Our proactive approach meant that no penalty charges were incurred.

9. The Annual Report and Accounts provides detail regarding the benchmarking exercises the programme carries out to ensure value for money is being achieved. Can you provide us with specific examples of where these exercises have saved the Programme money? Is this an area that could potentially be tracked and reported?

We have completed both top-down and bottom-up benchmarking exercises, as set out in the Sponsor Body's Annual Report and Accounts. This work will continue as we develop the detailed and costed plan for the restoration and renewal of the Palace, otherwise known as the Programme Business Case (PBC).

In respect of 'bottom up' benchmarking:

- Our benchmarking on costs to deliver the PBC has helped us focus on key supplier costs, which have been tangibly reduced from the budget that was originally set. By benchmarking programme management costs we have reduced the phase one cost of our PPCM contract by around £5m.
- The Delivery Authority looked specifically at the Data and Digital (D&D) cost for R&R both for Phase 1 and our commercial approach for Phase 2. This has resulted in much clearer focus for our D&D spend which has also been validated by review with external consultants. Using this review we are re-tendering our key D&D contracts, and anticipate saving around 20% on the operating costs of our current D&D systems.

In respect of 'top down' benchmarking, the Sponsor Body has now completed work with Oxford Global Projects on an academic benchmark ("Reference Class Forecast") for the R&R Programme. This benchmark will be used to assess the appropriate level of cost and time contingency to include in the overall PBC. It also describes the types of risks that have occurred in similar programmes which R&R will review to ensure that we are sufficiently addressing similar risks in our own plans.

We will track progress made with the recommendations from these benchmarking exercises as part of our regular reporting.

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10. In March 2021 the Treasury encouraged the Sponsor Body to consider how virtual and hybrid working options could be part of a cost-effective solution within the delivery plan. What assessment have you made of this suggestion?

Changes to the working practices of Parliament are not for the Programme to decide or propose.

The R&R Programme has been supporting Parliament to establish and describe Parliament's User Requirements for a renewed and restored Palace.

As part of this requirements process Parliament may consider whether virtual/hybrid working related requirements should be included within the Programme, where it is within the Programme's remit to deliver.

The R&R Programme's technical experts will take the User Requirements provided by Parliament and use them to develop designs for the future Palace that will aim to, as far as possible, deliver what Parliament requires, in the most effective and cost-efficient manner.

The Programme is also working to understand the impact of pandemic changes to working practices within Parliament, as more data becomes available.

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Annex A: Progress against IPA Gateway Review recommendations from April 2021

ID	Recommendation	Status	Progress
1	As part of all of the governance reviews and reconsiderations that have been commissioned post Strategic Review and the 12 month PRA review, the SB should step back to consider how it best positions itself relative to the HoC, HoL and DA to ensure Phase One is successful, and the OBC is approved.	**Open** – Effectiveness of new governance to be reviewed in Dec 21.	Governance review completed with the Houses. Recommendations accepted and now being implemented (e.g. creation of R&R Steering Group). SB and DA relationship being clarified through clearer accountabilities, challenge and transparency. SB and Houses now working more collaboratively e.g. work on 6 month plan and user requirements.
2	Ensure there is absolute clarity on who is responsible for particular risks (and issues) and the SB AO uses the Parliamentary Relationship Group to best effect to hold Parliament's AOs to account against risks they own.	Closed	Issues (and risks) are now reported in the SB monthly reports and used by the SB CEO in reviews with the Parliamentary Relationship Group. New reporting has been welcomed by SB Board and Parliamentary Stakeholders.
3	There needs to be a real step up in the effectiveness and sophistication of stakeholder engagement by the SB in this financial year, tightly integrated with any repositioning the SB might consider and to enable decision making milestones needed by the Phase One plan.	Closed – Now ongoing review of effectiveness.	Covid restrictions continued to inhibit face to face engagement. Nevertheless, regular engagement groups continue and are well attended by Parliamentary officials. Individual briefings for members have continued and an R&R exhibition to engage with members and passholders took place in November 2021 in Portcullis House and the Royal Gallery. Engagement with the Parliamentary administrations has been strengthened through the creation of the R&R Steering Group (see 1 above).
4	The processes for agreeing requirements and exchanging information between all parties, as expressed in the PRA and PDA, should be improved.	**Open** – Review in early 22 when user requirements should be agreed.	Early strategic steers and design assumptions had not lead to a clear way ahead for agreeing user requirements with the Commissions in Jan 22 as required by the Phase 1 Plan. Accountabilities between the Houses and R&R and a clear joint plan have now been agreed for approval of user requirements by the

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			Commissions in early 22. This is being monitored weekly by SB Chief of Staff and R&R Directors. Information exchange from Parliament remains challenging due to the complexity of data and governance. All parties have committed more funding but it remains a challenge.
5	The Sponsor Body should agree a clear strategy, timetable and evaluation criteria and declare the emerging OBC direction of travel with the approval community at key milestones within Phase One.	Closed	Updated Business Case approach has been agreed by SB Board and Joint Working Group. Evaluation criteria and benefits approach have been endorsed by SB Board, Steering Group and the House Commissions. Initial cost estimates including the impact of Continued Presence will be shared with the Commissions in January 22. Interim option assessment will be shared with the Commissions in early 22.
6	The Sponsor Body must work with the House of Commons administration to agree a House of Commons decant strategy (or assumptions to be adopted) as a matter of some urgency to provide confidence in the deliverability of the options under consideration within the forthcoming OBC.	**Open**	The House of Commons is planning to instigate a new steering group for the House of Commons Decant project early in 2022 which will have representation from the Sponsor Body as there currently in representation for Parliament at multiple levels through the R&R governance. The dependencies and interfaces between R&R and the House of Commons Decant Project will continue to be reviewed at the joint Dependencies Group and Infrastructure Group between Parliament and the Programme. Strategic assumptions by all parties have now been shared to understand any misalignment or concerns. Key mutual assumptions will form part of both the R&R Programme Business Case and the House of Commons Business Case which will allow both parties to understand what is required for mutual success. The joint R&R governance up to and including the Parliamentary

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		Relationship Group provides an ongoing mechanism to ensure that the parties are supporting each other to achieve the desired outcomes.