

FINANCE COMMITTEE

Tuesday 13 November 2001
(*Morning*)

Session 1

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FINANCE COMMITTEE

22nd Meeting 2001, Session 1

CONVENER

*Mike Watson (Glasgow Cathcart) (Lab)

DEPUTY CONVENER

*Elaine Thomson (Aberdeen North) (Lab)

COMMITTEE MEMBERS

Brian Adam (North-East Scotland) (SNP)

*Mr David Davidson (North-East Scotland) (Con)

*Donald Gorrie (Central Scotland) (LD)

*Alasdair Morgan (Galloway and Upper Nithsdale) (SNP)

*Dr Richard Simpson (Ochil) (Lab)

*attended

WITNESSES

Robert Brown MSP (Scottish Parliamentary Corporate Body)

Sarah Davidson (Holyrood Project Team)

Stewart Gilfillan (Scottish Parliament Corporate Affairs Directorate)

Paul Grice (Clerk and Chief Executive, Scottish Parliament)

ACTING CLERK TO THE COMMITTEE

David McGill

SENIOR ASSISTANT CLERK

Anne Peat

ASSISTANT CLERK

Gerald McNally

LOCATION

Committee Room 1

Scottish Parliament

Finance Committee

Tuesday 13 November 2001

(Morning)

[THE CONVENER *opened the meeting at 10:03*]

The Convener (Mike Watson): Welcome to the 22nd meeting of the Finance Committee. I give the usual message about pagers and mobile phones. We have received apologies only from Brian Adam.

Items in Private

The Convener: I invite colleagues to agree to discuss agenda items 4 and 5 in private.

Alasdair Morgan (Galloway and Upper Nithsdale) (SNP): On item 4, I know that it is normal for us to consider committee reports in private. Given that other committees have agreed the reports that we will consider, why must we discuss item 4 in private? We do not have a draft of our own report before us.

The Convener: Although the reports have been submitted to us, they have not been published and so are not in the public domain. A discussion about them now—before they have been published—would not have a great deal of meaning for any people attending the meeting or reading the deliberations. The reports will be published in the fullness of time with our reports. We are following the practice that we have followed in the past; there is nothing secretive about it.

Dr Richard Simpson (Ochil) (Lab): I feel as Alasdair Morgan does. We always scrutinise reports in private and the reason the convener gave for doing so might be valid; that the committees concerned have not yet published the reports and the reports are therefore not in the public domain. However, our discussion about the reports should be in the public domain.

The Convener: I am in the committee's hands. I say merely that in the past we have not gone public with such discussions until the committee reports are published. As people will be aware, committees submit their reports to us, but those reports do not emerge into the public domain until we submit our report, the annexes of which are all the other committees' reports.

I am simply following the practice that we have adopted until now, but I do not have a particularly

strong view on the matter. If the view of the majority of members is that we should discuss the item in public, we will do so.

Donald Gorrie (Central Scotland) (LD): It is important to raise the issue for the future. Perhaps in this case, if another committee were under the illusion that its report to us would be discussed in private, we should show them the courtesy of not publicising it. Alasdair Morgan raised an important issue that we can consider for next year.

Alasdair Morgan: That is an important point. It might be discourteous for us to make our discussion of the report public without telling the committee that sent the report to us. In future we should say to the committees that our discussions of their reports will be in the public domain.

The Convener: I am keen that the maximum of the committee's discussions should be in public—the clerks will tell members that from time to time I question whether items need to be discussed in private. I am very much in tune with what Alasdair Morgan says.

There is one other minor—well, perhaps not so minor—consideration. Under item 5 we will be considering our line of questioning to the minister when we take evidence from him at our meeting in Kirkcudbright on Monday. That will certainly have to be discussed in private.

The consensus seems to be that we should, with a view to next year, consider whether to discuss committee reports in private, and that we should say to committees that it is our intention to discuss their reports at full public meetings.

With that caveat, do members agree to discuss items 4 and 5 in private?

Members indicated agreement.

Scottish Parliamentary Corporate Body Budget 2002-03

The Convener: It is a pleasure to move on to item 2, under which we will take evidence from the Scottish Parliamentary Corporate Body. Item 2 is on their submission for the 2002-03 budget.

I am pleased to welcome Paul Grice, clerk and chief executive of the Parliament; Robert Brown MSP, who is a member of the SPCB and Stewart Gilfillan, who is director of corporate affairs in the Parliament. I am particularly pleased to welcome Sarah Davidson, who is director of the Holyrood project team. Longstanding members of the Finance Committee will know that Sarah is now cast in the role of poacher turned gamekeeper. I welcome Sarah. I am not sure whether her contribution will be to item 2; I think it will probably be to item 3.

Do any members of the SPCB wish to make an opening comment on the 2002-03 budget?

Robert Brown (Glasgow) (LD): The committee must consider two documents together.

The SPCB's budget is, in effect, the ordinary management cost of the Parliament plus what we might describe as the extraordinary cost of the Holyrood project. Both those fit together to produce the budget that the committee has before it.

We have reported to the committee on previous occasions that the expenditure to run the Parliament has been difficult to estimate in previous years as the Parliament has grown and found its place. It is probably only during this financial year—2001-02—that a reasonable degree of stability has begun to come to our interim premises, with the committees settling into a pattern.

Having reached that point, we must plan for the major event of moving to Holyrood on completion of the new Parliament building. That is a major logistical exercise; it will impose the temporary costs of having to some extent to run two premises during the commissioning period. It will also incur longer-term changes. Sometimes those changes will be upward and sometimes they will be downward, although the eventual running costs are likely to be somewhat higher in total than they are at present. That can be seen from the resource request, which moves up from £47.2 million in 2002-03 to £51.442 million in 2003-04.

The effect of the Holyrood move will not come significantly into play in 2002-03—perhaps toward the end of that period—but the Finance Committee will want to know that the SPCB has set up a fairly sophisticated project management exercise to

ensure effective delivery. Reports on a range of detailed implementation issues are reaching the corporate body.

It would be helpful to consider some specific points. First, the budget line for "MSP Pay" assumes that that will be analogued to at least 90 per cent of Westminster levels, which is where we began when the Parliament was set up, as members might recall. The Review Body on Senior Salaries—SSRB—is due to report soon to the Presiding Officer and to the First Minister, probably before the end of the year. We have not made any assumptions about that, because it will be for Parliament to consider that report. We might need to return to the committee to discuss the financial implications—if any—of that and of the Parliament's subsequent decisions. We are, in the meantime, keeping the Executive informed of any implications.

The budget line on MSP allowances incorporates the projected effects of the recent review. I do not think that anything particularly new comes under that heading.

Staff salaries were, in 2001-02, based on Scottish Executive pay awards. The Parliament is moving into its own pay and awards structure for 2002-03. That is being negotiated with the unions and is reflected in the 2002-03 figures.

The SPCB regards its duty as being to provide the resources to manage the Parliament adequately, with due regard to efficiency and effective use of public resources. There is an agenda to improve efficiency and to hold costs down. For example, some work has been done on printing costs, which were giving us some trouble. Adjustments have been made to minimise overtime working on printing and to cut out unnecessary printing. The expenditure line for that in the budget is therefore flat.

Costs for routine upgrading and replacement of computer equipment throughout the Parliament have been pushed, to a degree, back into 2002-03 to tie in with the move to Holyrood. There is no point in refreshing computers and then shifting them all—it is intended that that will be done largely as part of the move to Holyrood. That accounts in part for the upward bump in the non-Holyrood capital costs for that year, which is to do with an uneven pattern of spend, rather than with a significant increase.

The question of end-year flexibility has been complicated by carryover. Members will recall that we have carried over surpluses from previous years against an uneven pattern of development. In previous years, the Parliament was not running at full stretch and had not reached its full staff complement. That was—and is—by agreement with the Executive. On that basis, £15 million will

roll over into next year, that being the moneys left over by agreement from the previous year. There might also be a small element of underspend, which looks—on current projections—like being in the region of £4 million. There might therefore be £19 million to be rolled over.

It will probably be helpful to deal with the Holyrood programme. The issue for the accounts is simply the expenditure requirement that will hit each financial year, as shown in the budget papers. The quarterly report provides more significant information; that report has been made in terms of the Parliament's resolution of 21 June 2001.

The project is now well advanced and the bulk of contractual packages have been let. Some of those have come in below budget and some, as we might expect, have come in above it. The budget is affected by two main stress features, which are risk and inflation. The corporate body is due on 27 November to receive a detailed report from the Holyrood progress group, when the "inherent fluidity"—a phrase that is used at the bottom of page 2 of the quarterly report—of the figures under a construction management contract will have firmed up as the last packages are let and the risks in the risk register either crystallise or vanish.

That report from the HPG will assess all the key issues in which the corporate body and the Parliament are interested. The SPCB will make a supplementary report to the Finance Committee in the light of the HPG report so that members have the most accurate and up-to-date information on the issue. I think that will be in time for the finalisation of budgets.

The committee will recall that when we discuss risk, we do so in the context of design and construction risk, not in the context of matters that are outwith the control of the project and which are unpredictable, such as—dare I say it—insolvency of trade contractors. Some implications might arise from the situation surrounding Flour City Architectural Metals (UK) Ltd. Those are confined largely to management costs and to the inconvenience that has been occasioned. Members might wish to return to that point.

I hope that the two reports and the comments that I have made give a flavour of the relevant issues that lie behind the resource bid. We are happy to answer any questions; there are officials here to discuss the details.

10:15

The Convener: Thank you very much. I remind members that we are dealing first with the corporate body's budget submission. We also have before us a letter from the Presiding Officer

to me, dated 6 September. I wish to clarify for the record that the figures contained in that letter—albeit that two months have passed—still hold good. Is that the case?

Robert Brown: Yes, I think so.

The Convener: That is fine. The second paragraph of the letter from the Presiding Officer states:

"the attached 2002-03 Budget Submission ... shows a Resource Funding Requirement of £140.436m, an increase of £23.768m over the provisional expenditure plan."

To what extent is that increase the result of increases in funding for the Holyrood project?

Robert Brown: I ask Stewart Gilfillan to give details about that.

Stewart Gilfillan (Scottish Parliament Corporate Affairs Directorate): That increase is due largely to the increase in the cost of the Holyrood project. The increase in current expenditure is about £2.5 million, and the remainder is in capital expenditure—largely on the Holyrood project.

The Convener: Where will that increase come from? Should we understand that it will come from the Scottish Executive reserve?

Stewart Gilfillan: In a sense it is just an increase over what we had previously bid for.

The Convener: But would the reserve be the source of the additional funds?

Stewart Gilfillan: Yes.

Robert Brown: It is not used until it is drawn down, as I understand it.

The Convener: I understand that.

Robert Brown: It is something of a paper exercise until the real figures come through.

Alasdair Morgan: The first paragraph of Sir David Steel's letter refers to providing us "with more detailed plans". I have the disadvantage of not having been on the committee when and if it discussed the matter previously, but is the SPCB budget submission that is before us today—this single sheet—the "more detailed plans"? It strikes me that there is not very much detail in it that we can probe. The headings are all general, with large figures.

Robert Brown: It depends on the level down to which we will consider the matter. Executive departmental budgets deal with much bigger figures than will be contained in the SPCB submission. Detailed management of the figures is a matter for the corporate body to go into in detail—although the Finance Committee can probe particular issues of concern. We could include huge numbers, but I am not sure that that

would be particularly valuable to the committee, which—I think—is concerned mostly with trends and major headings.

Alasdair Morgan: I was not party to the agreement that was apparently made to provide us with more detailed plans, but if the sheet that is before us is the “more detailed plans”, I would hate to have seen the less detailed plans.

Stewart Gilfillan: As agreed, figures are formally defined as level 1, level 2 and level 3. Level 1 is basically our one-line budget bid, about which Sir David wrote to the committee in March. The committee has been provided with a greater level of detail—the submission already contains far more detail than the committee will get from the Executive or any other bodies.

Clearly we have many breakdowns, but I caution that including too much detail could give away our hand in certain negotiations in which we are involved. If I were to provide members with a line with various pay lines, that might prejudice the conduct of negotiations that are under way. However, I am fully briefed with lots of detail that I could give members here.

Alasdair Morgan: I understand what you are saying. Clearly, the smaller the budget that we are dealing with, the less satisfactory is the level 3 detail. It becomes very little detail, which makes our job difficult. I can understand that it might come down to asking what an individual was paid and clearly we do not want to get to that stage—at least not today.

Robert Brown: It is largely a question of the difference between the Finance Committee's role in the general trends and the more detailed look that the corporate body will have. We are in a position to answer any particular questions that members have on the detail, but the submission probably gives members enough indicative information to enable the committee to do its job. I think that that is the main point.

Dr Simpson: I wish to clarify line 1 on “Property Costs” in the detailed plan. Is the increase of £3 million in those costs the result of dual running costs?

Robert Brown: I do not think that the increase is entirely because of dual running costs. There is also the fact that we have other premises on St Andrew Square.

Stewart Gilfillan: Yes. It is largely the result of taking on additional accommodation at St Andrew Square. When we submitted our budget submission a year ago, we did not know the full costs of that.

Dr Simpson: Will those premises come on-stream next year?

Stewart Gilfillan: They are already on-stream, but we had not taken account of that when we submitted the budget bid last year.

Dr Simpson: We do not want to get into too much detail, but £3 million is a big increase. Are you predicting that that increase will be permanent, or does it come from the costs of running two properties?

Stewart Gilfillan: Are you referring to the increase between 2002-03 and 2003-04?

Dr Simpson: Yes. The first line shows that the property costs will increase from £4.155 million in 2002-03 to £7.105 million in 2003-04.

Stewart Gilfillan: That increase is largely accounted for by our projection of what we might have to pay in rates for the Holyrood building. I can assure members that we are trying to negotiate that cost down. However, the figure is based on professional advice and it is what we feel it prudent to budget for. I am hopeful that the figure will come down.

The Convener: Is the negotiation with the City of Edinburgh Council?

Stewart Gilfillan: The negotiation has not started yet, but it will be with the City of Edinburgh Council. At the end of the day, we will go all the way to an appeal if we are not happy with the valuation. The issue is to do with how the building should be valued.

Donald Gorrie: I want to clarify the assumptions on which the line for MSP pay and the line for MSP office staff and accommodation costs are based. Am I right in thinking that the assumption is that MSPs would be paid 90 per cent of what MPs are paid? That was agreed some time ago, but has not been agreed more recently. Does the £8 million-odd figure for MSP pay reflect that?

Stewart Gilfillan: Yes.

Donald Gorrie: The office, staff and accommodation allowances for MSPs were adjusted recently, but there was a very considerable hike in allowances for MPs at Westminster. The SPCB's figures do not suggest any sort of hike. Are you assuming that the review body will not increase office allowances for MSPs even if it increases MSP pay?

Robert Brown: That question leads us into a slightly different area. We do not know what recommendations will be made on MSP pay, but we have assumed that MSP pay will be kept at least at 90 per cent of MP pay, which is the current arrangement. Whether MSP pay should be greater or less than 90 per cent of MP pay is a matter for the Parliament.

Other recommendations might be made on MSP allowances, but the Parliament has recently had a

fairly major review of allowances—the independent review that it was promised would be made at 18 months. We have incorporated that review in the SPCB budget. If the Parliament wanted to make major increases in allowances, extra provision would obviously have to be made. The SPCB budget makes no assumption on that. The Parliament would have to provide resources for such unforeseen increases in allowances.

Donald Gorrie: Is it possible to tell us what the figure was for MSP office, staff and accommodation costs for 2000-01, so that we can see how much the increase to £8.231 million—the costs for 2001-02—was? I accept Robert Brown's argument, but providing that detail would help to quantify matters.

The Convener: Donald Gorrie's question perhaps goes beyond the remit of what we are dealing with today, but if the figures are available they might be of interest.

Stewart Gilfillan: I have the figures. In the annual outturn accounts for 2000-01, the figure for MSP office, staff and accommodation costs was £6.2 million. The fairly significant increase reflects the cost of the recent review.

Mr David Davidson (North-East Scotland) (Con): I want to stick with the first section of the SPCB budget, which deals with resource costs. Do you have figures to show how the MSP office, staff and accommodation costs are split between what is spent in the parliamentary complex and what is spent outwith the parliamentary complex?

Stewart Gilfillan: Largely, the line that is called "MSP Office, Staff and Accom. Costs" is what is paid out through the allowances scheme. Everything else—such as centrally incurred postage, which comes off a central contract—is contained within the line "Running Costs".

Mr Davidson: Can you provide an indication of how the running costs have changed over the time that the Parliament has been in operation?

Stewart Gilfillan: I do not have that level of detail in front of me. As far as I know, there has been a steady increase in running costs, but not a great increase. I think that running costs is one of the budgets on which we have underspent. For example, we made quite a large provision for centrally provided postage—which was projected from the figure at Westminster—but that projection has proved to be wrong. We have been able to reduce some budgets and make some savings.

Mr Davidson: If certain items are underused, is it likely that some of that money will be transferred to running offices out in the community?

Stewart Gilfillan: That is a matter for the Parliament. At the moment we cannot vire—to use the technical term—from SPCB administrative

costs to the allowances scheme. The allowances scheme is controlled by a statutory resolution of the Parliament. If the Parliament passed a resolution to increase the level of allowances we could, if necessary, vire underspends from other budgets to fund that.

Robert Brown: The key point is that the SPCB cannot do that administratively. We are controlled by the Parliament's orders in that regard.

Mr Davidson: I accept that, but it is nice to have that on the record.

On the use of resources at the Parliament's headquarters by individuals, it has always struck me as rather odd that, whereas Scottish local authorities tend to have an accounts system—for example, one punches in an account number to use a photocopier—we have no equivalent. Does the SPCB intend to introduce that sort of scrutiny?

Stewart Gilfillan: We did not introduce that at the beginning because we did not have the systems in place. Having started off without such a regime, we have until now taken the view that members might be resistant to having to punch numbers into photocopier machines. That sort of question could be asked as part of a general review of the way in which we deliver services to members. If members and their staff were willing to live with a regime that more closely monitored their use of central resources, I for one would be more than happy to introduce it. The key is whether members think that such a system would deliver the best service.

Elaine Thomson (Aberdeen North) (Lab): I know that this is pretty unlikely, but are there any other areas of significant underspend?

Stewart Gilfillan: To which financial year are you referring?

Elaine Thomson: I refer to any financial year. Are there areas in which there is a significant underspend in comparing projected figures with actual operation of the Parliament over the past couple of years?

Paul Grice (Clerk and Chief Executive, Scottish Parliament): There has been a consistent underspend on staff pay. The underspend has occurred because we are usually running at about 90 per cent of complement. One always aims to fill posts and one must budget for full complement, but in practice we tend to carry 30 or 40 vacant posts. That is the result of staff turnover and because we are living in a fairly tight labour market. We are examining the situation; perhaps we need to start making judgments on whether to reduce that budget slightly. On the other hand, we always try to get up to full staff complement to relieve pressure on certain key offices. The pattern of underspend on staff pay is

caused by vacancies.

Elaine Thomson: Are those figures comparable to Government offices?

Paul Grice: We have not done a comparison, although such a comparison might be interesting. I think that the number of civil service staff in the Scottish Executive has increased significantly over the past two or three years. Although the pressure has eased off, rather than simply maintain a steady state we have had to increase the size of the organisation as new demands have arisen. It would be interesting to make a comparison between the Executive and the Parliament on that issue, but I guess that the Executive is more or less in the same boat as we are.

As the size of the organisation levels out, I hope that we will close the gap between staff in post and complement. Because every vacancy that we carry puts pressure on existing staff and affects the service to members, we shall make a big effort to try to get as close as we can to full complement—although we will obviously never hit 100 per cent.

Robert Brown: One also needs to keep staff numbers in check and keep an eye on how the numbers are going. In the recent past, the SPCB has given quite a bit of time to considering whether some staff are needed only to deal with the changeover to Holyrood. Issues such as how long staff will be in post and whether they are necessary have been closely considered by the corporate body.

Stewart Gilfillan: Surprisingly, one area in which we have underspends is members' allowances. At the moment, we feel that it is prudent that we make provision for all members spending their full allowances. Clearly, the pattern of the past two years is that members have not spent their full allowances. It might be that we can start making certain assumptions and reduce that budget. At such an early stage, however, we must be careful before we do that.

10:30

Elaine Thomson: Approximately how much underspend is there in that area? Are members spending half their allowance, three quarters of their allowance or 90 per cent of it? You may not have the figures to hand.

Stewart Gilfillan: I have the figure for the financial year 2000-01. We had provided a budget of just over £8 million, and it was spent only to the tune of £6.2 million. There was a £1.8 million underspend on members' allowances.

Elaine Thomson: So about three quarters was spent.

Stewart Gilfillan: Yes.

The Convener: That is a story that has yet to make its way into the media. Let us see whether it does.

Dr Simpson: We should be careful; making assumptions about that budget at this point could be extremely dangerous. We have just stopped having dual-mandated members, who may have claimed allowances from Westminster and not from the Scottish Parliament. This year may be the first in which the costs associated with that change are reflected. Even then, it has been only since June that those MSPs have not held a mandate at Westminster. Touching that budget at the moment might not be clever.

Paul Grice: We fully endorse that view. It is early days to assume that there will be significant underspend against fixed budgets.

Robert Brown: We should also remember that not all the allowances are capped. Travel and accommodation allowances are not capped, so they are unpredictable in a way that the others are not.

Elaine Thomson: Am I right in thinking that the non-Holyrood capital costs of just over £5 million for 2002-03 are primarily information technology costs?

Paul Grice: That money is primarily for a technology refresh, which we would have expected to have done by now in any event. We would be the first to agree that our IT is not as up to date as we would like. As Robert Brown said in his introductory remarks, we reflected on whether we should just have that refresh anyway. What we will actually do is delay it slightly, so that we time it to coincide with the move to Holyrood. That seems to make sense and that is the professional advice that we are getting. Apart from some modest amounts for putting up new partitions and double glazing in the existing accommodation, almost all that money is IT capital.

Elaine Thomson: Do the running costs of IT fall under the running costs heading?

Paul Grice: Some IT costs will come under running costs and some will come under staff costs.

Stewart Gilfillan: Most of the money comes under running costs. That is the major cost of the support contracts.

The Convener: I note that, on page 2 of his letter, under the heading "Revenue Expenditure", Sir David Steel says that

"revenue expenditure is forecast to be ... £2.7m above our provisional expenditure plan"

and that the move to Holyrood will account for the

bulk of that. However, the second paragraph of that section of the letter shows a lot of other costs, such as

“additional IT equipment maintenance and support costs; additional staff pay costs”.

I wonder whether £2.7 million will be enough to cover all those costs, which could be considerable. Are you confident that that can be contained within that £2.7 million?

Robert Brown: We are talking about the financial year 2002-03. Those costs will come into play at the tail end of that year; there will probably be more in 2003-04.

Paul Grice: When we finish giving evidence, we are going back to a meeting of the Scottish Parliamentary Corporate Body. We will be discussing in some detail the additional costs associated with the move to Holyrood, which we are still quantifying but which will primarily be short-term staff costs. If, when we have completed that exercise, the figures are significantly out, we will report back to the committee. That would still be our best estimate, but so far the exercise suggests that the figures are about right. We will complete the exercise in the next few weeks and will let you know if there is any significant change.

The Convener: Would that sort of development perhaps be a result of the Holyrood progress group report that you anticipate producing at the end of the month?

Paul Grice: Not really. Robert Brown talked about a sophisticated project planning exercise. There are something like 100 new contracts to let between now and the move to Holyrood, quite separate from the building itself. Just letting all those contracts is a huge effort and resources will be required. The specification and letting of those contracts will involve all the staff who provide existing services, so we have to find a way to free up the existing staff who have the expertise to let those new contracts while maintaining a level of service to members. We will have our first debate on that this morning, with some numbers attached. That accounts for the bulk of those additional costs.

Alasdair Morgan: You referred to the uncertainty of the costs of running two complexes at the same time. What is your best estimate of how long you will need to run both complexes together? What do you mean by running two complexes at the same time?

Robert Brown: A lot of time is taken up in commissioning the new building and in checking IT and various other services. That is the major element. Over a period, staff and MSPs will be moved across. Paul Grice may be able to give you a clearer idea of the time scale.

Paul Grice: The time scale could be as long as six months. The move will start on a fairly small scale. We will need security, facilities management and IT staff at the new site. Eventually, we will move more and more people down there over a period of time—possibly up to six months. You will have noted the rates issue. There comes a point at which we take ownership of the building and have to start paying rates on it, but we will probably still want to maintain at least part of the complex up here. There will be a period in which we have some double running costs and will need staff on both sites. Three to six months from now, we will have a much clearer idea. We are working on a detailed migration plan, which will inform that process. At the moment, we are giving you our best estimate, but we have not done the detailed planning for it. The outcome also depends on the final completion date of the building itself.

Alasdair Morgan: I take it that the rates in question are non-domestic rates.

Paul Grice: Yes.

Alasdair Morgan: So they go to the Executive and are spread out equally among all local authorities.

Paul Grice: Yes.

Alasdair Morgan: I am sure that the local authorities will be happy about that. You talked about a building in St Andrew Square. Is that a permanent building or a temporary one?

Paul Grice: It is serviced office accommodation. We have taken nearly two floors there. As we have had to take on extra staff to support services to members, the main complex simply is not big enough. Stewart Gilfillan's teams are now based in St Andrew Square.

Alasdair Morgan: Once Holyrood is fully up and running, will you keep that building on?

Paul Grice: I do not know what the lease arrangements are, but the accommodation is short term. The idea is that we will give up that accommodation when we move to Holyrood.

Mr Davidson: I want to ask about the lease on the old council property that we are using at present. What assumptions about exiting the property were made when that lease was drawn up? Will there be a premium to negotiate an extension? If so, what is it?

Stewart Gilfillan: It was always assumed that we could enter into negotiations to extend the lease. As far as I am aware, no premium is involved.

Mr Davidson: So there would just be a pro rata extension. Is that definite?

Stewart Gilfillan: There would have to be negotiations about the rent, but I hope that an extension would be pro rata. However, as far as I am aware, no premium is written into the contract.

Robert Brown: I do not think that there are demands for any other parliaments to be set up in Edinburgh, so the demand will not be impossibly huge.

Alasdair Morgan: You talked about the potential costs of moving the Parliament outside Edinburgh next May, when we go to Aberdeen; you have made contingencies for that. When the decision was made to recommend Aberdeen over other alternatives, such as not meeting at all that week or shoving our meetings into one of the recess weeks, was that done on a financial basis? If so, why are we still talking about contingencies?

Robert Brown: The decision was largely one for the Parliamentary Bureau, rather than for the Scottish Parliamentary Corporate Body. We have to produce the management to bring it into effect. The bureau made the basic decision, although the corporate body had input into decisions about the location. The costs of moving to Aberdeen should be seen against the background of the Parliament's desire to move around Scotland, so there are positives and negatives.

Alasdair Morgan: When the bureau made that decision, how firm a figure was available for the cost of the move?

Robert Brown: We had fairly firm costs, did we not?

Paul Grice: The SPCB provided two pieces of information. First, it gave an assurance to the Parliamentary Bureau that the Parliament could be run on that complex—in other words, that the services could be provided. That was the most important assurance. The bureau gave us assurances over a number of the options. Secondly, the bureau gave estimates of costs, which have gradually been firmed up as negotiations have continued with Aberdeen City Council. The estimates are reasonably firm.

Alasdair Morgan: What is the likely extra cost of moving the Parliament to Aberdeen next May?

Paul Grice: The budget that we are working to is about £100,000.

Stewart Gilfillan: When we were estimating the costs, we did not know what decision would be taken on the services to be delivered. Last time, some members thought that services could be improved. It also has to be said that when we went to Glasgow certain things were provided very cheaply. When we were doing the estimates, which was before the Parliamentary Bureau made its decision, we had to put a larger amount than £100,000 into the contingency.

The Convener: I do not have anything on paper, but my recollection is that the cost of the move to Glasgow in 2000, over three weeks, was about £500,000.

Paul Grice: The bulk of the cost lies in converting the Assembly Hall back to a mode in which it can be used by the Church of Scotland. The additional cost was about £100,000.

The Convener: That will be about the same for Aberdeen, even though the Parliament is going to be there for only a week.

Paul Grice: The cost is a combination of the level of service provided to members minus what the local authority can do. Glasgow City Council was extremely helpful to us in the accommodation that it provided.

The Convener: Is Aberdeen City Council either unwilling or unable to provide that?

Paul Grice: The council has been extremely positive and helpful. The accommodation is mainly on the university campus. We can produce more detail if you want. My recollection is that the bulk of the cost lies, as always, in putting in the cabling and IT services. The other significant cost last time—it will be the same this time—was broadcasting. Putting in a temporary broadcasting system is a significant cost. Those are the two significant elements over and above travel and subsistence costs.

Elaine Thomson: As far as I am aware, both Aberdeen City Council and the University of Aberdeen have worked hard to ensure that the Parliament's visit to Aberdeen is as cost-effective as possible. I am pleased to hear that the costs are comparable to when we transferred to Glasgow, which is much nearer. As Paul Grice said, many of the costs are not related to distance and travel: they are related to IT and the refitting of the Assembly Hall.

One of the underpinning principles of the Parliament is that we should be seen around Scotland. Next week, the Finance Committee is going to Kirkcudbright for that reason. That is welcome.

Mr Davidson: Have we got a cost for next year's decommissioning and recommissioning of the Assembly Hall?

Stewart Gilfillan: I have an estimate. The actual cost will be a contractual matter to be negotiated.

Mr Davidson: Could we have your estimate?

Stewart Gilfillan: Yes, but I would be reluctant to give it while negotiations have still to take place with the potential contractors about the cost. All I can say is that we are confident that it will be less than it was last year, because the experience of having converted the building once means that

less risk is inherent in converting it for a second time.

The Convener: We look forward to getting that information at an appropriate time.

Dr Simpson: Have you made provision for the possibility that the chamber will not be available in May 2003? Are we likely to have to decant again?

Paul Grice: That is a difficult question.

Dr Simpson: That is why I asked it.

Paul Grice: The current expectation is that we will not need the chamber in May 2003. However, we will know better over the next three to six months what to expect, as we get more information on the programme and do a detailed migration plan for the period of spring and summer 2003. I am sorry that I cannot give you a more definitive answer.

Dr Simpson: That is okay.

The other part of the question is whether you have had a hint from the Parliamentary Bureau that, given that the Parliament had a pleasant time in Glasgow—presumably we will have the same experience in Aberdeen—such a move will become an annual event, although we will not have to decamp. Are we clear that the Parliament is not going to continue to tour around Scotland?

The Convener: I will disallow that question, as it involves speculation. It may be interesting, but it is not essential to the committee. That is the last of the questions on the SPCB budget submission.

Holyrood Project

10:45

The Convener: We will now move to item 3 on the agenda, which is the first quarterly report on the Scottish Parliament building project. We have a copy of the report. I am pleased to invite Sarah Davidson to make some opening remarks.

Sarah Davidson (Holyrood Project Team): In his opening comments, Robert Brown covered the points that we might have made when he referred to the issues of risk and materialisation of inflation over the remaining period. I have no comments to add to that. I am happy to answer specific questions on the detail.

The Convener: We will be happy to move straight to questions. I remind members that risk and inflation are the matters that we are covering.

Mr Davidson: Good morning, Ms Davidson. Is the project designed out yet, so that we have a handle on future risk and possible price?

Sarah Davidson: Do you mean the detailed design of the scheme?

Mr Davidson: Yes.

Sarah Davidson: Yes, to a very large extent. Some of the packages, especially those that relate to some of the more complex parts of the design, are going through a phase of final detailed design between the design team and the contractor who is going to build that part of the complex. Until that design is completely concluded, there is always the chance that the numbers will not be entirely settled and may go up or down. We are at a point in the design where we have a fairly good handle on the design costs. By the time of the next report to the Finance Committee, which is due at about the beginning of next year, we will have let the vast majority of packages where changes in design could make a difference to the cost.

Mr Davidson: If you are fairly firm on the design, does that mean that your estimates for inflation will also be fairly firm, as you do not have too much variance on which to apply variation of inflation?

Sarah Davidson: That is correct.

Mr Davidson: Landscaping and extra land are apparently not included in your current estimates; it seems that they will be passed across to the SPCB, albeit with some funds from the Scottish Executive.

Sarah Davidson: All the funds. The cost of the landscaping budget, which was held by the Executive and Historic Scotland, will transfer in its entirety for the works that are going to be done

within the landscaped area at the Parliament.

Mr Davidson: What is the total estimate for that package being delivered and landscaped?

Sarah Davidson: It is £7.5 million.

Mr Davidson: Is there an issue about that not being a firm figure?

Sarah Davidson: No.

Mr Davidson: Earlier, we mentioned Flour City Architectural Metals (UK) Ltd as an example of the delays and problems with the contractors. I presume that that is the only such example that we have had so far.

Sarah Davidson: That is correct.

Mr Davidson: Has the additional cost been quantified yet? Is there a range of expectation? Presumably competition has narrowed somewhat on this aspect.

Sarah Davidson: That is right. At the end of September, an estimate was made of what a worst-case scenario might be. That was when it started to look as though we were going to get into serious trouble with Flour City Architectural Metals (UK) Ltd. At the time, a figure of £2 million was put against what might be the cost to the Parliament of having to terminate that contract.

We have moved a long way since then. It now looks almost certain that the supply chain in most areas will be protected and that the package will be able to be picked up, completed and managed between Bovis, our contractors, and EMBT/RMJM, the architects of the scheme. Our expectation is that that should significantly reduce the cost from the worst-case scenario. We are currently working through that. We do not have final figures yet, but we should have them shortly.

Mr Davidson: The second bullet point on page 2 of the report states:

“design issues have taken the architects and structural engineers longer to resolve than they had anticipated.”

Could you explain that to us? Is there a problem with the site, the design or getting agreement to the design?

Sarah Davidson: The delay is largely explained by the sheer complexity of some of the elements, especially the debating chamber, which is very much at the cutting edge of structural engineering. In particular, the beams that hold up the whole structure and the nodes that hold those beams together are, I am told, highly complex. Ove Arup and Partners, the structural engineers, have almost been inventing a new approach to that work, and it has taken longer to come to a satisfactory solution than they had hoped. To take account of that, it has been possible to readjust other things as we have gone along. The

paragraph on page 2 to which you refer alludes to a fairly comprehensive survey that is being done of the overall impact of the design problems. We are now past that stage—it is no longer an on-going problem. However, we need to work out how we can absorb and cushion the resultant delays.

Mr Davidson: When was it recognised that inflation was a risk that could not be contained within the original £195 million?

Sarah Davidson: From autumn last year, when the progress group started to study the reports it was receiving on the packages that had been let, it became clear that, although packages were being let more or less in line with 1998 prices plus inflation, it became increasingly unlikely that it would be possible to absorb that inflation. However, it was only in spring or early summer this year that Parliament received the report that set out exactly what the impact would be. At that stage, we were looking at a total budget, taking inflation into account, of £197 million. By that time, it was clear that if inflation continued as it had been going, it was unlikely that the total cost could be contained within the original £195 million cap.

Mr Davidson: Just for the record, what was the estimate of inflation that was included in the £197 million?

Sarah Davidson: I think that it was about £21 million. Is that right? No, I am sorry—included in the £197.7 million was £8.3 million of inflation, which had already been accrued. The £197.7 million did not include the estimate of what might be incurred in inflation on packages that had not yet been let. However, the report to Parliament at that time recorded an estimate for future inflation—£10.4 million.

Donald Gorrie: I understand the uncertainties about future figures, but I would like us to get the best estimate that we can. On page 3 of the quarterly report, you give the figure of £211.2 million, but on page 2 you mention £24 million of packages that are excluded. That makes £235 million.

Sarah Davidson: Let me clarify. The figure for packages yet to be let is included in the £211.2 million. It is included, on the table on page 3, within the cost plan value of packages still to be let, which is shown as £43.4 million.

Donald Gorrie: So the £211.2 million is the best estimate—excluding landscaping costs—of what the project will cost.

Sarah Davidson: Yes—before inflation that has yet to be incurred and before considering the outstanding risks. If we wanted to come to a notional best-guess figure for budgeting purposes, which is obviously what we try to do, we would add to the £211.2 million the £21.67 million for

outstanding construction and design risk and the £8.1 million for inflation yet to be incurred. That gives a total of £241 million.

Donald Gorrie: So, at the moment, that is your best guess, allowing for the fact that things can go up or down.

Sarah Davidson: Yes.

Donald Gorrie: Landscaping costs do not come out of your budget but are paid for from the public purse.

Sarah Davidson: That is correct.

Donald Gorrie: At the top of page 2 is a list of sums that are

“over and above the original estimates”.

Could any of those figures have been anticipated, or were they unanticipatable?

Sarah Davidson: They were already being anticipated by the time that the report was made to Parliament last June. That accounts for the fact that the forward projection of risk that was made at that stage—£26.3 million—has now gone down to £21.67 million. In effect, the risks that were foreseen have now crystallised into actual expenditure. Some had been foreseen a little while before and some became clear only at that stage.

Donald Gorrie: Will the complexity of the building design cost us more money?

Sarah Davidson: In so far as it will cost us more money, it already has done. In the table at the top of page 2, the £460,000 against “Node Cover” is part of that. As was said in the June report, there will be about £3 million of additional costs on that package. That was an underestimate against the final design.

The Convener: I would like clarification on the packages still to be let. The last paragraph on page 2 says:

“£24m of packages are due to be let within the next few weeks”.

Does that figure come within the figure of £43.4 million, on the next page, for cost plan value of packages still to be let?

Sarah Davidson: That is correct.

The Convener: Does the difference between those two figures—about £19 million—represent what you describe on page 2 as

“finishing works to be tendered”?

Sarah Davidson: That is right. By the time we report to you again in about January, we expect that almost all the major construction packages, which amount to roughly £24 million, will be tied up. The other packages are less prone to risk and are of smaller value.

Mr Davidson: The figures on the list on page 3 are at 1998 prices. What is expected to happen to the figure of £43.4 million when current costs and inflation are taken into account?

Sarah Davidson: We say that £8.1 million is the current estimate of the additional premium for inflation on top of that £43.4 million.

Alasdair Morgan: Is the figure of 14 per cent taken from 1998 to date?

Sarah Davidson: Quarterly, the cost consultant works out what the prevailing rate of inflation may have added between 1998 and the time when the packages are expected to be let. The 14 per cent figure is an average from now to the end of the project. Obviously, a package that is let in two months' time will have less inflation to be added on than one that is let in a year's time.

Alasdair Morgan: I see—and the average figure for those lets is 14 per cent.

Sarah Davidson: Yes.

Dr Simpson: I would like to ask about Queensberry House. I see that the roof has been removed and is being repitched. Has that been done for safety reasons? Did the roof have to be replaced anyway, or did you want to restore it to its original design at the request of Historic Scotland?

Sarah Davidson: The pitching of the roof was not to do with Historic Scotland. The additional storey was added much later than the original date of the building—during its military period.

Dr Simpson: Yes, about 200 years ago.

Sarah Davidson: The work that is going on will return the building to its proper roof line. That is being done for design reasons as well as for renovation reasons. The architect wanted to do it and the client has fully supported that.

Paul Grice: The quality of the roof was completely inadequate.

Dr Simpson: That is really what I am asking about. If the roof had to be replaced anyway—

Paul Grice: It did. It did not have proper tiles or anything. It had to be replaced, and a decision was taken to do so. As you say, bits have been added to Queensberry House over the years, so what the original really was has always been a difficult question to answer. We took the best advice on what would be an acceptable restoration and we decided to change the pitch at the same time.

Dr Simpson: The top floor will be usable, despite the return to the original pitch. I presume that it was modified for good reasons and that, 200 years ago, people thought that it was appropriate

to do so.

Paul Grice: The building will have a fully usable top floor.

Robert Brown: In contrast to what it was like when we got it—it was a mess.

Dr Simpson: It will be interesting to see how much the restoration of that list A building has cost as a separate entity. It has been responsible for part of the additional expense.

Paul Grice: When we pull together all the accounts, we will have separate figures and we will be able to identify what Queensberry House has cost.

Dr Simpson: Can we have it on the record that the wild cost estimates of £300 million that some architects have published in certain books can now be put to rest as fantasy?

11:00

Sarah Davidson: Certainly, on the basis of our current estimates, we do not recognise those costs.

Mr Davidson: The risk elements obviously include any client body decisions—in other words, changes that the client has asked for since the process began. Is there a figure for that?

Sarah Davidson: No. In fact, we have explicitly excluded from the forward projection of risk anything that might be incurred through client body decisions, largely because the SPCB and the progress group both take the view that the time for such decisions is past. We have a settled brief with which we are happy. We now consider that any minor changes that individual MSPs or staff want to make to their accommodation are best done post-occupation. I certainly do not expect any dramatic changes on the part of the client.

Mr Davidson: Let us consider the history a little. Once the packages began to be let, how much additional spending did the client body request?

Sarah Davidson: I cannot give figures, but there have been no substantial changes since major works packages were let.

Robert Brown: Substantial changes occurred earlier, when there were major issues with the chamber and the size of the accommodation. The Parliament project increased considerably in size once the Parliament came into existence and we had to consider staff needs, for instance. All that information was available at the time of the Spencely report, which was largely before major works had begun on the building. Client body decisions do not particularly affect the construction of the Parliament now.

Mr Davidson: So all your requested designs

were incorporated before the Spencely report came before Parliament for the vote on the £195 million.

Robert Brown: That is not entirely correct. The design process involving the progress group and the designer continues. All sorts of little changes take place all the time. They are not major changes, such as would happen if we wanted another floor or more rooms. I do not think that there has been anything of that sort since the Spencely report.

Sarah Davidson: The way in which the project team manages the change process ensures that, as the committee would expect, any change at all is fully costed before a director signs it off. We always quantify what, if any, costs are associated with making even a small change, such as the recent one to do with the number of clocks in the debating chamber. Certainly, in my time as project director, the changes have always been very minor.

Mr Davidson: The only major change that has arisen is the change to Queensberry House that Dr Simpson mentioned, which was not anticipated at the beginning.

Sarah Davidson: The change to the roof has been included for years now. The reconstruction of the belvedere tower, which is mentioned in the table on page 2 and with which members are probably familiar, is a cost that the Parliament agreed to take on in response to representations from Historic Scotland and the City of Edinburgh Council. That is therefore, technically speaking, a client body change. The cost associated with that change is shown in the table.

At the moment, there is no significant impact on the construction cost from new and different demands by the Parliament for its accommodation. We are actively promulgating the concept of a design freeze to allow the final design to proceed according to plan.

The Deputy Convener (Elaine Thomson): Such a design freeze is essential to allow a project to be taken forward.

Alasdair Morgan: I will ask about the risk register, which, I read in your submission, is “a fluid management tool”—a handy thing to have. The submission says at one stage that you have “realised some £4.5m of design risk”,

which, I presume, means that that has changed from a risk into an actual cost. Are you in a position yet to say how much of the risk is being realised in terms of contracts or packages being let and how much is turning out not to be an actual cost?

Sarah Davidson: As is stated in the annexe to

the paper—which repeats things that we reported in June—there are two different kinds of such risk: design risk and construction risk. We are well through the finalising and letting process. It looks likely that most of the design risk that was foreshadowed in June is coming to fruition. Inevitably, at this point in a project, we encounter a tension between cost and programme. If a design that has been fully worked is tested in the market and comes in over budget—as has been suggested in the risk register might happen—the client has to decide whether it is better to spend four weeks redesigning it to try get some money back, which inevitably has a cost to the programme, or to press on. Because the client takes keeping to programme seriously, the chances are that the rest of the design risk in the risk register will crystallise rather than disappear.

We hope that the other risks, which relate to the construction phase, during which things might go wrong on site, can be much more actively managed on our behalf by the construction manager and the design team. The risks that can come to fruition because we have, for example, too many cranes on site at once or people working on top of each other can be minimised. We very much hope that the money that is set against construction risks can be worked down and out.

However, we are about to enter winter, in which there are many unknowns—more than at any other time of year. It is fair to say that the risk will not be over until it is over.

The Deputy Convener: Thank you. As I understand it, most of the outstanding packages will be let over the next period and certainly before you produce the next quarterly report. That will obviously bring a lot more clarity. We may ask you to speak to us again at that point.

Robert Brown: We have indicated that we will return with a further report once the fresh assessment is before us. We will be able to firm up answers on some of the matters on which Sarah Davidson has given information to the committee.

The Deputy Convener: That would be acceptable to the committee. I thank you all for coming.

11:07

Meeting continued in private until 11:55.

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