

# **FINANCE COMMITTEE**

Wednesday 18 June 2003  
(*Morning*)

Session 2

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## FINANCE COMMITTEE

### 2<sup>nd</sup> Meeting 2003, Session 2

#### CONVENER

\*Des McNulty (Clydebank and Milngavie) (Lab)

#### DEPUTY CONVENER

\*Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP)

#### COMMITTEE MEMBERS

\*Ms Wendy Alexander (Paisley North) (Lab)

\*Mr Ted Brocklebank (Mid Scotland and Fife) (Con)

\*Kate Maclean (Dundee West) (Lab)

\*Mr Jim Mather (Highlands and Islands) (SNP)

\*Dr Elaine Murray (Dumfries) (Lab)

\*Mr Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD)

\*John Swinburne (Central Scotland) (SSCUP)

\*attended

#### THE FOLLOWING ALSO ATTENDED

Brian Adam (Aberdeen North) (SNP)

Bill Aitken (Glasgow) (Con)

Margo MacDonald (Lothians) (Ind)

#### WITNESSES

Robert Brown MSP (Scottish Parliamentary Corporate Body)

Sarah Davidson (Holyrood Project Team)

Richard Dennis (Scottish Executive Finance and Central Services Department)

Paul Grice (Clerk and Chief Executive, Scottish Parliament)

Mr John Home Robertson MSP (Holyrood Progress Group)

Tavish Scott (Deputy Minister for Finance and Public Services)

#### CLERK TO THE COMMITTEE

David McGill

#### SENIOR ASSISTANT CLERK

Jane Sutherland

#### ASSISTANT CLERK

Emma Berry

#### LOCATION

Committee Room 1



## Scottish Parliament

### Finance Committee

*Wednesday 18 June 2003*

*(Morning)*

[THE CONVENER *opened the meeting at 10:32*]

### Scottish Parliament Building Project

**The Convener (Des McNulty):** Good morning everyone and welcome to the Finance Committee's second meeting in this session. I ask people to ensure that mobiles and pagers are turned off so that they do not disrupt the committee's proceedings. Bill Aitken and Margo MacDonald are with us as non-members of the committee. I understand that Brian Adam may also join us.

**Mr John Home Robertson MSP (Holyrood Progress Group):** I saw him in the lift.

**Margo MacDonald (Lothians) (Ind):** But what did you do to him in the lift?

**The Convener:** Okay. Our first agenda item is the committee's on-going scrutiny of the Holyrood building project. We will take evidence from witnesses: Paul Grice, who is clerk and chief executive of the Scottish Parliament; Robert Brown MSP, who is a member of the Scottish Parliamentary Corporate Body; John Home Robertson MSP, who is the convener of the Holyrood progress group; and Sarah Davidson, who is project director of the Holyrood project.

Members have before them two letters from the Presiding Officer, which are dated 10 and 17 June respectively. The letters deal with the most recent developments on the project, in particular the reasons for the cost increase that the Presiding Officer announced on 5 June.

It may be useful if I set out the context, especially as we have four new MSPs on the committee and, apart from me, no other members have previously been on the Finance Committee.

The most recent report that the previous Finance Committee received from the SPCB was in the context of the project nearing completion and the projected final cost being close to the actual amount required. At its meeting on 11 February, the committee considered the Presiding Officer's letter of 16 January, which stated that the cost consultant was confident that, net of £14 million for landscaping costs, the figure of

“£324m represents the funding now required to complete the project in the light of known risks and the Construction Manager's expected completion dates.”

In his evidence to the committee, Robert Brown stated on behalf of the SPCB:

“We are now on the home straight with the Holyrood project ... we now have much greater certainty on the final cost and timings than we were able to give while major issues remained outstanding.”

He expanded on that by saying:

“we are past the stage of letting contracts, so there is a much higher degree of programme certainty, which correspondingly reduces risks and threats to anticipated cost.”

Finally, he said:

“The central point is that we are past the major design and contract-letting risks, such as blast-proofing, with which we have had problems. The major risks are behind us. There are little risks, as with any project as it proceeds. For example, the weather might be horrible. All sorts of things might happen. The advice that we have is that the risks ahead of us are small and manageable and should not cause such difficulties as we had with earlier risks.”—*[Official Report, Finance Committee, 11 February 2003; c 2494-99.]*

Robert Brown is in a hard place.

**Robert Brown MSP (Scottish Parliamentary Corporate Body):** I thank members of the committee for agreeing to see us this morning. I would like to make a few comments by way of introduction.

As members are aware, the Scottish Parliamentary Corporate Body is required by the Parliament to report to the Finance Committee quarterly on the costs and progress of the new Scottish Parliament building. As the convener said, the current report is contained in the Presiding Officer's letters of 10 and 17 June.

I say immediately that the SPCB shares the widespread dismay and anger felt at the information that we received 10 days ago on the latest price increase. I know that the committee is aware of the action that the Presiding Officer and the SPCB took immediately in response to that. Today I will try to explain why the price has increased, what we are doing about it and the constraints within which the Parliament must operate.

It is now clear that the architects, the package contractors and the construction manager have struggled to cope with the sheer complexity of the design and construction of Enric Miralles's vision. There are very few standard components and the project that we inherited from the Scottish Office in June 1999 has proved enormously challenging to build, even with a team of internationally renowned architects, construction managers and cost consultants. The main cost pressure since January has been delay in finalising construction

design details with the various contractors, despite the fact that they all signed up to Bovis Lend Lease's programme back in January.

The corporate body is acutely aware that the rising costs of the project are being borne by the public purse. The present increase does not reflect a lack of effort by the corporate body, the progress group and the project team, but we are constantly battling with the constraints built into the contract. The risks of programme overruns and the consequential cost increases fall on the corporate body, as the legal client. We do not like that position and the review must learn a lesson from it, but it is nonetheless a fact.

As the committee is new, it may be helpful for me to remind members of the background to the current position. Parliament took over the project from the Scottish Office on 1 June 1999 and twice confirmed the decision to proceed with it following debates in June 1999 and April 2000. As the convener is particularly aware, the second debate followed the production of the independent Spencely report, which was instructed by the SPCB. The project was also reviewed by the Auditor General for Scotland, who reported in September 2000. Members may have had an opportunity to see both reports.

Both Spencely and the Auditor General made significant criticisms of the arrangements that we inherited from the Scottish Office. The SPCB has legal responsibility for the project, but the project is managed by the project team on our behalf. Since April 2000, the team has been assisted by the progress group that was established following John Spencely's recommendation. As members will be aware, the group consists of a mixture of professional people and elected members who have been appointed to the group.

Throughout, we have insisted that the SPCB be kept informed of the key issues of cost, delivery and quality. We are not construction professionals, but at various stages we have strengthened significantly the monitoring requirements and the expert pool available to the project team. Together with the progress group, we have made not insignificant savings, including about £20 million on the basis of the Spencely report.

In June 1999, the site had been chosen, the architect had been selected after a competition and, crucially, the contractual arrangements had been put in place. The type of contract is known as construction management and was apparently recommended for use on fast-track projects where there is a high degree of design uncertainty. As we are all too painfully aware, in effect that means that the client bears most of the design and construction risk and the project has no overall agreed price.

After the SPCB took over the project, two significant changes were made that affected the design: a change in the shape of the chamber and an increase in space to accommodate the greater number of Parliament staff who were needed as requirements became clearer. I do not want to go into the tortuous history of the early predictions of cost, but it is fair to say that the first solid base figure was £195 million, excluding landscaping but incorporating the effects of the changes that I have described. That figure was confirmed by Spencely in March 2000 and approved by the Parliament in the April 2000 debate.

In June 2001, we reported on the significant inflation, design and construction risks to which the project was exposed. By January of this year, the estimated cost—as the convener said in his introduction—was reported at £324 million, with the key additional problems of higher bomb-blast requirements, which at that stage we had been able to resolve, resultant design delays and higher tender costs for the specialist glazing for the chamber.

In February this year, the SPCB met the key players, including the progress group, the architects, Bovis and the cost consultants. We were given confident assurances on cost and programme that completion by November 2003 within the £324 million estimate was 95 per cent likely. On that basis, we reported to the Finance Committee with some confidence that we were in the home straight and that the design and other risks were largely behind us.

It is clear—as I saw yesterday when I visited the site—that significant progress has been made in recent months. There is a real sense of momentum, but there is also, as we know, more site and cost pressure than we were led to anticipate—a large number of people are on the site. As we can see only too clearly from the latest report, keeping construction as close as possible to programme requires constant resequencing of works packages. That, in turn, causes difficulties and delays that leave us open to claims from contractors and the result is increased cost.

All our advice has been to the effect that the most cost-effective way in which to control cost and to finish the building is to build it as quickly as possible without compromising quality. That is certainly the central aim of the people involved.

The committee will want to know that we have in place a strict regime for controlling changes and dealing with claims. Some contractors have now finished on site and more will complete over the next weeks and months. We have instructed the project team to report to us in detail as payments and claims are finalised, which is done on the recommendation of Bovis and the cost consultants vetted by our project team.

At the end of the day, two key questions remain: when will the building be finished and what will the final cost be? We have said at every meeting of the Finance Committee that we have attended that we cannot give guarantees. I am afraid that the complexity of the building means that that is still the case. Bovis currently predicts with 95 per cent confidence that the building will be completed by the end of the year. The end of the year represents a slip of a month overall in the projection given in January, although November 2003 remains both a target and a possibility at this stage. The further on we get, the more certainty there is in cost and completion, but costs are now driven largely by programme and it is imperative that the programme finishes as near as possible to the November target.

No one is more aware than the SPCB is—eye-of-the-storm phrases spring to mind in this context—just how damaging the increased cost and the delayed completion of the Holyrood project is to the reputation of the Parliament. Our people are striving hard to get the building finished at the appropriate date, but ultimately the professional responsibility lies with the architects, the construction managers and the contractors in terms of the contractual arrangements that the Scottish Office entered into so long ago.

I have one final point—members will be glad to hear that it is the final point. The one clear message that I want the committee to take from today is that the corporate body intends to do everything that it can to limit the cost impact. The £375 million figure is the cost consultants' best estimate of final outturn cost; it is not money that has been paid out to date. As the Presiding Officer said in his letter yesterday, no claim will be paid either in part or in full without full justification being made. We have now secured agreement in principle with the lead consultants to cap fee costs, including reductions in relation to the latest projected rise in costs.

We hope to report further in a few weeks when detailed arrangements have been finalised and we will keep the Finance Committee informed of the on-going financial situation. It might be useful for members who have not been down to the site to take the opportunity to go round it with the officials, as that would give them an insight into what is going on. I know that Fergus Ewing did that yesterday. It is clear that members have a lot of questions—the team is happy to answer any questions that we can.

**The Convener:** Thank you very much, Robert. I am sure that you appreciate that, given the strong expectation that there would be no further significant rise in the cost of the project, there is widespread anger that the cost has increased. I make it clear that that is the committee's initial view.

I intend to take questions from members. As I have indicated to the committee, I will take an initial question from each member and then perhaps one or two supplementary questions before moving on to the next questioner, if that is appropriate. Kate Maclean caught my eye first; she will be followed by Fergus Ewing.

10:45

**Kate Maclean (Dundee West) (Lab):** As a new member of the committee, I suppose that I am in the fortunate position of not having had to listen to all the previous assurances. The members of the committee who have had to listen to such assurances on an on-going basis must find the situation very depressing. I suspect that nothing that I hear today will make me feel any better about the way in which the project has been handled. The project's mishandling has been a disgrace and the biggest issue that has brought the Parliament into disrepute during the past four years.

Robert Brown's opening statement and the Presiding Officer's letter to Des McNulty seem to imply that the complexity of the building is to blame for the situation. I know that the site is technically difficult and anyone who looked at the plans would realise that the building was very complicated. However, I suspect that the site is not the most technically difficult site in the world and that the design is not the most complicated design in the world. Should the possibility of an increase in cost not have been envisaged earlier, given that we are dealing with a technically difficult site and a complicated building?

It worries me that the building is not yet finished. Robert Brown has said that he cannot give any guarantees that the costs will not go up again. What would happen if a highly complex issue arose? Can any guarantee at all be given? If it had been envisaged that the cost would be difficult to predict, we could have had a more realistic guesstimate at an earlier stage. Can you give us any guarantee? Will the costs stay below £400 million or £500 million? Can you guarantee anything?

**Robert Brown:** I will put it this way. We did not fix the framework within which the Parliament operates—we inherited it in June 1999, when we took over the project. At that stage, our predecessors had chosen the site, the contract, the design and the architect. It is not helpful to seek to blame people in our discussion. We should be talking about controls, mechanisms and better ways of doing things.

Although we must operate within the agreed contractual arrangements, the construction manager and the Parliament have let contracts on

individual site packages since then. Those contracts contain fairly standard terms. If there is a delay on site, that has implications for the arrangements that are made with contractors.

The design is complicated. The people who are involved in the project tell us that it is probably the most complicated design with which they have had to work. They have had to deal with some extremely difficult design implications. Yesterday, I had the opportunity to have a look at the chamber. The way in which it is fitted together means that there are considerable design and engineering complexities, which have proved challenging to the design team.

We had a design based on the vision of a signature architect—Enric Miralles—of what the Parliament wanted. That is the core of the situation that we have to deal with. Whether that is right or wrong, it is how the project was envisaged and has gone ahead. The most challenging thing that all the people concerned have had to do is to realise Miralles's vision without making silly decisions about the cost.

Colleagues might be able to add to that. Ever since she was appointed to the Holyrood project team, Sarah Davidson has had to wrestle daily with the situation in discussions. The Holyrood progress group has done a lot of work in that context, too. The design was highly complex and the contractual method does not make it easy for the Parliament to assert the sort of control that we would like to see. The Finance Committee is upset, but that is nothing in comparison with the feelings of the SPCB and the progress group, which are involved with the details of the project and have the embarrassing task of reporting on it to the Parliament.

**Kate Maclean:** My point was that, although the building is not the most complicated building in the world, it is probably the most out-of-hand building in relation to finances and time scale.

**Robert Brown:** I will ask Sarah Davidson to talk in more detail about the complexity of the project.

**Kate Maclean:** I would like an answer to the second part of my question, which was whether you can give any guarantee at all about the cost.

**Robert Brown:** I have tried to explain that the cost is determined by the contractual arrangements into which the Parliament and those who were previously responsible for the building entered. That means in effect that, once the button was pressed at the beginning, implications flowed from that point. Today we are giving members the best estimate that we can of the final cost, based on the professional advice that has been given to us. We are not professionals; we have to rely on the advice from the professional advisers to the Parliament on the contract that was set up. Our

estimate is as precise as possible at present. As we get nearer to completion, the figures will gradually become more certain.

We are embarrassed to have to come back to the committee today with the increase from January. The Presiding Officer's letter talks of the compression on site, the little design details and how all the bits fit together—those are what are creating problems on site. Members will note from the sheer number of men working on site at the moment just how complex it is to programme work and to pull it all together.

The estimate that we had in January has proved not to be as solid as we hoped at the time. I ask Sarah Davidson to elaborate on that.

**Sarah Davidson (Holyrood Project Team):**

Robert Brown has covered part of what I want to say. I cannot give offhand comparisons with other buildings. However, at the meeting with the corporate body last Tuesday, the construction manager, the cost consultant and the architect—all of whom represent some of the largest firms in their fields—said independently that they had never before come across a project of such complexity. Many of the difficulties that they found arose not only as a result of trying to do complex things, but because of the delays to the programme and because they have had to work on complex aspects of design and construction right across the site on all faces at the same time.

The project team and the progress group have constantly challenged the degree of complexity. For example, the original plan for the foyer roof was that every pane of glass should be a different shape. That plan has been simplified dramatically. There have been improvements, but the considerable complexity has led to cost and design problems nevertheless.

**The Convener:** Let me summarise the answer to Kate Maclean's second question: today's estimate is the best that you can give us and no absolute guarantees can be provided.

**Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP):** I gave notice of my questions at 8 am this morning and I e-mailed them to all the witnesses. I will not have time to ask all those questions so I hope that I can receive e-mail responses to them later. George Reid made the welcome announcement last week that, on his initiative, he had capped fees. My first question is to Robert Brown. Could you not have capped the fees earlier?

**Robert Brown:** There is a time and a place to do those things. We capped fees with the structural engineers at an earlier stage because that was appropriate—the structural engineers were much nearer to finishing their job. I am a layman, but I do not believe that it would have



been possible to get agreement to cap fees at a significantly earlier stage. The situation from the point of view of the consultants is that they will ask how long they have to go until the end of the contract and what risks affect them. George Reid and the corporate body seized the moment well when they obtained the cap on fees and we now have an agreement in principle that has happened at the right time. It could not have happened any sooner.

**Mr Home Robertson:** I will add briefly that the negotiations to cap fees had already been entered into with the architect. When the progress group received the alarming report of late increases to the construction costs, we took the view that it would be outrageous to pay fees on top of that whack. It is important to underline the fact that the consultants are contractually entitled to charge their fees. When the proposal to cap fees was put to them, they were under no obligation to accept it. I welcome the helpful response that they gave to the Presiding Officer last week.

**Fergus Ewing:** The previous Presiding Officer did not even seem to ask for any reduction in fees.

**Robert Brown:** That is not correct. Negotiations have been under way for some time and were dealt with in the Auditor General's report—

**Fergus Ewing:** When were the negotiations started?

**Robert Brown:** Way back. Negotiations had been under way for some considerable time before the immediate issue arose. The fact of the matter—

**Fergus Ewing:** When were they started?

**Sarah Davidson:** Every time there is an increase in construction costs, there is negotiation with all the consultants over the fee. The fee is very complex. It is made up of different parts that relate to different sections of the whole project, which we cannot go into at this time for commercial confidentiality reasons. However, negotiations have always taken place with every consultant in relation to their fee. I cannot think of a time when there have not been on-going consultations over fees.

**Fergus Ewing:** The fee arrangements are set out in the contract, a copy of which is publicly available. The level of fees was set out in the Auditor General's report of September 2000. The fees were made public and I have the table of figures here. At that time, the latest approximate forecast outturn cost of Bovis's fees was £11 million. How much is Bovis getting now?

**Sarah Davidson:** I do not have the breakdown of individual consultants' costs with me. Under the contract, that information is commercially confidential and we could make it public only, as

the Auditor General did, with the agreement of the individual consultants.

**Fergus Ewing:** I have examined the contract and no clause in it says that we are not entitled to publish the level of fees.

**Sarah Davidson:** The previous Presiding Officer indicated at some point, in correspondence with Mr Ewing, that it would be the hope of the Parliament, once fee negotiations were finally settled, to make available information about the fees that had been agreed. I understand that that is still very much the hope of the current corporate body.

**Fergus Ewing:** I am really trying to get to the facts here. There is no legal impediment to publishing the level of fees that every consultant is getting, is there? The former Presiding Officer took a decision, but the current Presiding Officer can scrap that and publish the fees. I sincerely hope that he will, because how can we have openness—as the First Minister has promised—if information is being kept from the public?

**Paul Grice (Clerk and Chief Executive, Scottish Parliament):** Our understanding is that there are commercial confidentiality issues. To answer Fergus Ewing's question so that the committee is clear, the position from here on in is that the corporate body and the consultants have agreed in principle on capped fees to the end of the project. We will be negotiating intensively with the consultants over the coming period. When we have the results, we will report to the corporate body. We will discuss with the consultants whether, on an individual basis, we can make information available. We will certainly make the global figure available on fees and we will certainly discuss with the consultants what their position—

**Fergus Ewing:** I ask Paul Grice, the clerk and chief executive of the Scottish Parliament, to come back to me in writing to answer this specific question: is there any legal impediment to the publication of the consultants' fees—yes or no? Could I please have the answer in writing some time soon?

**Paul Grice:** I am more than happy to write to Fergus Ewing, and to copy the letter to the rest of the committee, to inform him of the advice that I have received from lawyers on the commercial position with respect to all the contractors.

**Margo MacDonald:** On a point of information, convener. In the Finance Committee's meeting on 11 February, Sarah Davidson told us:

"We have given the global running total of fees to the committee in the past, and we can do so again."—[*Official Report, Finance Committee*, 11 February 2003; c 2502.]

For the benefit of the public who are watching, I suggest that it might be a good idea if the

witnesses came up with some formula whereby we would know the level of fees and the explanation for the jump.

**Paul Grice:** I am more than happy to pick up Margo MacDonald's question. In the past—and we would certainly do this again—we have reported the global position. There is no problem at all with telling the committee the position of fees overall. The problem is simply breaking that down by individual consultants. My understanding is that issues of commercial confidentiality arise. I am happy to undertake to Fergus Ewing that I will look into that. Any advice that I give to him I will most happily copy to the rest of the committee.

**Robert Brown:** The figures on total fees are available for where we are now. The increase was made clear in the Presiding Officer's letter.

**The Convener:** In correspondence that we have had from Robert Brown before, he has said:

"Once outstanding negotiations have been concluded, however, and subject to clearance with the Parliament's legal office, we would expect to secure the agreement of the consultants involved and make the details of individual fee bills available."

**Robert Brown:** I am in no doubt that, at the end of the day, the figures will be available. They will certainly be available to the reviews. However, while the contract is on-going, we have the issue of commercial confidentiality. The advice that I was given was that there would be difficulties and that we would require the agreement of the contractors to release that information. We will sort that out and come back to the committee, if we may, with a clear statement on that point.

11:00

**Mr Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD):** We have heard of Robert Brown's anger and Mr John Home Robertson's alarm. In addition, in his letter of 10 June, the Presiding Officer said:

"Members will share my anger, not only at the scale of the increase but the manner in which it has emerged: in a period of less than five months since we heard such confident assurances from our key consultants on both cost and programme."

My question is about process. When was it first indicated to the project director that there were problems with the risk analysis and the projected costs? When were those problems communicated to the principal accounting officer, the Holyrood project group and the SPCB?

**Mr Home Robertson:** I can answer as far as the progress group is concerned. The convener has already alluded to this, so members will recall that Davis Langdon & Everest—DLE—reported to us and, indeed, to the corporate body, that the topline figure of £338 million would cover the cost

through to completion. That was reported again to the progress group on 26 March. However, contingency moneys were being spent at that stage. In reply to questioning, the cost consultant told the progress group that he was satisfied that the topline figure stood and that he was not seeking to revise it at that stage. The same topline figure was reported to us again in May. The progress group received the report of the £18.7 million increase—plus consequential fees—at its meeting on 4 June. The papers for the meeting were circulated on 3 June. That was when we got the information about the increase. I do not know whether Sarah Davidson got that information earlier.

**Sarah Davidson:** To an extent, I will repeat what John Home Robertson said. The cost consultant reported regularly throughout February and May to the progress group and the project team. Each report indicated how the construction cost was increasing and how the risk reserves against that were decreasing. In that respect, there was no significant movement over that period.

The other exercise that went on throughout that period was that the cost consultant looked ahead and provisionally allocated the unspent risk money to individual works packages. As John Home Robertson said, the cost consultant indicated at the end of March to the progress group and the project team that he could see how most of the money for January and February was likely to be spent on individual packages.

It became clear during April that the delays in and the resequencing of the programme were such that Bovis was going to produce a new programme to wrap up all the delays and give the contractors a programme to which they could work through to the end. At that point, the cost consultant indicated that when he saw the new programme, he would have to look again at the remaining risk moneys to assess whether they would be sufficient to meet all that would be required to deliver the new programme.

Because of delays, the programme was not produced until 7 May, which was when the cost consultant's review process began. The cost consultant had meetings with the progress group throughout that time. At those meetings, the professional members of the progress group in particular and I urged the cost consultant to work on the programme as soon as it came out in order to have a robust figure or estimate to give to the corporate body.

I met the cost consultant on 13 May. At that stage, he had done only a first estimate of the costs because he received the programme, which was a bulky document, only on 7 May. It was clear then that the sum that he was looking at was likely

to be in double figures. He came up with a construction cost estimate that was in the range of £20 million. However, he stated clearly that he would not present that as a formal figure because he had not reviewed the programme with the rest of the team and with the construction manager. He said that once he had done that, he would present the formal figure. Obviously, I discussed the matter with Paul Grice during that period.

As John Home Robertson said, it was only in the papers for the progress group meeting on 4 June that DLE formally presented its assessment, which had been discussed with and agreed by the rest of the team. Those figures are in the Presiding Officer's letter to the Finance Committee. The other elements in that letter are the elements of cost that the project team, rather than the cost consultant, is responsible for estimating, such as fees and VAT. We added those figures at that stage.

**Mr Purvis:** Was the clerk of the Parliament aware of that as soon as Sarah Davidson was?

**Paul Grice:** Yes. On 22 May I became aware that there was a big problem. I received a formal report from the progress group on 4 June—the progress group reports to the corporate body through me—but I was made aware on 22 May that something had gone seriously adrift.

**Mr Purvis:** Because of the anger that has been expressed by people from the Presiding Officer down, the sensitivity of the issue and the mix of processes that elected representatives have to understand, it is important to communicate such information even if, as John Home Robertson said, alarm bells are ringing. We need to have a further look at whether the process was handled competently from early notification to the final figures being presented and to today's meeting.

Do you believe that the process was handled competently and that you are competent to carry the project through to the end? Should you be considering your positions?

**Robert Brown:** We have to go back to the way in which information is made available. Earlier I made the point that the people who are running the project and giving us professional advice on the costs as they come up are the construction managers and the cost consultants. My colleagues will correct me if I am wrong but the cost consultants seem to take the view that they are not prepared to give formal reports and precise figures until they see formal programmes. The corporate body and the progress group take the view that an international firm of cost consultants should be prepared to give us their best estimates, given that they know how such projects work. That is one issue, but I do not believe that there is an issue over the dates when the progress group was

told about the problem or when the corporate body was told thereafter.

**Mr Purvis:** With respect, I am separating the corporate body and the progress group from the process. We are tasked with considering the project from now until completion. The committee has to have confidence that that will be handled appropriately. It is fair to ask whether the project director and the clerk of the Parliament are the people who should be handling the end of the project.

**Robert Brown:** I will ask Paul Grice and Sarah Davidson to comment.

**Paul Grice:** I can answer for both of us because Sarah Davidson operates under my delegated authority. Of course one considers one's position—it is only right to do so. I have done that on several occasions while I have been chief executive.

There are two factors to consider. First, we have to ask whether we have done—or failed to do—something of such magnitude that we should consider our positions. Although I have to look to the Presiding Officer and the corporate body as my employer for a final view, when I look back, I do not believe that such a thing has happened. It has just been an incredibly difficult process. Good systems are in place, despite the issue of costs being so difficult. We have some highly respected professionals on the project and it is wrong to suggest that the project is not being supported. There are professionals in the project team and the progress group and we have contracted out the management of the project to top professionals. It is important to understand that. Of course I consider my position when bad news comes out but neither the corporate body nor the Presiding Officer has indicated a lack of faith or that we have done or failed to do something of such magnitude.

The second point to consider is how we go forward from where we are. If the project director or I stepped aside, would that help or hinder matters? I have wider responsibilities than the Holyrood project. The situation is for the corporate body and others to judge. No one is indispensable but I believe that stepping aside at this stage of the project would hamper completion. That is my position, but it is only proper that one considers such matters when devastating news comes out.

If anything, we will simply redouble our efforts. We have, of course, looked again at monitoring from here on in, and we feel that we can produce even more regular and frequent reports. It is worth putting on record the fact that, even had DLE reported to us earlier, there is no evidence to suggest that we would have avoided those costs. That is an important point to bear in mind.

I am sorry that that is a rather long answer to your question. However, the question deserves careful consideration, and I hope that I have given it that.

**The Convener:** We need to move on. All members of the committee, plus the other members who have joined us, want to ask questions. We must have short, sharp questions and short, sharp answers whenever possible, please.

**Fergus Ewing:** Convener, the project director did not have an opportunity to answer Mr Purvis's question.

**Paul Grice:** With respect, it is clear that there is a line of accountability: the corporate body is legally responsible for the project and I have two responsibilities. First, I have delegated authority from the corporate body, which I share with the progress group under the terms of the Parliament's resolution. Secondly, I have a separate, accountable officer role, which is why it was fair to ask when I knew about the increase. That role is placed on me under an act of Parliament. Sarah Davidson and the rest of the directly employed staff on the project team, including the professionals, operate under my delegated authority. Therefore, there is a fair question to be asked of me.

**Robert Brown:** The corporate body wants adequate methods of reporting, but it is significantly more important that we have in place adequate methods of control over any changes that are made under the contract and management of any claims that come in. That is what I was trying to say in the earlier part of my introduction. Those things are in place and are the responsibility of the client side. The driving forward of the job on site is the responsibility of the construction manager and the other professionals who are employed by the Parliament.

**The Convener:** There are concerns about whether those things are working as effectively as we would wish.

**Mr Ted Brocklebank (Mid Scotland and Fife) (Con):** Like most members of the committee and the electorate, I believe that the shattered reputation of the Parliament will not begin to be restored until we start to get some hard answers to these questions. I do not think that we are getting the answers that we should expect from such witnesses, who seem to be defending the status quo and not cutting to the chase or getting to the nub of the problems that we face.

The committee is charged with dealing with things that have happened in this financial year and the cost increases that have occurred most recently. I know that the genesis of the problems with the building goes back six years. We could

spend a lot of time debating that, but let us look at what has happened in this financial year. A couple of weeks ago, an increase of £37 million was announced. Let us consider why that particular sum suddenly appeared.

Sarah Davidson can probably answer these questions. Why do we hear that large concrete blocks are being delivered to the site at a cost of around £4 million, with nobody apparently having any idea how those blocks are to be joined together, because that has not been thought through? The blocks apparently sit on the site, waiting for somebody to decide how they are to be put together. Why is it that we hear about windows and doors not fitting? Who picks up the tab for those mistakes? Is it the taxpayer, or do the contractors pick up some of it?

**Sarah Davidson:** I am happy to deal with those questions. Many stories emanating from the site have appeared in the press in the past couple of weeks; some are entirely fantastic and some have their genesis in misunderstandings or a misinterpretation of what is happening on the site.

The easiest question to answer is your last one. If any mistakes are made due to shoddy workmanship on the site, the position is absolutely clear: neither the Parliament nor the taxpayer bears the cost for that. There is a clear process for ensuring that, whenever an error is traced back to them, the trade contractors bear the cost. The most recent example that I can think of is some timber that was delivered to the site, which had the incorrect stain applied. That work is being redone by the contractor, at its expense. Another example, which Mr Ewing has also raised, concerns membranes around windows. The problems were not the result of defects, but were to do with an issue of refitting the windows to meet tolerances, and the window manufacturer bears the cost of replacing them. The position is much clearer than it has appeared in the newspapers recently.

11:15

Mr Brocklebank asked a question that relates to the boundary wall at the bottom end of the Canongate. The issue is not that no one has the technical knowledge to build the wall; it is the logistical matter of the siting of the wall close to a narrow road at the bottom of the Canongate. We have been in discussions with the police and the City of Edinburgh Council about how to ensure that the Parliament takes partial possession of the road to facilitate the installation of the concrete components, which are very large, without posing a health and safety risk to members of the public or to the people who work with the components. The components were one of the later items to be designed and until the contractor had completed

them, it was difficult to assess the logistical issues. The issues are now being worked through and we have found a way ahead on the road closure, so we should make progress on that matter.

**Mr Brocklebank:** Should not that issue have been addressed at the design stage, before the blocks arrived on the site?

**Sarah Davidson:** My understanding is that, as yet, none of the components of the boundary wall has arrived on the site.

**Mr Brocklebank:** We have different information.

I have two supplementary points. First, are there recoverable elements in the increase of £37 million? Might you be able to ask the contractors, consultants and engineers for a rebate in order to get back some of the taxpayers' money?

**Sarah Davidson:** Two separate issues are involved. First, as Robert Brown alluded to earlier, the figure is the cost consultants' informed estimate of the claims that the contractors are likely to make. All such claims go through a rigorous assessment process, which includes consideration of the cause and effect of the delays that incurred the additional cost for the contractor. The claims will be paid only if the project team, on the basis of information given to it, is absolutely satisfied that they should be paid. In my view, it is likely that there will be room for pressing down some of the claims. As Robert Brown said, the clear steer from the corporate body is that, wherever possible, we should try to find opportunities to bear down on the claims, which is what we will do.

Secondly, there is the wider issue of the fundamental reasons that might underpin the delays. Under the construction management agreement, the Parliament as a client has direct contractual relationships with every contractor on the site. Therefore, if a package contractor is delayed or disrupted through no fault of its own, the Parliament must pay for the delay. However, we must ask questions about why the contractor experienced delay and disruption. Exercises have been going on, are going on and will go on for some time to assess whether any of the problems have been occasioned by a failure in professional standards by the consultants. We will take legal advice on that, as and when appropriate, to protect the Parliament's position. That point has been made to the committee before and we hold to it.

**Mr Brocklebank:** Perhaps you will answer one question. How much money has been saved through the capping of the consultants' and architects' fees?

**Paul Grice:** We have not begun those negotiations, but we will report back to the

committee on their outcome. We will be looking at the broad picture of the fees.

**Mr Brocklebank:** Will the figure be £10 million or £15 million? Can you hazard a guess?

**Paul Grice:** Although it is tempting to hazard a guess, you wanted hard facts, which I accept. It is best if we come back to the committee when we have hard figures.

I have two quick points. First, you asked about rebates, but I assure you that none of the £37 million has been paid and that it will not be paid until the process to which Sarah Davidson referred has been carried out. Secondly, I accept your desire for better information, so I hope that it will help the committee if, when we report to the committee—we will need to discuss the details of that with the convener—we aim to report against the table that was provided with George Reid's letter of yesterday. I hope that that will allow the committee to track how the process that Sarah Davidson has outlined is going so that members can see how we are performing. Obviously, we will provide the information on fees as soon as we can.

**The Convener:** That would be helpful.

**Mr Home Robertson:** Half of the £37 million is for fees and VAT. Members know that we are entering into negotiations on the fee element; our aim is to depress the figure as much as possible.

**Dr Elaine Murray (Dumfries) (Lab):** I want to probe a little more deeply into the annex to the second letter to the committee from the Presiding Officer, who had instructed a breakdown of the additional £18 million of construction costs that have been identified. The annex contains five estimates of construction costs or possibilities. For example, I draw members' attention to the figure of £5,869,000 for

"anticipated claims purely related to extension of time."

There is also an estimate of £3,680,000 for

"anticipated claims where work has been delayed",

and a further £5,692,000, about which it is stated:

"Our cost consultants have advised us to include this sum to cover for the possibility of additional design, construction and logistical issues".

My question is about how reliable those figures are. When a figure is quoted to £1,000, that suggests that its accuracy is plus or minus £500. Can I have that level of confidence in those estimates? Perhaps you could say a little more about how the figures were calculated and about what maximum values or intolerances were used to calculate them. Quite frankly, I do not believe that such accuracy is possible for such anticipated claims.

**Sarah Davidson:** You are absolutely right: you have put your finger on one of the perennial problems in cost reporting on the project. The way in which construction management is reported against—package by package, giving the tender price agreed and then any negotiated addition to that—gives an impression of slightly spurious accuracy, to a single pound or penny. You are right to suggest that care should be taken with those figures.

The project team, particularly the professional project management within the team, closely scrutinises any numbers that come forward to us. We spend a lot of time with the cost consultant, asking him to explain in detail and break down all the figures. The true assessment of the accuracy of the figures shown in the table in the annex to the Presiding Officer's letter, which are estimates of claims, will come as the claims are settled. We hope that the figures are overestimates and that it will be possible to gain a better settlement for the Parliament when the claim is finally negotiated. The figures that are contained in the first, second and third boxes of the table, which you read out, reflect the figures that the contractors indicated to the cost consultant and to the construction manager they are likely to incur through delay and disruption as a result of the reprogramming.

The table also comprises some assessment by the cost consultant of what he thinks would be a reasonable sum. If somebody were to pitch an outrageous sum, that would not automatically get taken to the bottom line. A judgment is made that predates the final, tough negotiation that will take place. Because it is a public sector project, Bovis and DLE cannot simply agree a commercial settlement with the contractors; they have to be able to prove to us that value for money has been obtained. To a large extent, the assessment of the accuracy of the figures will have to be retrospective; we require to be, and are, satisfied that they reflect indications of claims that have been given to the cost consultant.

The one exception to that is the contingency figure. That does not reflect known claims, but areas where there are known difficulties or issues still to be resolved and where, in the cost consultant's professional view, there may well require to be additional costs. Such costs would largely be due to delays that have not yet taken place or are not yet programmed, and that therefore cannot be quantified accurately. The contingency is the principal area on which we would want to bear down. The fact that the figures relate to identified problems mean that we can say to the design team, the specialist contractors and Bovis that we expect them to resolve those issues as quickly as possible, so that they can minimise the expenditure of the contingency.

**Dr Murray:** I appreciate that you do not know the exact extent of the claim until it has come in. However, the role of the Finance Committee is to look forward and evaluate the risk.

We are all tempted to ask questions about the past. We were assured on 5 April 2000 that

"the final cost of £195 million"—

would be

"the actual cost of creating a major public building to last up to 200 years".—[*Official Report*, 5 April 2000; Vol 5, c 1296.]

Therefore, you can understand why everybody might wish to look backwards and find out what went wrong. I reiterate, however, that we are supposed to be looking forward and keeping tabs on the risk.

This might be a rather nerdy scientists' point, for which I apologise, but I am not happy about figures being quoted as in the table in the annex. I would rather see something more like what we see in the profession that I come from. There might be a range of values, with a minimum and a maximum, which gives some idea of the tolerance of the figures. I know that some of the figures might be commercially confidential, but could you not give us an idea of the range of possible costs, rather than the figures in the table, which give the appearance of being accurate? If we had the range of costs, we might not find any more surprises lurking six months down the line.

**Sarah Davidson:** The short answer is yes, but the more expanded answer is that those figures contain an element of various degrees of risk. We can certainly break things down and show ranges. We can show what the figure would be if the expected completion date of an individual contract were met, and what it would be if that individual contract were to slip by a certain point. Again, we have to bundle the figure at the moment in order to protect our commercial position, but we can do what is suggested quite easily.

**Robert Brown:** The issue relates to the meaningfulness of the tools that we use. Can the issue be considered further?

**Paul Grice:** A fair point has been made about how we forward reports. If we can express figures as ranges without undermining the cost consultants' negotiating position with individual contractors, we will certainly do so. I take the point about apparently giving accuracy that does not exist. We will consider the idea of ranges and, if possible, report on that basis in future.

**The Convener:** I want to ask a supplementary question that is linked to what Elaine Murray has said. How much design work has still to be done in the process leading up to completion? The point has been made that design complexity is one of the key sources of difficulty.

**Robert Brown:** It should be remembered that there are different sorts of design. We are not talking about the conceptual design and the architect's drawings, but about more detailed matters to do with manufacturers and so on. Perhaps Sarah Davidson can say something about the extent of the remaining issues.

**Sarah Davidson:** Robert Brown is absolutely right. Unlike under a traditional contract whereby not only is the entire building designed before it goes to site, but all the buildability issues are designed and understood, under a construction management contract, packages are managed individually, as members know. Therefore, when one comes to a site to complete the construction, issues arise relating to interfaces and junctions between different components. Contractor A and contractor B may have designed exactly what they were expected to design, but when they come together, there is a tolerance problem through no fault of their own. Such detailed design is on-going, but is almost entirely complete. Most of the design that is happening on site is exactly the kind of design that one would expect to find at this stage of resolving problems.

**The Convener:** Is it possible to quantify the areas of construction for which design has not yet been completely finalised?

**Sarah Davidson:** The progress group asked that question yesterday. The one area of outstanding concern in respect of specialist contractor design is the completion of the external glazed public stair, which will take members of the public from the foyer up into the committee rooms and the debating chamber. Some completion of specialist contractor design has still to be done on that element, but other than that, all areas of such design are complete.

**Mr Jim Mather (Highlands and Islands) (SNP):** Projected costs are now 100 per cent higher than they were forecast to be in April 2000. I want to mention three priority areas. The first—itemising and listing the lessons to be learned—will largely be handled by Spencely, the Auditor General and the new inquiry. Therefore, it falls to us to consider two major areas in which we can add value: cost containment and possible cost recovery. On cost containment and fee capping, why has there not been a similar attempt to cap or limit expenditure in other areas of the project, such as in site running and construction management costs, which are projected to rise by a further £8.25 million?

**Paul Grice:** Part of the fee negotiations will certainly include fixed staff and fee costs in respect of the construction manager. Many site organisation costs are fixed as they have been sub-contracted to contractors and so on. As part of the fee negotiations, I assure members that we will

certainly consider those elements that we can consider. We are talking about the principal costs in addition to where the main pressures are coming through on individual packages, the approach to which we have explained in some detail.

**Mr Mather:** I would like to put a proposal to you that might intrigue you and illuminate matters. If we had a detailed schedule of recipient suppliers that showed the breakdown of the £190 million at April 2000—that is, who was receiving what at that time within the £190 million budget—and a separate column that showed what the component figures are now uplifted to as part of the £375 million, would that encourage people to take a more conciliatory approach in negotiating the upgrades in their costs?

11:30

**Paul Grice:** First, let me say that I am hoping for a conciliatory approach to that and we will take with us the Finance Committee's views as well as the Scottish Parliamentary Corporate Body's views.

We could consider producing such a comparison. Everything is founded on construction cost, of course. If my memory serves me correctly, around £108 million of the cost was due to construction costs at the time that you mention. As that has risen, other elements have multiplied as a consequence. Further, all the figures are estimates, rather than money that was being paid at that time. We could aim to produce such a comparison, though. In terms of fees, subject to commercial sensitivity, one could certainly consider the global payments. Similarly, in terms of comparing the construction figures, I cannot see why that could not be done. We will consider how we could make that available.

**Mr Mather:** We should bear in mind the lower marginal cost, given the fact that companies already have plant, equipment and personnel in situ. The cost of an extra day or so would be marginal.

**Paul Grice:** I take your point. When we do the fee negotiations, we consider such elements specifically. I must say that I have had only positive indications from the lead consultants on their willingness to enter into the negotiations. We will proceed on that basis. We will definitely consider such issues as the number of people on the site and how much they are being paid. That would be a fundamental component.

**Mr Mather:** On the issue of cost recovery, I point out that Westminster has experience of other cost-plus contracts. My memory goes back to the Ferranti contracts of the 1960s, when the motivation to cut back the budgets when they

overran was somewhat limited. Has any homework been done on what the Treasury did to help the Ministry of Defence fulfil the rest of its budgetary requirements at that time? Is there a precedent there that could help us? If not, could a case be made to Westminster to close the gap between the current cost of £375 million and at least the £190 million that was estimated in April 2000?

**Paul Grice:** It is difficult for me to answer the second part of your question, as it contains a political dimension.

We have not been in touch with the MOD, but I would be happy to investigate any intelligence that we can gather. I reassure the committee that there is a cost recovery strategy, if I can call it that. We have taken specialist legal advice and I am waiting for a report from professional contract managers on the best process to have down the road and, if issues arise relating to quality of work and retentions, we will have a professional team in place to deal with them. We have taken legal advice on the best way in which to structure that.

You will understand why, at this stage in the project, I will not say much more on that. However, if there are any lessons to be learned from previous experience, such as the MOD's experience with Ferranti, I would be happy to have that information and would follow it up.

**Robert Brown:** While it is true that having an incentivised element in the original contract might have helped, I do not think that the principal consultants have a vested interest in prolonging the process, as the embarrassment to the Parliament is matched by the embarrassment to the consultants. That is a significant pressure on them.

**Margo MacDonald:** They have an interest that runs to millions of pounds.

**Robert Brown:** I accept that.

**The Convener:** We should move on; I am anxious that we get through as much as possible.

**Mr Home Robertson:** Before we do, I want to mention something that arises from Mr Mather's first question, which related to ways of bearing down on site management costs. The best way of doing that is to get the job finished as quickly as is humanly possible. Every week that the site remains active costs us a lot of money. The more quickly we can drive the project to completion, the more quickly we can get the cranes, scaffolding, canteens and so on off the site. That should be our top priority.

**Ms Wendy Alexander (Paisley North) (Lab):** I want to ask two brief factual questions. In June 1999, when the project was inherited, what was the estimated floor space?

**Paul Grice:** About 21,000m<sup>2</sup>.

**Ms Alexander:** And now?

**Paul Grice:** It is about 30,000 m<sup>2</sup>.

**Ms Alexander:** The type of procurement contract has, rightly, become a matter of some controversy. Some of the puzzlement out there is due to the fact that, in the commercial world, if, four years ago, a flagship project with the sort of contractual risk that is being cited today had been inherited, consideration might have been given to renegotiating that contract. I wonder whether anyone ever sought legal advice on the options for renegotiating the contract—for example, converting to a fixed price at the point at which the design was finalised—and, in that regard, whether the Presiding Officer, the project team, the progress group, the corporate body, any finance minister or any First Minister sought legal advice on the contract and the options for renegotiating its terms.

**Robert Brown:** I am not entirely convinced about legal advice. Clearly almost anything can be renegotiated subject to agreement on both sides, but the question is what the price would be. I know that from time to time consideration has been given to the question of fixed price contracts. Of course, the difference there would be that the risk would lie with the main contractor or whoever took on the contract. All the indications are that we might have ended up—at a much earlier stage of the contract, admittedly—with a significantly higher price than what we are getting at this stage on this contract.

John Spencely was brought in at an early stage to report to us, and the Auditor General reported in 2000. I think that I am right in saying that all the recommendations that were made by those two reports were taken on board and dealt with by the corporate body and the officials concerned with the contract. Those who have more technical expertise may have something to add, but I am not convinced that this was ever a contract that, in a satisfactory way, was renegotiable from the point of view of the Parliament, which was getting to grips with the issues involved with it. Can you add anything to that, Paul?

**Paul Grice:** Not really. It is certainly a matter that has been considered. I could not tell the member whether detailed legal advice was taken. One point that is worth bearing in mind is that the contract was tendered on the basis of construction management, which meant Bovis acting as our project manager. A lump sum contract main contractor is fundamentally different. It is not just a question of asking "Would you put a cap on it?" It is a very different type of procurement.

If, in the original competition, the search had been for a builder to construct a Parliament



building, as opposed to a firm to provide professional advice, I imagine that different people would have bid for it. That is a very different thing. That is a point worth bearing in mind when people talk about looking for a fixed price. Bovis was employed on a very different basis, which was basically to provide us with technical and professional advice. The critical bit of any design and build fixed lump sum contract is that the architects—the design team—are novated to part of the construction team. That is not the case here. Bovis was engaged separately by the Parliament. No builder would ever give guarantees over price if they did not have absolute control over design. Again, that comes back to the way in which the contract was constructed originally.

**Ms Alexander:** The issue may be more appropriate for other places, so I will not pursue it here. I simply observe that, when a project has inflated almost four times in the past four years, it begs the question whether, once the design and the floor space had been fixed, if the risk of the contractual structure was apparent at any point, anybody explored a different sort of contractual arrangement, or considered what the appropriate contractual arrangement would be.

**Robert Brown:** I will comment on that, as a member of the corporate body from an early stage. As non-experts, we began to be increasingly concerned about the contractual method and the way in which it was dealt with. As Wendy Alexander can probably imagine, if we stopped the whole ball game and went for some sort of public thing, the risk element that would have piled on to any contract price would have been enormous in any view of the matter. As you said, rightly, it is up to others to judge on that, but my view, as a total layman in this matter, is that it would have been highly unlikely to have produced an advantageous arrangement to the Parliament, by the time that we took it over.

**Ms Alexander:** Robert Brown mentioned non-experts. I appreciate Paul Grice's candour, and I think that it is important that the whole process is not characterised by witch hunting. However, given the risks of a contract in which the risk is borne by the procurer of the project, there are anxieties about the wisdom of investing project leadership with people who do not have extensive experience of the construction industry and ensuring that that is available to the project team.

With respect to the £37 million that we are authorising today, I think that it is fair to say that it is well known in the construction industry that Bovis Lend Lease has been involved in litigation on occasion—I will not say “frequently”, because that might land me in court—with those for whom it has built projects and with its subcontractors. As we are employing a company that is known to

litigate on such matters, what contingencies have been made for handling such a situation in the coming months?

Those are not matters that can always be discussed fully in public. However, as the Finance Committee, we seek assurances that the project team has considered such a scenario and is aware of the history of litigation at the completion of a project, which clearly would be in no one's interest. If extensive legal action were still outstanding in the immediate aftermath of our moving into the building, that would be very unfortunate.

**Robert Brown:** That sort of question shows the difficulty that we all face in trying to finish the job and simultaneously conduct inquiries into what has taken place and the price issues that are involved. The reality of the matter is that Bovis Lend Lease is our construction manager. It is employed specifically to drive forward the project and manage it to completion. It is in the centre at the moment to do just that. The corporate body has invested Bovis Lend Lease with the necessary authority to ensure that it can deal with the contractors and designers and drive the project forward to completion. It would be unhelpful, frankly, to make any public comment one way or the other on the question that Wendy Alexander has understandably—but with some difficulty for us—raised.

**John Swinburne (Central Scotland) (SSCUP):** Good morning, all. I come here with clean hands. I am a new MSP, as are three other members of the committee.

It was an hour and five minutes before John Home Robertson made the most important statement of all: the completion date. Unless the project is completed in November, as we have now been told it will be, the costs will escalate beyond measure. Under the cloak of commercial confidentiality, the taxpayers in Scotland have been ripped off by unscrupulous and clever negotiators, who negotiated a package that is probably unequalled in the history of Scotland as a means of manufacturing money. Short of someone starting a mint of their own up here, it is the best money-making scheme that has ever been devised. It is totally open ended. There is no stop to it. It will go on and on until the project is completed.

**The Convener:** Come on, John—you need to ask a question, not make a lengthy statement.

**John Swinburne:** Right. We read things like £14.2 million or thereabouts for landscaping. I come from East Kilbride. We could landscape the whole of East Kilbride for £14.2 million. I understand that the building is getting bigger. I do not know whether it is growing vertically or out the

way, but if it is growing out the way, that surely cuts down the scope for the landscapers.

The whole thing is a total shambles from start to finish. I used to watch the programme "Yes Minister". My goodness—you have all done exceptionally well this morning.

**The Convener:** Your question, please.

**John Swinburne:** That is a fair comment.

Can you give us a definitive date when the thing will be brought to a finish?

**Robert Brown:** We have answered that to the best of our ability. November 2003 remains the target date. It is still possibly achievable, but may slip by a week or two beyond November.

John Swinburne's comment on the landscaping illustrates the difficulties of arriving at simplistic conclusions from inadequate facts. I will ask Sarah Davidson to tell you something of the detail of the landscaping project. It is illustrative of the situation.

11:45

**Sarah Davidson:** It is worth reminding members, particularly those who are new to the committee, that this project was referred in its totality and with associated funding from the Scottish Executive to the Scottish Parliament. As such, since that time, the project has been taken on and managed by the Parliament.

The total of about £14 million for landscaping includes just under £8 million—about £7.7 million—in construction costs; as with other elements of the project, the remaining amount is made up of fees, VAT, inflation and a contingency figure. The majority of the costs within that £7.7 million are attributable to road works and what is broadly called landscaping, but which refers to all the works that are being done to realign and replace the roads. Soft landscaping, which includes turfing, trees and shrubs, makes up less than £500,000 of that total. I think that that helps to put the matter in some kind of perspective. I should point out that we are also statutorily obliged to provide gates, railings, lighting and other things in that area. In the past, the committee received a full breakdown of the landscaping costs; however, we would be happy to provide it again for current committee members if that would be helpful.

**Robert Brown:** It might be helpful if John Swinburne and other members had a look at the site, because they could see for themselves where the direction of the road between Holyrood Palace and the site has been changed and the steel work that is in place. I am sure that the people in charge of the site would be happy to show members round it.

**The Convener:** I want to pursue one or two issues that arise out of that matter. First, is it intended that the £600,000 in landscaping contingency costs that have been identified will transfer as the previous £14 million did?

**Sarah Davidson:** Yes. Since the transfer of the £14 million, the matter is now in the property of the Scottish Parliament, which means that the £600,000 additional contingency costs against that do not have to go through the transfer process. It is automatically an issue for the Scottish Parliament to manage.

**The Convener:** The proposed date for the end of the construction period is November. Have you quantified what the additional costs per week or per month might be if that date were to drift by a month or two? Is it possible to make such a calculation?

**Paul Grice:** I think that the costs of going beyond the date by up to a month or possibly two months have already been factored into the costs that have been identified. John Swinburne, rightly, spoke about what would happen if the date for the end of the construction period were to go beyond November. Both Robert Brown and John Home Robertson have made the point that the best way of bringing about cost certainty is to drive the programme forward.

I believe that the cost consultants, in their current report, have allowed for a margin after that date. In other words, the costs of the project going on to the end of the year and even into January have been factored into the costs in the report. If the project goes on beyond that margin—in other words, if the programme does not achieve that date—we will have to look again at costs.

**Sarah Davidson:** That comes back to my response to Elaine Murray's question about showing ranges. The range that we will present will reflect ranges of the risk that attach to completion dates.

**The Convener:** For clarification, the range of uncertainty is from November to the end of January. That gives us two months of risk.

**Paul Grice:** As I understand it, that is reflected in the costs in the report. Going beyond that date would be the key driver to further cost increases, which is why everyone is so anxious to drive the project to completion from here.

**The Convener:** I have a further supplementary, but I think that Fergus Ewing has a question.

**Fergus Ewing:** Like Robert Brown, I visited the site yesterday. Although I am not involved in the construction industry, I would be astonished if the building were practically complete by the end of this year. You said that you were 95 per cent certain that the cost would stay where it is. In

percentage terms, how confident are you that all the building will be practically complete by the end of this year?

**Robert Brown:** I am not giving you my assessment of the matter; as a layman, I have no view on it. Instead, I am giving the committee the professional advice that we have received. I had some discussions with the people down at the site yesterday—I am sure that Fergus Ewing had similar discussions and it was evident that one could distinguish different bits of the building. The MSP block and Queensberry House look likely to be finished quite soon. They are well on their way to completion; I think that the last bits—

**Fergus Ewing:** But the chamber and the boundary wall will not be finished soon.

**Robert Brown:** The boundary wall is a different issue altogether. We have already made it clear that that is an area of some difficulty. The towers and, I think, even the chamber will make a significant visual move forward as the workmen begin to take down the scaffolding and work from the roof downwards to finish things. I am reasonably encouraged by the potential of the situation. Beyond that, I cannot give any other assurances. All I can say is that the information from our professional advisers on this matter is exactly the information that we have given to the committee.

I certainly get a sense of momentum when I go to the site. Having visited just before the election, I can see a difference between then and now, and I think that it is moving forward. I am given to understand that it moves forward in jumps like that, with visually obvious moves forward becoming apparent. As we begin to move to the last stage of the project, there will be a jump forward in its visible completeness. As the scaffolding and cranes begin to come off the site, we will be able to see much more clearly what the residual issues are.

**The Convener:** The costs of fit-out and of migration to Holyrood from the current site are factored in to be budgeted for in this financial year. However, if the migration does not happen before Easter, the expenditure could be incurred in the next financial year. What consideration is being given to that in budgetary terms?

**Paul Grice:** We are looking closely at that. The problem is that, until we decide on migration, it is hard to see where the costs will fall. If the building is completed even by the end of January, we will probably have begun migration before that. Things such as the boundary wall would not necessarily impact on starting to move staff down to site. We need to have a detailed discussion on migration with the corporate body, probably in the autumn, at a point when people really begin to feel

confident about completion. It might be best to come back to the committee at that point. On the current programme assumptions, however, migration would fall largely in the current financial year, so most of the costs would fall before the end of March 2004. If that programme gets derailed, we would clearly have to come back to you. We could probably give you a more meaningful report in the autumn, once the corporate body has taken a firmer view on the migration timetable.

**Margo MacDonald:** I agree with Elaine Murray that the committee's purpose is to try to look ahead. However, lest we add to the mythology surrounding the project, I would like to put one or two things right. I see no basis at all for Robert Brown's assertion that a different style of contract would have resulted in a much higher cost building. Comparable buildings in Edinburgh are sitting at about a third of the cost of the Holyrood building.

**Robert Brown:** There are no comparable buildings in Edinburgh; that is the difficulty.

**Margo MacDonald:** With all due respect, let us not go into that. If we look at the footprint of the Scottish Widows building, for example, and compare it with the footprint of the Scottish Parliament, we find that Scottish Widows is bigger and it cost £68 million plus information technology costs.

It is important to understand that a choice was available. However, when the Parliament could have made the choice with regard to the renegotiation of fees, we were advised by some of the same people who are sitting here today that that was not required. When the architect died we were assured that, regrettable and very sad though that was, it would not materially affect the outcome of the progress and operations of the project. We were told that the architect was no longer absolutely central to the target dates and costs of the project. We should remember that. The same people who made that judgment are making judgments today on how long the project will take to complete and how much it will cost. I just wanted to put the record straight; now I would like to ask some questions.

We have concentrated on the cost consultants, on whether their advice to the witnesses before the committee today was full enough and on whether they have shown a range of possibilities and given probabilities and percentage terms. As we have learned, the probabilities and percentage terms—for example, for the completion date—will feed back into current expenditure for the Parliament. It is therefore important that this committee and its officials are given full information.

Were you given full information by the cost consultants after the meeting on 26 March? There was a long time between 26 March and 1 May, when all of us told voters in all good faith that the building would cost £338 million. Well, I did not say that, right enough—I said that it would cost £350 million and rising—but everyone else around the table said that it would cost £338 million. That is what they told the electorate and that is what the electorate voted on. Were we liars? Did anyone know—

**The Convener:** Ask a question please, Margo.

**Margo MacDonald:** That is my question. Did anyone know before 1 May that that £338 million figure was not sound? Was no one on the corporate body informed? Although the MSPs were fighting an election, the corporate body continued and was still the client for the project. Did the cost consultants keep the corporate body informed?

Sarah Davidson said that the claims that might be made by the consultants and construction contractors would be contained by depressing them and hammering them down. Can she give examples of claims that have been hammered down? By how much were they hammered down?

**The Convener:** Let us hear answers to those two questions, and then I will let Margo MacDonald come back.

**Margo MacDonald:** I will ask one local question on top of that, if the convener does not mind. Have the discussions with City of Edinburgh Council been completed as regards who will pay for the road improvements and alignments? The last I heard, that was still under discussion, but Sarah Davidson gave the impression that that issue had been completed.

**The Convener:** That was three questions. Perhaps Robert Brown will respond first.

**Robert Brown:** I welcome Margo MacDonald's comment that we should now look ahead, which is the job of the Finance Committee in this context. I disagree with some of the points that Margo MacDonald put on record, but this is not the time and place to continue that discussion.

The question about when information was made available was answered in some detail in response to Jeremy Purvis's earlier question. Frankly, I do not think that we have anything to add to that. We have all given our best shot at answering that.

Sarah Davidson will pick up on the detailed matters concerning claims for changes to the road.

**Sarah Davidson:** Let me clarify that my earlier reference to the road was to do with getting partial possession of the road so that works could go

ahead on the Canongate. That is a separate matter.

However, I have just been advised that negotiations have been completed between the Scottish Executive and the council—it is not a matter for us at all—and that the moneys have been resolved. The council will pay for the bits of the road that it was originally going to pay for.

**Margo MacDonald:** So the council will pay for the road?

**Sarah Davidson:** It will be funded through the Scottish Executive.

**The Convener:** I want to be clear about the answer to who knew what and when. There is some slight uncertainty about that. Could the answer to that question be reiterated?

**Paul Grice:** John Home Robertson can answer for the progress group, but I will answer for the corporate body. I attend every meeting of the corporate body, which met once during dissolution to deal with matters. I can give the committee an absolute assurance that members of the corporate body were not told any information. Principally that was because I did not have any information to tell them. They were certainly not on the campaign trail with the information that became available to them in May. The corporate body met once and I attended the whole meeting. The corporate body was certainly not given the figures that have since come out.

Obviously, John Home Robertson can answer for the progress group, but I wanted to respond to Margo MacDonald's specific question.

**Margo MacDonald:** I express my shock that a 10 per cent increase should be recorded in those three or four weeks during which people were not informed by the cost consultants. Presumably, the cost consultants can make an estimate only on what the construction manager tells them and the construction manager can make an estimate only on what the designer tells him.

**Mr Home Robertson:** Margo MacDonald is not alone in being shocked at that.

**Margo MacDonald:** Can you explain that time gap?

**Mr Home Robertson:** The cost consultants report to the progress group regularly. They report at every one of our fortnightly meetings. A leaked copy of part of our minutes for our meeting of 26 March confirms that DLE stood by its £338 million at that stage.

It is important to emphasise that the progress group consists not only of the three politicians. We are ably supported by Andrew Wright, who is a past president of the Royal Incorporation of Architects in Scotland, and by David Manson, who

is a quantity surveyor. David Manson has been chairman of the construction branch of the Royal Institution of Chartered Surveyors in Scotland, so he knows what he is talking about. He also interrogated those points.

That was repeated at that meeting. I understand that it was repeated at the progress group meetings that carried on in dissolution; I think that there were two such meetings. Those meetings could not be full meetings of the progress group, because the elected members were not members and could not attend, but the meetings went on anyway and that item was minuted. Again at the first meeting after the election, those figures were being stood by. The new figures were reported to us on 4 June.

12:00

**Margo MacDonald:** With all due respect, this is a 10 per cent rise. We can all understand a 1 or 2 per cent drift, but not a 10 per cent rise in the short period that we are discussing. Who made a mess of things in that short period?

**Mr Home Robertson:** We made the same point very forcefully at the meeting of 4 June. It has since been pursued by the corporate body and the Presiding Officer.

**The Convener:** The version of events that we are being given is that the information that came from the cost consultants to the progress group in the period running up to and immediately after the election focused on the original figure of £324 million plus £14 million. In response to an earlier question, Paul Grice indicated that his first intimation of a potential increase came around 22 or 23 May and that that information was forwarded to the progress group on 4 June.

**Paul Grice:** Information does not flow from me to the progress group, but in the other direction. Sarah Davidson indicated to me that things had gone badly awry, but there were no numbers attached to that. The numbers emerged a week or two later. The process was that I received a formal report from the progress group, which was passed on to the corporate body within 24 hours. The corporate body made the report publicly available the same day.

**Sarah Davidson:** It is worth coming back to the sequence of events that has been set out. Paul Grice's description of how the information becomes available is right. It is correct that the minutes show that the cost consultant reported repeatedly to the progress group that there was no change in the bottom line—in other words, any movements were from risk into construction. From the beginning of April, he also reported that when the Bovis programme was on the table he and his team would have to analyse that complex

document very closely to satisfy themselves that the risk amounts would be sufficient to complete the project. As the leaked minute indicated, the progress group knew that there was limited scope for dealing with any new events that might arise and that were not yet on the horizon.

There were delays in getting the Bovis programme out. The programme is entirely dependent on information that comes from specialist trade contractors and the design team. The construction manager must pull all that information together through a very complex programming process before something can be passed on to the cost consultant for analysis. When he spoke to the corporate body last week, the cost consultant said that, without a programme, it was impossible to produce a definitive estimate of costs. As Robert Brown has indicated, the corporate body's view is that an indefinite estimate of cost during the period that we are discussing might not have been unhelpful in enabling it to anticipate what was to come—although not in enabling it to change that. Only after receiving the programme on 7 May and spending several weeks examining it in detail with his team was the cost consultant able to put a definitive estimate of claims on the table.

**The Convener:** I want to pursue the issue that Margo MacDonald has raised. There is an issue relating to the sequence of events and reporting. We must also highlight the magnitude of the costs and identify the different elements within those costs. When you scrutinised the programme, item by item and line by line, did specific elements of the 10 per cent cost increase cause you particular concern or considerable surprise?

**Sarah Davidson:** Those elements are broken down in the annex to the letter that we considered earlier. They consist of claims for particular delays, resequences and prolongation. As has already been mentioned, the size of the increase was a surprise to everyone. Even when the cost consultant talked about the potential risk attached to the programme, no indication was given at any point of a cost increase of this size.

**Margo MacDonald:** We must press you on that issue. You now know what the main components of the increase are: on-going construction, outstanding claims and continuing design work. When the cost consultant indicated to you that there would be a 10 per cent jump, did you identify the reasons for that? Did you ask the cost consultant and did he provide an answer that made sense to you?

**Sarah Davidson:** We have a complete breakdown of the costs. All the increased construction costs may be due under the contract. In other words, they are all attributable to delay, prolongation or disruption; none of them are

attributable to increased scope or to fundamental changes. My project managers have examined where the costs lie and, having seen the revised programme, have confirmed that they lie against packages that include considerable disruption, prolongation and resequencing. In so far as we can analyse them, the cost consultants' estimates reflect significant changes in how the programme is being delivered. We will only really be able to satisfy ourselves that the costs are correct when it comes to claim-settlement time.

**Margo MacDonald:** So are you saying that construction management did not allow for the resequencing of packages? Are you suggesting that that is where the biggest cost increase arose and that the escalation in cost was not design-led or design-inspired?

**Sarah Davidson:** All the resequencing had to take place because programme 6b, as it sat on the table at Christmas, could not be achieved. When the principal consultants spoke to the SPCB last week, they all confirmed that, in their view, the programme was realistic when it was presented at Christmas time. In order to put forward a programme, the construction manager receives assurances from all the people who have to produce the different types of information that they can produce it within the time scale that the programme requires. Different people have to produce information—the design team has to produce it as do the specialist contractors. There is then an iterative process between the two as they come to agreement about the final design. There is then a manufacturers' quoted time and an installers' quoted time. All that information is challenged by the construction manager. When agreement is reached between him and all those parties, the information is ultimately fed into the programme.

In a broad strategic sense, the reason why programme 6b was not achieved, which is the reason for the increased costs, is that, along the line, the dates were not all met by the people who had committed to them. Part of the claims process is a thorough understanding of why those dates were not met. In some instances, the dates were not met through no fault of the individual trade package contractor.

**Margo MacDonald:** I understand that.

**Sarah Davidson:** In some instances, there might have been delays that were the trade package contractor's fault, in which case we would not expect to settle all the claim. As I said earlier, there might be wider issues about the provision of information, which will have to be considered in the round. If those come back to the design team or to any other party, we would expect to take them into account in negotiating with them.

**Fergus Ewing:** I want to pursue the point further. John Home Robertson said that there was a leaked minute of the meeting of the progress group on 26 March. References from that minute were contained in *Scotland on Sunday* on 15 June. According to the leaked minute, at that meeting, weeks before the election, Hugh Fisher of Davis Langdon & Everest, the cost consultant, warned the progress group that the budget was under serious pressure. He said that only £363,000 out of £10 million of an accelerated budget was left. Was it not obvious to the progress group members then that there would be an increase beyond £338 million? I direct this question to John Home Robertson and Paul Grice. Was the Presiding Officer, the First Minister or any member of the Scottish Executive made aware of the contents of the minute before the election? Will it be made public now and why was it not made public at the time of the meeting, before the election?

**Mr Home Robertson:** Minutes of the progress group are confidential for the good reason that, at the group's discussions, it is necessary to be able to have frank dialogue between members of the group and the consultants. I hope that colleagues understand that we would not be able to conduct our business properly if detailed minutes were published routinely. I do not know exactly how much of the document was leaked and I deplore the fact that it was leaked, but given what I have seen already, I will quote one or two relevant sentences. Hugh Fisher of DLE

"confirmed that there were no changes to the figures from the previous report. He did express some concern—but no surprise".

There were no alarm bells ringing there. Hugh Fisher was pressed by David Manson, from our side, on whether

"DLE were still reporting that the project would be completed for the cost plan plus risk".

That is £324 million plus landscaping. He

"confirmed that this figure had not been changed."

On that basis, it would seem that no alarm bells were ringing at that stage. The alarm bells started ringing at the later meeting, which was extremely alarming. We went into action rapidly once we received the report.

**Fergus Ewing:** Was the First Minister, the Presiding Officer or any Scottish Executive minister made aware of the contents of that minute before the election?

**Mr Home Robertson:** No.

**Fergus Ewing:** Is Mr Grice able to confirm that that was the case?

**Paul Grice:** I can answer only for myself. I can

state unequivocally that I did not show a copy of that minute to the Presiding Officer or to the First Minister. Given that I have no link to the Executive, there is no reason why I would show it to the First Minister. I am happy to confirm for the record that I did not show a copy of that minute to the First Minister, to any member of the Executive or to the Presiding Officer.

**Fergus Ewing:** You are saying that it is your normal procedure not to show copies of the minutes of the meetings to the Presiding Officer.

**Paul Grice:** The progress group has a role to play, which was established about three years ago. Its job is to oversee the day-to-day management of the project. It has a responsibility to me and to the SPCB to report to the SPCB as it thinks fit, and it discharges that responsibility with considerable care and diligence. That responsibility does not include sending the corporate body copies of minutes of the progress group's meetings; it does include providing a regular monthly report on cost and programme and appearing before the SPCB. That is the reporting mechanism that the progress group runs.

I can answer only for myself. I did not show a copy of the minute to the previous Presiding Officer or to the First Minister.

**Fergus Ewing:** Did anyone else show the Presiding Officer a copy of the minute?

**Paul Grice:** I cannot answer that. How can I possibly know what someone else might have done?

**Fergus Ewing:** You are the chief executive and you are in charge of the project.

**Paul Grice:** I cannot possibly say what other people might have done.

**Robert Brown:** As the parliamentary authority, the corporate body would consider it a very serious matter if that sort of contact took place with the First Minister on such issues. I cannot answer questions about who might have shown what to whom. If such information came to our attention, we would regard it with the utmost seriousness. The parliamentary authority is independent of the Executive. Since its early days, the corporate body has been concerned to ensure that that remains the case.

**The Convener:** Several members want to ask questions, but I will give Margo MacDonald a final shot.

**Margo MacDonald:** My question is for Robert Brown. You were not informed that such a small amount of contingency money was left. Do you think that you should have been informed of that?

**Robert Brown:** From the beginning, we have taken the view that the corporate body should be informed of significant matters that affect cost,

programme and quality.

**Margo MacDonald:** Was the fact that there was such a small amount of contingency money left significant?

**Robert Brown:** I think that it was significant, given the pressures that have emerged.

**Margo MacDonald:** So do I.

**Robert Brown:** We can argue the toss about the time at which—

**Margo MacDonald:** It was at half past 3 on 26 March.

**Robert Brown:** From what I have heard, I am not sure that I would agree with that, but that is for other people to express an opinion on.

**Mr Purvis:** Although I am happy that we have returned to the line of questioning with which I began, I am anxious not to take the committee in a full circle. I mentioned the competence of the project management within the relevant period of time. I questioned the competence of the project managers and asked whether they would consider their positions, as that is a pertinent issue. However, I also want the committee to be concerned with the future and to ensure that such a situation does not arise again, either with the personnel who are here today or with different personnel. It is not for the committee to decide on who the personnel are.

In addition to the monthly reporting to the Finance Committee, what internal mechanisms will there be to ensure that such confusion does not happen again? I was interested to read the Auditor General's recommendation about an execution plan, which should have been put in place in 2000. I am not aware whether such a plan was put in place. What kind of execution plan will there be for the completion of the project?

**Robert Brown:** We have discussed contractual extras and claims. I will ask Paul Grice to deal with your question.

**Paul Grice:** The member is pursuing his previous line of questioning. I am satisfied with the Holyrood progress group, which has experienced, professional advisers, and with the Holyrood project team, which includes a mixture of professionals and others. It should be borne in mind that, contractually, we rely on Bovis, on DLE and on the design team to give us the professional advice. We should always be careful to preserve that line of accountability and liability; we should be careful about second-guessing people whom we have employed to give professional advice.

I believe that we have got the balance right. There is a clear plan. Programme 7a, which Bovis has produced, is the way to finish. However, as the member would expect, I will review with the

project director, with the progress group—if necessary—and with the corporate body whether they are satisfied that we have the right arrangements in place.

I assure members that, if I can make any changes to improve matters, I will not hesitate to make them. However, bearing in mind the history of the project and the stage that we are now at, it is fundamental that we drive forward from here and that we are cautious about making a sudden step change. However bad the situation might appear—I accept that it does—we could make it considerably worse and we need to be cautious about that.

I give members an absolute assurance that we will satisfy ourselves that there is a clear plan from here until the end of the project and that the necessary resources are in place to deliver that. If we make any changes in consultation with the corporate body, the progress group and others, we will inform the Finance Committee.

12:15

**Dr Murray:** I am a bit concerned about the role of the cost consultants and how much they are being paid. It sounds as though they somehow noticed that there might be a problem on 26 March. Whether that was that there was not much money left or whether they could see that delays were going to incur additional costs, they set out to ask people about the consequences for the other contractors and, several weeks later, came back with five figures of rather dubious accuracy. Unless we can be confident about what the cost consultants are supposed to be doing and the accuracy of what they tell us, how do we know that a similar situation will not arise again?

Robert Brown said that he was 95 per cent certain that the building will be completed on time. What does the 5 per cent represent? Does it mean that the building will be complete by the end of the year or some time next year? What would the consequences of that be?

For the Finance Committee to be able to do its job properly, we have to know a bit more about the advice that the cost consultants are giving us, how reliable the advice is and what their job entails.

**Robert Brown:** I made the point earlier that the cost consultants are adamant that they can only give good financial information once they have the programme details to go with it. That is fairly obvious up to a point. Our argument with them is that internationally reputable cost consultants should be able, from their knowledge of similar projects, to give us more of an indication whether the programming is too ambitious, whether there are pressures that should be taken account of and whether the risk has been accurately identified.

We have had those issues out with them, through the corporate body, through the progress group and at official level. That is the only assurance we can give the committee on that matter.

There is no quibble about the figures; rather, it is about the extent to which the consultants go to predict projected costs before formal programmes emerge. We are continuing to press them to be as up-front and open as possible as difficulties emerge. However, the difficulties are driven by the programme; they are not caused by the cost consultants. That is the central difficulty that we face.

**Mr Brocklebank:** John Home Robertson perhaps emphasised those aspects of the vexed leaked minute that give some comfort to the progress group and the corporate body. However, others who read that minute might feel that potential problems were being flagged up and that people chose to ignore those indirect warning signs.

If that is a rough approximation of the case, would it now make sense to ensure that, although progress group members might not wish to give copies of confidential minutes to the First Minister or to others, copies of those minutes come to the Finance Committee, so that others get the opportunity to judge matters that you have been happy to accept at face value?

**Robert Brown:** We would be happy to discuss that matter with the Holyrood progress group; however, I am bound to say that the more likely reporting mechanism is for the group to report to the corporate body in the first instance, as it has the legal responsibility. We get regular reports from the progress group at our meetings, although our role is more strategic.

**The Convener:** To be honest, we have a problem here. In an earlier response, John Home Robertson made it fairly clear that those progress group minutes had to be kept confidential because of their nature.

**Robert Brown:** That is the essence of what I want to discuss with the group.

**The Convener:** The minutes are either published or they are not. We need clarity.

**Mr Home Robertson:** It would be impossible to keep full minutes of the meetings if they were going to be passed on in that way.

To pick up on Mr Brocklebank's point, the clear recollection of those of us who were at the meeting—which included not only the politicians but David Manson and others—is that alarm bells were not being sounded at that stage.

**Margo MacDonald:** Because you were diddled.

**Mr Home Robertson:** Well, Margo MacDonald



may say that, but it is always wonderful to be wise after the event—and there is quite a lot of that.

**Margo MacDonald:** I spotted it at the time and that is why I lodged a motion of no confidence.

**Mr Home Robertson:** We received reports from the cost consultants and they said clearly that they were satisfied that they could live within the cost plan that had been set. Yes, the contingency moneys were being spent in some way, but one would expect that this late in the course of a contract. When the same person then came along with a completely different report a couple of months later, we were extremely alarmed. We immediately started asking very serious questions, as did the corporate body and the Presiding Officer. It would be outrageous to pay fees on the basis of a late hike in costs such as this, which is why we are concentrating on that issue. We are also considering other ways of bearing down on the costs. That is our duty and it is what we intend to do.

**The Convener:** We are tending to come back to one issue, but Brian Adam has been waiting patiently, so I will let him speak.

**Brian Adam (Aberdeen North) (SNP):** Many people are concerned about the performance of the advisers to the corporate body and the Holyrood progress group. I am delighted that a cap has been put on fees for the reason that John Home Robertson has just given.

The excuse that is often given—it was given throughout my time on the previous Finance Committee—is that problems are to do with the complexity of contracts. Ultimately, the Parliament has responsibility for each of the contracts. The complexity became obvious early on, so why were we not building a sanction into the subcontracts to cover any knock-on costs, for additional labour or other reasons, that arose as a consequence of one contract failing? The bulk of the additional £18 million that is referred to in the annex to George Reid's letter seems to be because of knock-on costs from elsewhere. Why have we not built in sanctions against subcontractors that fail to deliver on time? Knock-on costs on other contracts should be borne by the subcontractor that caused the problem.

**Robert Brown:** A contractual framework exists. Under it, if people breach their contracts, sanctions exist for damages. Sarah Davidson will give more detail.

**Sarah Davidson:** I think that I covered some of those points before Brian Adam arrived at the committee. Each claim for delay or disruption that is submitted by a trade contractor is analysed to the  $n^{\text{th}}$  degree to establish the reasons for the delay and disruption. If the individual contractor that submits the claim is deemed to be entirely

blameless and simply to have suffered the effects of the actions of others, the Parliament, as the client, is required to pay costs. However, there is a process for tracking back through contracts to find where, if at all, there was blame for the disruption. Under each contract, there are arrangements for set-off, so things can be dealt with under the contract or through negotiations. In other words, if contractor A causes delays that mean that contractor B has an entirely legitimate higher claim against the Parliament, it is possible for those additional costs to be reclaimed from contractor A.

**Brian Adam:** That seems to have been singularly unsuccessful so far. There has been a whole series of such cases. Why have we not reviewed the mechanism to restrict and bear down on additional costs?

I want to return to the £18 million in the annex to George Reid's letter. Can you give us a breakdown of how much of that additional £18 million is for equipment hire, how much of it is for labour costs and how much of it is for other costs? If a significant proportion of the £18 million is for labour costs—which I think must be the case—we either have a situation whereby a lot of people are sitting about doing nothing and we are paying for that, or the companies concerned are making no effort to redeploy their staff to other contractual work in which they are engaged.

There will come a time when we will not be talking about the Holyrood building in the Parliament and when the press will have no interest in the subject but the companies involved in the project will still be in the construction business. I accept the contractual arrangements that we inherited, but other pressures can be brought to bear on the companies involved. For example, the construction industry will continue to do work for which the public purse will pay, so if we are unable to come to an amicable arrangement with companies over Holyrood costs, there should be a mechanism for applying sanctions to those who have taken advantage. I want to know what sanctions we can apply to those companies.

**The Convener:** That matter is probably outwith the corporate body's responsibility, but I think that it can answer the first part of Brian Adam's question.

**Robert Brown:** I do not think that Brian Adam is in a position to make the comments that he made about how successful or otherwise we have been on the question of claims, because they have not been reported yet. As I said earlier—perhaps before Brian Adam arrived at the meeting—the £375 million figure for the overall cost is a prediction of an eventual cost that includes an allowance for presented claims or those that are known to exist. The figure does not represent the

amount of money that has been paid out, for which the corporate body will receive, as time goes on, detailed reports on settled claims and all of that. Again, those will be made more widely available in due course. Therefore, it is premature to ask whether we have been successful on the question of claims. That will come out in the wash as the figures progress.

I am not sure that it is all that helpful to go into the other issues to which Brian Adam referred, which are much wider than those that should concern the Finance Committee at this meeting. However, he did refer to on-site labour, which is a general matter. Perhaps Sarah Davidson can add something on that.

**Sarah Davidson:** I cannot add anything to the breakdown in the annex to the Presiding Officer's letter. I do not have other figures at the moment.

**Ms Alexander:** On the contractual issue, the Parliament is the ultimate client, but for how many contracts is the corporate body the direct signatory and when were the contracts signed? I do not expect to be given the information now, but it would be useful if the clerk could be informed in writing about the number of major contracts that have the Parliament as the main client. Obviously, there is an issue about how much is done directly and how much is done by subcontractors. In addition, what discretion is there to prevent cost-creep by major contractors?

**Paul Grice:** I will try to give you more detail in writing, but the situation is that the Parliament is in a contractual position with all the package contractors, of which there might be in the order of 70 altogether. That is the nature of construction management. They are not subcontractors to us; they are contractors to us.

**Margo MacDonald:** How many have signed off the packages?

**Paul Grice:** I think that about 15 have done so, and that 50-odd packages are still active on-site. Again, that brings us back to the immense complexity of the project.

**Margo MacDonald:** So you have an idea of the claims that have been made from the signed-off packages.

**Paul Grice:** Yes.

**Margo MacDonald:** So you can work out the answer to the question that we asked: what is your strike rate for getting money back?

**Sarah Davidson:** I do not have the figures to hand. The situation is slightly misleading at the moment because the tough claims will be those that are made near the end. As Paul Grice said, in the region of 10 contracts—perhaps slightly less than that—have been entirely tied up. It is the nature of the process that the earlier ones are the

simpler ones. I have seen the total figure for the difference between what was claimed for all those contracts and what we settled for, but I cannot immediately recall the figure. We would be happy to make that available to the committee.

**Mr Home Robertson:** Things such as site investigation and archaeology are the ones that—

**Margo MacDonald:** Do not go into archaeology. You should hear what I know about that.

**The Convener:** Wendy Alexander has a supplementary question.

12:30

**Ms Alexander:** It is emerging that we clearly face the possibility of extra claims—whether of £5 million, £10 million or £50 million—and it is suggested that that is inherent in the contractual arrangements. It has made it genuinely difficult for everyone involved that provisional costs have been presented as final costs. On the issue of extra claims, how many of the contractual arrangements—the figure of 70 was mentioned—are susceptible to certainty and how many are cost-plus in character and therefore provisional? It would be most unfair if the team had to come back with extra claims that were thought to be inherent in the contractual arrangements. That is why it would be interesting to know what is the character of the 70 outstanding contractual arrangements, when those contracts were entered into and what risk is associated with them.

**Mr Purvis:** On 17 December 2002, while giving evidence in response to a question from Margo MacDonald about how many claims had been refused, Sarah Davidson said:

"I do not know off the top of my head whether any payments were refused. None has come to my level of attention, but that does not mean that there has not been dialogue. I would expect that, if any refusing were to be done, Bovis would do it before it got to our level."—[*Official Report*, 17 December 2002; c 2433.]

The question whether any claims have been refused or are in the process of being refused is still pertinent to whether you are getting a grip of the project.

**Sarah Davidson:** I know that claims have been settled in respect of the handful of contracts that have been brought to the complete final account stage. There is a global sum, but we would probably have to get the agreement of the individual contractors on what claim was agreed per contractor, although that does not mean that we cannot give that information. We can certainly give a global figure for those that have been settled.

**Mr Purvis:** On 17 December you went on to say:

"I can check that and inform the committee on that point."—[*Official Report*, 17 December 2002; c 2433.]

Six months on, we still need that point to be confirmed.

**The Convener:** We can make sure that that information is made available.

**Bill Aitken (Glasgow) (Con):** I go back to the meeting of 26 March, although I know that it is easy to have 20/20 vision in hindsight. The terms of the leaked minute suggest that the progress group should have been inquiring into several issues. John Home Robertson is the person who is most able to answer my question.

**Mr Home Robertson:** Not necessarily, but you can try me.

**Bill Aitken:** I want to know about the extent and depth of questioning at that time. From what I have seen in the press of the minute of that meeting, there seems to have been enough to trigger alarm bells. Although I have no hesitation in accepting what Paul Grice said about any earlier leak of the minute, it seems to be more than a passing coincidence that that meeting took place and then the First Minister, who until then seemed to be remarkably relaxed about the whole affair, was suddenly firing off a letter to Margo MacDonald, undertaking to carry out an inquiry and expressing his serious concern about the state of play of the project. Is that not remarkably coincidental?

**Mr Home Robertson:** You are trying to construct a conspiracy theory. It is a pure coincidence in so far as I can judge. Certainly I have never passed on any information to anyone else and I have no reason to believe that any of my colleagues on the progress group would have done so.

We depend heavily on our cost consultants to report to us and flag up concerns as early as possible so that we can respond to those concerns and try to bear down on costs or report where necessary. I have already quoted from the minutes of that meeting on 26 March. The DLE representative reported

"that there were no changes to the figures from the previous report".

He expressed concern but not surprise about the number of claims that were being submitted.

David Manson, our professional quantity surveyor, who is a member of the progress group, asked Mr Fisher

"if DLE were still reporting that the project would be completed for the cost plan plus risk."

Hugh Fisher

"confirmed that this figure had not been changed."

He went on to refer to contingency figures, and so on.

In the context of that discussion, all those who were present at that meeting felt that alarm bells were not being sounded. If we had felt that, we would certainly have reported that to the corporate body, as is our duty. At that stage, we had no grounds for concern about any significant hike to costs. That was the last meeting before the dissolution.

**Margo MacDonald:** Before Bill Aitken pursues his line of questioning, I will give some information that might make that easier. I asked the First Minister for a review based on the Gardiner & Theobald report. It was to that report that he responded. I had absolutely no idea of what went on on 26 March—if I had had, you would have known about it.

**Bill Aitken:** I have a wider question to which a fairly brief answer will suffice. Bearing in mind the fact that the contractual arrangement that we appear to have got into has caused all sorts of grief, can anyone tell me—I accept that they may not be able to—of any comparable capital project that has been undertaken on the basis of such terms and conditions, in the private or the public sector, in the United Kingdom or anywhere else in the world? Could someone please tell me what the time limit is for claims? Is it bound by contractual law, in general terms, or is there a specific clause in this contract that changes the timing? It is imperative that we are able to identify as soon as possible exactly how much the project is going to cost in the final analysis.

**Robert Brown:** Construction management was a Treasury-recommended contractual method when the contract was entered into. In June 1999, the Treasury altered its guidance on the sort of contract that should be entered into here, which is unfortunate as we were by then stuck with the contract. Paul Grice will answer the more detailed question.

**Paul Grice:** My understanding—I will double-check and confirm if I have got it wrong—is that no separate time limit is implied in these contracts. In other words, the normal legal position applies and there is a considerable period in which to make claims. I hope that I can reassure the committee on that point.

**Bill Aitken:** So, you are saying that it may be some years before we get the final figure.

**Paul Grice:** I believe that we have some years in which to make claims, if necessary. Until that process is through, we will not know the precise amount. We have a considerable period of time, which we will use if necessary.

**The Convener:** My intention is to finish this session at quarter to 1, and I have a couple of

questions to ask. However, Jim Mather has a question.

**Mr Mather:** I have been looking at "Scotland's Budget Documents 2002-03 Spring Budget Revision", which announces that, from 1 April 2003, the rate at which the cost of capital charges is calculated has been reduced from 6 per cent to 3.5 per cent. Will that have any impact on the cost of the project?

**Paul Grice:** It will not have an impact on the cost of the project. That is my understanding, but the Deputy Minister for Finance and Public Services will be here to give evidence in a minute. Capital charges affect our operating budget. The capital value of the building will have an impact on our operating costs, just as rates do. However, that is not a cost-of-building issue; it is an operating-cost issue.

**The Convener:** One of the proposals in the previous budgetary assessment for the project was for £10 million for acceleration, and a capital allocation was put in place to allow acceleration. The table in the annex to the Presiding Officer's letter shows a series of costs that are all associated with delay. Is there an issue to do with whether the programme of acceleration was properly thought through and properly managed? Are there any liabilities attached to the way in which Bovis has constructed that process of acceleration and carried it through?

**Margo MacDonald:** The question should also be about the designers.

**Robert Brown:** I have some points to make about that, but I ask Sarah Davidson to deal with the issue of acceleration.

**Sarah Davidson:** One of the points that came out clearly from the review of the programme is that there has been hardly any acceleration. I do not have the figures to hand, but there has been only a tiny amount of acceleration—in fact, there has been stacking of work and prolongation. We can take comfort in the fact that money has not been wasted on acceleration when the desired outcome of the proposed acceleration has not been achieved. Given the way in which the rest of the programme is envisaged, we do not anticipate the type of last-minute acceleration work involving throwing people at things that might have been incurred in similar building projects.

**The Convener:** Acceleration is an issue—the witnesses raised the theme with the previous Finance Committee six months ago as an important issue for the programme.

**Robert Brown:** At that time, there was a potential to spend a certain amount of money—a figure of £5 million or £10 million sticks in my mind—to achieve accelerations on site. Sarah

Davidson is saying that it was not necessary to carry out those measures because doing so would not have had any advantage. If I recollect correctly, when the issue arose in the autumn, we said that the question whether to carry out acceleration would be a matter of judgment when the situation came to fruition. That has not been the way in which matters have gone because of various other issues, not the least of which were the difficulties with the bomb-blast proofing, which overtook the acceleration issue.

**The Convener:** Are you saying that acceleration issues do not form a part of the revised budget?

**Sarah Davidson:** A small sum—I cannot remember precisely how much—is held in reserve against the possibility of accelerating the internal finishing packages in some areas, but that is the only traditional acceleration cost in the budget.

**Ms Alexander:** Have we secured from Bovis a commitment to provide fully transparent accounting for the project, including a record of all its relationships with subcontractors? I realise that only the project director might have access to such information, but I also understand that, in negotiating construction contracts, some clients insist on fully transparent accounting from the project team, whereas others do not.

**Sarah Davidson:** We have full access to all Bovis's files and, with our agreement, the Auditor General will also have full access to them, as he had at the time of the previous audit.

**The Convener:** On behalf of members, I thank the witnesses for undergoing robust questioning. I suggest that we have a five-minute break before reconvening to deal with the next agenda item.

12:43

*Meeting suspended.*

12:50

*On resuming—*

## Subordinate Legislation

### Draft Budget (Scotland) Act 2003 Amendment Order 2003

**The Convener:** Agenda item 2 is consideration of a draft Scottish statutory instrument that seeks to amend the Budget (Scotland) Act 2003. Committee members have before them the budget documents, which set out the background to the proposed revision, and the draft instrument. Unlike previous revisions, which have set out a range of proposed changes, the proposed revision relates only to the Holyrood project and the change in the rate of capital charges. The Subordinate Legislation Committee considered the instrument yesterday and had nothing to report.

It might be worth explaining to members who are unfamiliar with the procedures and to members of the public—although I do not think that any members of the public are here—that the instrument in question is an affirmative instrument and cannot therefore come into force until it is approved by the Parliament. The committee will therefore debate the motion in the name of the Minister for Finance and Public Services, which asks the committee to recommend approval of the order. If it does so, the Parliamentary Bureau will lodge a motion that seeks parliamentary approval for the instrument.

I have decided to select an amendment in the name of Fergus Ewing for debate. I will ask the Deputy Minister for Finance and Public Services briefly to speak to the proposed instrument and to take any questions from members on it. I will then ask him to speak to and move the motion in the name of Andy Kerr. Fergus Ewing will then be asked to speak to and move his amendment and then we will move to open debate, which, under the standing orders, cannot last for more than 90 minutes—I hope that the debate will not take anywhere near as long as that. At the conclusion of the debate, Fergus Ewing will be asked whether he wishes to press his amendment. If he so wishes, I will put the question on the amendment. After a decision is reached on the amendment, I will put the question on the motion.

If members are clear about the procedure, I will ask the minister briefly to introduce the statutory instrument. Once he has done so, I will invite members to ask questions.

**The Deputy Minister for Finance and Public Services (Tavish Scott):** I am happy to attend this meeting. My predecessor told me that such

sessions are always quiet, uncontroversial and peaceful. I have listened to the committee's deliberations and reflected on those remarks.

I would like to describe briefly one technical measure and a provision in relation to Holyrood, which the committee has already debated and considered at considerable length.

Every year, we amend the Budget Bill through secondary legislation to take account of in-year changes to the figures. Doing so ensures that the Executive is authorised to spend the money that it needs to spend during the financial year. Such budget revisions normally take place during the autumn and early spring, but this year we have decided to have a summer revision too, for purposes that will become obvious.

As members know, the cost of capital charge is a relatively new aspect of public sector budgeting that was introduced as part of our move to resource accounting and budgeting. The figure that Mr Mather picked up on earlier has now been reduced to 3.5 per cent as a result of a recommendation by the United Kingdom Government's Financial Reporting Advisory Board. That means that the Budget (Scotland) Act 2003 provides too many resources for cost of capital charges. The changes in the act will correct that.

I should stress that the changes do not reduce the Executive's spending power, nor do they release resources that can be spent elsewhere. Cost of capital charges are a non-cash adjustment and so will not affect the Executive's cash expenditure on programmes—that applies equally to Mr Mather's comments on Holyrood when he spoke about page 18 of the supporting documents.

We decided not to make those changes in the Budget Bill itself for two main reasons. First, as our process runs ahead of that of the Treasury, the final details had not been agreed when we laid the Budget Bill. Secondly, the change affects every budget with capital charges. We wanted to avoid changing more figures than was necessary between the draft budget and the Budget Bill.

Finally, there are advantages to making such changes in a separate summer revision, which should mean that this major classification change will not obscure more substantive changes that will be proposed in the autumn and spring budget revisions. Such an approach also means that the committee will have more opportunity to examine closely matters that will be of more interest.

The second reason for introducing a summer budget revision is, of course, the increase in the cost of the Holyrood project, which the committee has already considered at length. My comments are not intended to prolong that consideration, but to explain what the budget revision does. It is

intended to take into account the increases in the cost of the Holyrood project that have been announced since the Budget Bill was laid.

I will explain the figures in the revision in detail. The increase of £58.113 million was agreed by the Finance Committee on 11 February. My predecessor agreed with the previous Finance Committee that we would not deal with that increase by amending the bill but would do so by revising the act at a later date. The second increase, of £37.7 million, was discussed by the committee this morning. Those changes together caused the increase of £95.813 million in the net capital budget, which is illustrated on page 18 of the supporting documentation.

There is also a reduction in the Parliament's operating costs to take account of the fact that we now have more accurate estimates available for those than we did when we were drafting the original bill. The total effect of the changes has been to increase the overall cash funding requirement for the Parliament project by £94.377 million.

If the Scottish Parliamentary Corporate Body had insufficient funds to pay its contractors, we are advised that the additional delays might cause further expense. However regrettable it might be, the revised costings reported by the Holyrood progress group make it necessary for us to react and to reduce the possibility of further delays. We therefore need to revise the budget and, as always, we are doing that through the Finance Committee. The increased funding for the Parliament building will not cause a reduction in any of our published spending plans for other programmes as the additional money can be found from the Executive's reserves. Obviously, however, it ultimately means that there will be less money available to fund other programmes, which is a source of deep disappointment to us all.

I realise that the cost of the Holyrood project has rightly been a source of mounting dismay among MSPs and people throughout Scotland. All my ministerial colleagues share and understand that sentiment. However, this budget revision has, unfortunately, become necessary to ensure that the project continues. Those are the reasons for bringing it to the committee today.

**The Convener:** There will be an opportunity for a political debate on this matter once the motion and the amendment have been moved. Before that, however, I invite members to ask questions for factual clarification.

**Fergus Ewing:** I thank the minister for his explanation of the instrument, which, essentially, comprises two parts: an extra £95 million for the Parliament building; and changes in accounting procedures relating to the move to resource

accounting and budgeting. I support the second part, but I have problems with the first part. I accept that the Holyrood project must be completed, obviously, but I wonder whether the figure of £37.7 million—which, in effect, we are being asked to sanction as additional expenditure—is necessary in its entirety.

Serious concerns were expressed in the meeting, as the minister heard about the competence of the management, about the way in which the project has been delayed and about specific elements of the additional expenditure that we are being asked to sanction. It is fair to say that, during the first part of the meeting, members of all parties expressed serious concerns that have been put fairly and clearly to the witnesses.

Given that there is cross-party concern about the project and a sense of a lack of control over and confidence in it, does the minister accept that it would be sensible for him or for Andy Kerr, the Minister for Finance and Public Services, to sit on the progress group from now until the project is completed, particularly since, I understand, a Scottish Executive civil servant is involved with the progress group? Now that we have begun a new parliamentary session, is it not time to revisit the refusal of the Executive to put a minister on the group to ensure that, as far as possible, we look after the public purse and do not allow a penny of public money to be wasted?

**The Convener:** I am not sure that that was a technical question for factual clarification, but I will allow you to respond, minister.

13:00

**Tavish Scott:** It sounded pretty political to me, convener. Tempting as it is, Mr Ewing, I will not be drawn on something that is not a matter for me. Let me try to answer the two technical questions. It is necessary for the Executive to ask the Finance Committee to make provision in relation to the matter because that is required of the Executive by the Scottish Parliamentary Corporate Body. As to the control of that, convener, I thought that you and your colleagues were making a pretty good fist of that this morning. That responsibility lies with the Finance Committee; it does not lie with the Scottish Executive. That is how these matters have always been dealt with. That was the case on 11 February this year, when the Finance Committee last met to consider this matter and my predecessor dealt with it.

**The Convener:** I believe that Fergus Ewing has a technical supplementary.

**Fergus Ewing:** I think that I am right in saying this, minister, so perhaps you could confirm it. I believe that there was nothing to prevent your bringing forward the two items involved in two statutory instruments.

**Tavish Scott:** Technically, we could have done so, yes.

**Dr Murray:** I have a couple of technical questions. The first is about the rate at which the cost of capital charge is calculated. It has been reduced from 6 per cent to 3.5 per cent. Where do those figures come from? Does Westminster determine them? That seems a significant reduction—of almost half—at a period when inflation has not changed greatly.

My second question relates to the SPCB budget. I understand that the capital departmental expenditure limit relates to the increased costs, some of which we discussed this morning and some of which were discussed in February. The resource DEL is to do with transferring to resource accounting and budgeting. Why is that now showing up for the SPCB budget, but not for the budgets of various Executive departments?

**Tavish Scott:** I will let Richard Dennis deal with the precise, technical explanation, but the change in the rate reflects the reality of the budgeting systems that operate in that way throughout the United Kingdom. The recommendation to reduce the rate to 3.5 per cent came from the UK Government's Financial Reporting Advisory Board—FRAB. That was considered to be prudent accounting, to use the phrase that accountants so desire to use. Such matters are dealt with in that manner simply to ensure consistency of approach and purpose across the United Kingdom. I do not think that there is anything more to it than that.

Given my ignorance on the subject, I leave Richard Dennis to answer Elaine Murray's deeply technical second question.

**Richard Dennis (Scottish Executive Finance and Central Services Department):** I will try to explain this better than I did at the previous committee meeting, when I also tried to explain the cost of capital charge. The reduction aims to keep the cost of capital charge at the same level as the discount rate. Following a review of its green book—its bible on the appraisal of capital projects—the Treasury decided to unbundle the old discount rate. A discount rate offers the means by which we assess whether we would rather have £5 today or £5 next year. Everyone would rather have it today, so there is a set rate at which benefits are discounted into the future.

The old discount rate was set at 6 per cent. That covered a large number of factors, including awareness of risk and awareness for something called optimism bias. When the Treasury reviewed the green book, it decided to separate out all those individual factors and the discount rate itself went down from 6 per cent to 3.5 per cent. When considering the cost of capital charge rate, the FRAB decided that it should change in line with the discount rate.

On the second question, on why the cost of capital charge and depreciation for the new Parliament building were not adequately covered in the original Budget (Scotland) Act 2003, we knew at the time of the act that there would have to be in-year changes to the SPCB's budget, and it seemed better to wait until the figures had reached a more accurate stage. Costs for capital and depreciation were built in for every other budget line at the time of the act. Those can be shown in the old-fashioned, large supporting documents that we produced for the act.

**Mr Mather:** I am anxious to get some assistance in reconciling the figures on pages 18 and 19, on which I am somewhat at a loss. The final table at the bottom of page 18 shows a revised budget total of some £218 million as the summation of net operating budget and net capital budget. However, page 19 opposite shows the proposed revised funding requirement as some £203 million. Where has the £15 million difference gone?

**The Convener:** I think that that is landscaping.

**Tavish Scott:** Richard Dennis will be able to answer why that difference exists, but let me first say something about how things are set up. To be honest, the Executive is asked to make a provision for the corporate body, but that is about it. With great respect, it is the job of the Finance Committee to scrutinise closely what the corporate body spends its money on. The new Presiding Officer has intimated his desire possibly to have a question time and other mechanisms so that members have the opportunity to carry out that scrutiny across the piece.

**The Convener:** I suggest that the difference can probably be accounted for by landscaping costs.

**Mr Mather:** Coming from the old school of double-entry bookkeeping, I look for a reconciliation. It seems unbelievable that we are presented with a document that has this sort of difference.

**Richard Dennis:** There is a fairly simple explanation. The numbers on page 18 are resource numbers. The numbers on page 19 are cash numbers, so they exclude non-cash items. The Public Finance and Accountability (Scotland) Act 2000 and the budget acts are set up in such a way that we are required to seek parliamentary approval both for a resource budget and a cash budget. In a similar way, the order itself changes two parliamentary numbers to match the two numbers that are mentioned on pages 18 and 19.

**Mr Mather:** The bottom of page 18 details the existing budget, the change proposed and the revised budget for the net capital budget for the Holyrood project. The striking thing is that the increased payment at this stage is not for £37.7 million, which is the 10 per cent increase in the

cost of the total project, but for an almost 200 per cent uplift on top of what was sought. Does the Executive have any mechanism to flag up its disapproval when such increases from subsidiary budgets hit people's desks?

**Tavish Scott:** I have made clear our disappointment at what has happened. Frankly, I am like any other MSP or citizen of Scotland in that regard. I repeat that all that we can do is to make provision for those things and ask the committee to agree to them. Our role in such matters is laid down pretty clearly in the Parliament's standing orders.

**Mr Brocklebank:** I hope that this is a simple technical question for the deputy minister. He described the questioning to which the witnesses were submitted earlier this morning as being fairly robust. The minister will recall that, while he was present, the witnesses suggested that not one penny of the £37 million had actually been spent so far. There seemed to be thoughts, which were perhaps realistic, that some of the money might be recovered, although the witnesses were not able to give details of how much might be recouped from the consultants fees and so on. Should we really allocate and authorise the full sum at this stage? That might be like giving carte blanche and saying that no provisos accompany such allocations. Would it not be better to make available a lesser sum, until it is proved that the total sum will actually be needed?

**Tavish Scott:** There are two answers to that. First, we are making provision for, rather than setting out a sum that will be paid. We are making provision for, in the circumstances that the committee investigated earlier. Secondly, I am sure that all members would be hesitant about establishing an initial provision today that would mean that we would have to come back in September for yet another provision.

**Mr Brocklebank:** But there is no guarantee that we will not have to do that anyway. We have only a 95 per cent assurance.

**Tavish Scott:** You asked the questions, not me. In the lead-up to today, we were asked to make provision for that amount. That is our best estimate as to how to take the matter forward.

**The Convener:** If members have no further technical questions, I invite the minister to move the motion, which is in the name of Andy Kerr.

**Tavish Scott:** Before moving the motion on the summer budget revision order, I simply state that, although it is understandable that some members would like more time for a debate on it, I have no doubt that there will be more debate on the order in the Parliament.

It is entirely appropriate for the Finance Committee to deal with the budget revision, given

that the previous Finance Committee dealt with budget revisions from the inception of the Parliament—the procedure is not new. In my view, the Finance Committee's role in scrutinising the corporate body as well as the Scottish budget makes the committee particularly well placed to assess the revision.

The Executive is keen to ensure full scrutiny of the Scottish Parliament building project, as was shown by the First Minister's decision to establish inquiries led by the Auditor General and Lord Fraser of Carmyllie. Our view is that it does not reduce scrutiny for the revision to be considered by the Finance Committee; on the contrary, the system allows for appropriate and, if I may say so, informed scrutiny of the revision. The committee is the correct place for the revision to be considered.

It is important to reflect that my predecessor agreed with the previous Finance Committee that the February increases should not be put through by amending the Budget Bill during its passage, but in this way and at this time. I ask the committee to consider those points in assessing the revision order.

I move,

That the Finance Committee recommends that the draft Budget (Scotland) Act 2003 Amendment Order 2003 be approved.

**Fergus Ewing:** In being asked to approve the draft statutory instrument that is before us, we are, in essence, being asked to do two things. First, we are asked to authorise the Scottish Executive to pay the Scottish Parliamentary Corporate Body an additional £95 million to meet the estimated costs of the Holyrood project, about which we heard earlier.

Secondly, we are asked to approve what is, as we have heard, an important, though largely technical accounting measure. In being asked to approve the draft order, we are asked to do something that could not be more politically controversial; namely, to approve more expenditure on the Scottish Parliament building. At the same time, we are being asked to approve something, which, if the convener will forgive me for saying so, could not be more dull and boring; namely, to approve an important accounting mechanism that I am sure we all support.

During this morning's evidence session on the Holyrood project, we elicited from the witnesses a number of serious concerns. I take it from the evidence that, whatever figure we authorise, the eventual figure will not be that of £37.7 million that was announced on 10 June. I, for one, was not persuaded as to the level of competence of some of the management and Mr Purvis made that point forcibly. I was persuaded by Dr Elaine Murray's probing questioning about why there is a



contingency fund of £5.692 million—her arguments were convincing and the answers were unconvincing. I was also impressed by the elicitation of the information that, despite the fact that several months ago the project director promised to give us information on claims, it has not been provided to the committee.

I was also struck by the fact that, at various times, the witnesses indicated that the figures in the order, which would provide a huge extra sum of money and which we are asked to authorise, are vague, subject to doubt and based on estimates. The witnesses indicated that there might be a further rise in the cost of the Scottish Parliament building.

Those are issues of substance, but the reason for my amendment is simple. I believe that it is wrong that the Parliament will not have the opportunity to vote on the increase in funding that is sought for the Scottish Parliament building. It is wrong that we are being asked to pass that measure and at the same time to pass an important measure about which we all agree. In response to my technical question, the minister was good enough to confirm that the procedure that he followed in introducing the order is not in any way mandatory, but that it is discretionary. The minister confirmed that it was open to the Executive to introduce two draft instruments—one to deal with the technical, dull, non-controversial but worthy matter, and another to deal with what is without doubt the most contentious issue in Scotland today; namely, the cost of the Holyrood project.

Of necessity, and to develop my arguments, I have dealt with some issues of substance, but my amendment is really about procedure—it would allow the full Parliament to debate the Holyrood project, without the issue being lumped together with other matters.

In conclusion, I have something to say to the newer members of the Finance Committee; it is not meant to be patronising, but is something that I was unaware of when I first became a member of the committee. It is not possible for the Finance Committee to amend a statutory instrument. If it were, I would have lodged an amendment that would have called for the order to be taken in two parts. The only procedure that the committee has regarding the instrument is that of the reasoned amendment to the motion. I move the amendment in a cross-party, non-political way in the hope that the members of all parties, who rightly probed and elicited serious concerns this morning, will now support the reasoned amendment, which basically says that we should have had a debate on only the Holyrood project.

I move, as an amendment to motion S2M-142, in the name of Mr Andy Kerr, to insert at end:

“but, in so doing, regrets that the Scottish Executive has made the request for additional resources in a manner that does not provide the Parliament with the opportunity of having a separate and distinct vote on the proposed extra cash for the Holyrood building project.”

13:15

**The Convener:** The motion and the amendment have been moved, so we can proceed to open debate.

**Dr Murray:** Is the instrument coming in front of us this week?

**The Convener:** Yes.

**Dr Murray:** I agree that there must be an opportunity for the Parliament to debate what has happened with the Holyrood project. However, I do not feel that I am in possession of the full facts for such a debate. If it is necessary for the budget to be approved at this stage to allow the work to be completed, we must bear in mind the Presiding Officer's advice that it is important that there are no further delays. I am not sure whether it would be appropriate to have a debate now in Parliament about the project, because we are not in possession of sufficient facts.

**Kate Maclean:** I agree that the issue should be discussed in the Parliament. However, what would be the result of our agreeing to the amendment? Would our doing so have an effect on what happens, or would it be only a protest statement? Perhaps Fergus Ewing could deal with that question in his summing up.

**Mr Brocklebank:** I sympathise with much of what Fergus Ewing said and I think that many committee members feel disturbed by the implications of what we have heard during the meeting. However, it is also a matter of record that Fergus Ewing might be two years and £143 million too late. My understanding is that two years ago the Conservative group tried to cap the then costs at about £195 million. Further, I understand that the group was supported only by Dorothy Grace-Elder, late of the Scottish National Party.

**Fergus Ewing:** That is wrong.

**Mr Brocklebank:** That is the information that I was given. It appears to me that there was an opportunity at an earlier stage to tackle matters of cost and put them to a vote. We seem a bit far down the road to be doing that now.

**Mr Purvis:** A debate should be on the conduct of the project management and on the corporate body's scrutiny of that. There should not be posturing about the money that the Executive provides. The minister who is before us is not responsible for how that is spent. I do not see what we would gain from having separate orders. The motion represents a natural process for

budget revision and I think that that is fair. If we seek separate orders and a separate debate, our natural progression down that path would be to vote against the Presiding Officer's recommendation, which is that it is impossible for the project to be capped. We learned this morning, to our country's cost, that the project cannot now be halted. I cannot envisage what the Finance Committee would gain from supporting the amendment.

**Dr Murray:** I make a further point for Ted Brocklebank, regarding the vote taken on 5 April 2000. An amendment was lodged by Gordon Jackson and included the clause

"to complete the project by the end of 2002 within a total budget of £195 million".—[*Official Report*, 5 April 2000; Vol 5, c 1305.]

It is not correct to claim that the only people who tried to cap the budget at that stage were the Conservatives.

**The Convener:** It was open to Fergus Ewing to lodge a motion to reject the order. That course may still be open to Fergus Ewing or the SNP when the order comes before the Parliament, should they so wish. An opportunity is still open to us to propose rejection of the order. Rejection would have serious financial implications for the Executive and serious consequences for the progress of the Holyrood project—and might include an increase in the cost.

However, Fergus Ewing's amendment is about the procedural device of coupling the debate about the Scottish Parliamentary Corporate Body's budget increase, and other budget increases. The fact is that, in the past, the Finance Committee has bundled various financial proposals and adjustments. It has dealt with the full budget comprising all the issues. While it has always been open to the Finance Committee to probe each aspect, the committee tends to have decided on the issues in the context of a whole budget. There is nothing unusual in this procedure.

If there is a wish to have a debate specifically on the budget of the Holyrood project, members can pursue that route, either in the context of any parliamentary discussion of this statutory instrument or in the normal way. However, I do not think that going down the procedural route, which Fergus Ewing is suggesting we do, is the best approach.

Finally, the Presiding Officer indicated to us that we would receive monthly reports on the project in future. Obviously, an issue for us to consider that is quite separate from the statutory instrument is how all the money—not only the additional £37.7 million—is spent this year on the Holyrood project. We have an opportunity to keep the matter under fairly close scrutiny and the issues that have been

raised by Fergus Ewing and others can be pursued in that context.

**Mr Mather:** I want to speak in favour of the amendment. I would like the committee to exercise this opportunity to put down a marker and underline our concern and increase the prospect of there being an even tighter management of cost and more flexibility on the part of suppliers and fee-earners regarding capping their costs.

Essentially, we have an opportunity to further record our dismay and anger at the fact that the Scottish Parliament had an open-ended contract imposed on it at the outset of the Holyrood project. That contract has caused damage in terms of wasted time, low morale and loss of credibility with the public.

**Mr Purvis:** I am not convinced that the amendment is an effective way of laying down such a marker. I suggest to Fergus Ewing that he should instead move that the committee throw the motion out. That would be a stronger marker.

**The Convener:** If there are no further contributions, I ask Fergus Ewing to sum up.

**Fergus Ewing:** I always try to observe the rules of the radio programme "Just a Minute"—to avoid repetition, hesitation and deviation—so I will try to be brief and address what appear to be the main points.

Why did we not move to reject the motion? Because, as I said before, we approve of part of the document. Why would we reject a document that, although it contains something with which we disagree, contains something with which we agree?

Ted Brocklebank talked about a cap. The amendment does not propose a cap; it seeks to give us the facility to challenge whether the spending of the additional £37.7 million is absolutely necessary. We agreed today that we have serious doubts about whether it is all necessary but, at the same time, we are all responsible enough to accept that the project must now be finished and that some more money is required. It is not a question of a cap; we are having a mature debate about the necessary amount of money. I was not convinced that the figure that was put forward today was that necessary amount.

I am sorry that I have not been able to persuade other members to support my amendment. That has not come as a massive surprise to me, given my four years' experience of committees. So be it.

Given that the minister could have introduced two draft statutory instruments, can he say whether, if there is any future request for extra money for the Holyrood project by draft statutory instrument—fingers crossed that there will not be,

but it cannot be ruled out, as we heard today—we can have that request in a distinct statutory instrument? If we can, the Parliament and the committee will be able to call for a separate debate about the issue that has bedevilled the Parliament and all of us.

**Tavish Scott:** On Mr Ewing's final point, I am happy to have my officials discuss with clerks how best to do that. My understanding is that we have always tried to agree with the committee a simple and transparent process. We will certainly consider that.

In some ways, it would not make a blind bit of difference to the Scottish Executive if the committee were minded to reject the motion. It would not affect the Scottish Executive's programme; indeed, I could argue that rejecting the motion would leave the Executive with more money to get on with its programmes and we could easily bring back the capital charges in an autumn revision.

However, on the basis of the SPCB's advice to the Executive, such an action would irrevocably slow down, if not stop, building on the site. It would cause the very delays about which the Presiding Officer has expressed such concern and it would therefore increase the cost of the project even further. Mr Ewing and others ought to think about that very carefully, given the strong remarks made by the Presiding Officer.

I do not therefore think that it is advisable for the committee to go down the route that Mr Ewing is advocating. He might want, with colleagues, to cross-examine members of the SPCB closely when they come before the committee each month. That strikes me as a more effective way to get at the difficulties that are to be encountered and dealt with than having what would, frankly, be a political debate in the Parliament. I therefore suggest to the committee that the best way to go today would be to pass the revision and ensure that proper scrutiny takes place through the channels that were established earlier in the meeting.

**The Convener:** Mr Ewing, do you want to press your amendment?

**Fergus Ewing:** Yes, please.

**The Convener:** In that case, we move to a vote. The question is, that amendment S2M-142.1 be agreed to. Are we agreed?

**Members:** No.

**The Convener:** There will be a division.

#### FOR

Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)  
Mather, Mr Jim (Highlands and Islands) (SNP)  
Swinburne, John (Central Scotland) (SSCUP)

#### AGAINST

Alexander, Ms Wendy (Paisley North) (Lab)  
Maclean, Kate (Dundee West) (Lab)  
McNulty, Des (Clydebank and Milngavie) (Lab)  
Murray, Dr Elaine (Dumfries) (Lab)  
Purvis, Mr Jeremy (Tw eeddale, Ettrick and Lauderdale) (LD)

#### ABSTENTIONS

Brocklebank, Mr Ted (Mid Scotland and Fife) (Con)

**The Convener:** The result of the division is: For 3, Against 5, Abstentions 1.

*Amendment disagreed to.*

**The Convener:** The question is, that motion S2M-142, in the name of Tavish Scott, be agreed to. Are we agreed?

**Members:** No.

**The Convener:** There will be a division.

#### FOR

Alexander, Ms Wendy (Paisley North) (Lab)  
Brocklebank, Mr Ted (Mid Scotland and Fife) (Con)  
Maclean, Kate (Dundee West) (Lab)  
McNulty, Des (Clydebank and Milngavie) (Lab)  
Murray, Dr Elaine (Dumfries) (Lab)  
Purvis, Mr Jeremy (Tw eeddale, Ettrick and Lauderdale) (LD)

#### AGAINST

Swinburne, John (Central Scotland) (SSCUP)

#### ABSTENTIONS

Ewing, Fergus (Inverness East, Nairn and Lochaber) (SNP)  
Mather, Mr Jim (Highlands and Islands) (SNP)

**The Convener:** The result of the division is: For 6, Against 1, Abstentions 2.

*Motion agreed to.*

**The Convener:** As we are required to report our recommendation to the Parliament and the report is required tomorrow, it will be very brief. I propose that we seek to agree the report's text by e-mail correspondence this afternoon. I hope that members will be content with that suggestion.

**Members indicated agreement.**

**The Convener:** In that case, minister, we can release you.

**Tavish Scott:** Thank you.

## Work Programme

**The Convener:** The final item on the agenda was to have been an initial discussion on the committee's work programme, the aim of which was to get an idea of the range of issues that members feel there would be merit in considering before we take a more detailed look at issues at our next meeting. Should we go round the table to enable members to propose issues, or should proposals be made to the clerk and dealt with in detail at the next meeting, which is next Tuesday?

13:30

**Fergus Ewing:** Perhaps there could be brief suggestions on a tour de table basis. Members could say a sentence each about proposed topics, to give the clerk a steer.

**The Convener:** That might be helpful.

**Ms Alexander:** I want to mention something that I have spoken to the clerks about. I am not opposed to cross-cutting reviews, but I have been struck by the fact that a full programme of scrutiny has been recommended to us in the financial scrutiny review report. That report signals that the committee's credibility rests on the skill with which we carry out our core function. I am anxious about there being a cart-before-the-horse situation. There is a danger that we will decide next week that we want to do X number of inquiries without first understanding the fundamentals of the financial scrutiny review, which represents a substantial body of work by our predecessors on our core function.

Another area that has not been mentioned and which I am keen on is the gender impact assessment of budgets—the Finance Committee did a lot of pioneering work on that subject in its early years. There has not been an opportunity to go back and review how things are working in practice. The international evidence is that it is much easier to publish press statements about intentions than to mainstream a gender impact into the making of budgetary decisions, not so much by us as by Executive departments, and in the scrutiny functions of other committees.

Those are my top priorities. Unless we get on top of the issues that arise from the financial scrutiny review, the committee will not have a reputation as the powerful committee that we have the potential and expectation to be and that we hope to be.

**Mr Brocklebank:** I would like the convener to guide me: I am a newcomer to the committee and am not sure about our scope to look into specific policies, but spending in two areas in particular interests me. I am particularly interested in fishery

research, in finding out more about the accuracy of some results and in how much money is put into such research. I would like to go into more detail on such matters.

I would also be interested in learning more about the financing of the Scottish Arts Council and in examining more carefully how it spends its funding. I do not know whether we can get into that brief, but those are my areas of interest.

**Mr Mather:** I am taken by Wendy Alexander's argument that we should focus primarily on the committee's core function. I would like to augment that by finding out what we can do about benchmarking budgets in the Parliament against those in other countries and making comparisons. I am rather intimidated by our predecessor committee's list, which could partly be the result of demob happiness and partly the result of keenness to load matters that it never quite got round to dealing with on to a successor committee. I would prefer to narrow the focus at first, then build our work agenda as we bring matters into closer focus.

**Dr Murray:** I agree with Wendy Alexander and Jim Mather—we need to concentrate on our core functions. As I have previously said, there are issues relating to our scrutiny role in respect of financial memorandums. We should not take on matters that prevent us from doing such work with the accuracy and precision that is expected of us.

On possible cross-cutting issues, responsibility for issues such as health improvement lies in different sections of different departments—there is some responsibility in the Education Department, some responsibility in the Health Department and so on. There are also issues relating to expenditure on rural issues. When I was a member of the Rural Development Committee, it was often said that it could not scrutinise the entire expenditure on rural issues, as there was expenditure in other places.

I also have an interest in the formulae that are used to apportion resources to different regions of the country. There are issues relating to the deprivation indices that are used and the consequences of formulae on fire budgets, police budgets and so on.

**The Convener:** That applies across departments, from health to local government and so on.

**Mr Purvis:** I notified the clerk of my interest in that area as well. It is important that there is more scrutiny of the way in which Scottish Executive money is divided into those areas and consideration of whether there is imbalance between different indices or means of calculation. Also, I think that there is scope for an inquiry into or consideration of the economic development

spend—particularly the spend for Scottish Enterprise and the enterprise network—and the effectiveness of the money that is spent in that area.

**John Swinburne:** I am inclined to go with members who said that they would leave the work programme up to the convener. I do not know whether it is within our remit, but means testing affects my generation disproportionately. It is an anachronism that should be wiped out. We should investigate it, because it has a tremendous impact on older people in Scotland.

**The Convener:** Benefits issues are reserved, but there may well be some issues that could be picked up under the responsibilities of the Parliament.

**Fergus Ewing:** I am sure that none of us would wish to underestimate our capacity and that all of us would wish to realise our potential, to coin a phrase. While Wendy Alexander, Jim Mather and Elaine Murray are right to say that we have a core duty, I am not persuaded that it is a duty that prevents us from undertaking other major work. In fact, we have a responsibility to undertake such major work.

As I suggested at last week's meeting, the area of maximum concern and controversy at the moment relates to Scottish Water. The water charges, the bills that we receive and the increases—up to 500 per cent—that businesses have had to pay are a real burden. As John Swinburne will tell us, they are a burden for senior citizens and people on low incomes whose income is not low enough to get assistance from benefits. There has been a widespread outcry about a number of failings. We cannot really address those serious issues during tomorrow's debate in the Parliament on the Conservative party's motion on the water industry.

I rather fear that if there is no committee inquiry into Scottish Water, we will make the same mistake that the Parliament made during its first session, when it concentrated on things that people felt were not key. Section 28 and foxhunting were subjects on which we all disagreed. I do not want us to make that mistake again. It is a key concern of individuals and businesses that Scottish Water is out of control. I have my ideas, and I would like to test them against the witnesses and the evidence.

The other options for a parliamentary inquiry seem to be closing down. I hope that the clerks, who have helped on this matter, can come back to us next week on that. The Environment and Rural Development Committee, which has the topic responsibility for the issue, has already said that, with eight bills, its work load is so great that it will not have time for an inquiry on the issue.

Obviously, that should be confirmed. However, I gather that the Enterprise and Culture Committee has decided to have an inquiry into top-up tuition fees, which is another important topic. That will take up its time.

If no other committee of the Parliament will conduct an inquiry into Scottish Water, this committee, under the fourth part of its remit, should do so. Under the fourth part of its remit, this committee has a clear responsibility to scrutinise public expenditure in Scotland, including that incurred by quangos—or non-departmental government bodies as they are known in Sir Humphrey circles. I urge members to support calls for a wide-ranging, thoroughgoing inquiry into Scottish Water. I hope that we can start that inquiry in September.

**The Convener:** I am the final member of the committee to speak on this matter. I think that we need to get a real sense of what our work load is likely to be, particularly over the first three months after the recess. Members will be aware that the budget process normally goes from March to December, in three stages. Because of the election period, the first two stages will have to be combined. I expect that there will be a considerable amount of work to do on the budget process during September to November. The previous committee wanted to work in partnership with all the subject committees in their scrutiny of specific areas of the budget.

The other constraint on our time is the introduction of legislation. In the past, the committee has not considered every bill that has been introduced, but has tended selectively to examine those bills that have a significant financial consequence. For example, the Water Environment and Water Services (Scotland) Bill was dealt with systematically by the committee at the start of the year. There are some constraints on our time that are based on the work load that we have.

I think that economic development is probably too broad a topic for analysis in a committee inquiry. I am sympathetic to looking at that issue, but we would need to have a more focused basis. There is a need to look at patterns of housing and regeneration expenditure, which is a topic that I would certainly be interested in considering. There is also a need to look at the overall sizing of the different budgets and to consider why £X million should go to health or £Y million should go to education. We need to try and get a sense of that.

Wendy Alexander and Jim Mather mentioned early tasks for the committee to carry forward, but there may be opportunities for us to carry out specific inquiries. Between now and Tuesday, the clerks will take advice and gather information on the suggestions that members have made, so that

we can have an initial thrashing out of the process at our next meeting, which is on Tuesday.

Do members want to have that discussion in public or in private?

**Members:** In public.

**The Convener:** At some point we may need to have a detailed discussion of work programme issues in private, but the view for Tuesday is that our discussion will be in public.

I thank committee members and members of the public for coming along—the press are all long gone.

*Meeting closed at 13:42.*

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