

# **FINANCE COMMITTEE**

Tuesday 25 November 2003  
(*Morning*)

Session 2

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## FINANCE COMMITTEE

### 15<sup>th</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)

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

\*Dr Elaine Murray (Dumfries) (Lab)

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

\*John Swinburne (Central Scotland) (SSCUP)

#### COMMITTEE SUBSTITUTES

Mr Adam Ingram (South of Scotland) (SNP)

Gordon Jackson (Glasgow Govan) (Lab)

David Mundell (South of Scotland) (Con)

Iain Smith (North East Fife) (LD)

\*attended

#### THE FOLLOWING ALSO ATTENDED:

Professor Arthur Midwinter (Adviser)

#### THE FOLLOWING GAVE EVIDENCE:

Robert Brown MSP (Scottish Parliamentary Corporate Body)

Sarah Davidson (Holyrood Progress Group)

Paul Grice (Scottish Parliament Clerk and Chief Executive)

John Home Robertson MSP (Holyrood Progress Group)

#### CLERK TO THE COMMITTEE

Susan Duffy

#### SENIOR ASSISTANT CLERK

Jane Sutherland

#### ASSISTANT CLERK

Emma Berry

#### LOCATION

Committee Room 1



## Scottish Parliament

### Finance Committee

*Tuesday 25 November 2003*

*(Morning)*

[THE CONVENER *opened the meeting at 10:00*]

### Scottish Parliament Building Project

**The Convener (Des McNulty):** I welcome members to the 15<sup>th</sup> meeting of the Finance Committee in the second session of Parliament. I also welcome members of the press and public and I remind everyone to switch off all pagers and mobile phones.

We have received no apologies for absence, so we will move straight to the first item on the agenda, which is the committee's on-going scrutiny of the Holyrood building project and consideration of the October and November monthly reports. Members will recall that, at our meeting on 28 October, we agreed to defer taking evidence on the October report until today, so that we could consider the November report at the same time.

We have witnesses representing the Scottish Parliamentary Corporate Body and the Holyrood progress group. Paul Grice is the clerk and chief executive of the Scottish Parliament; Robert Brown is a member of the SPCB; John Home Robertson is convener of the Holyrood progress group; and Sarah Davidson is the Holyrood project director. Committee members have a copy of the November report and they should already have a copy of the October report. They will also have a copy of a letter from Paul Grice that follows up various issues that the committee has raised. I offer Robert Brown the usual opportunity to make his opening statement.

**Robert Brown MSP (Scottish Parliamentary Corporate Body):** Thank you, convener. This time round, I have little to say on the finances; no substantial changes in costs have been reported since our previous appearance before the Finance Committee. The committee will know that the final cost is closely related to completion within the current time frame of the plans. The completion of the MSP block and of Queensberry House, expected in the next week or two, is significant. Much as I enjoy appearing before the committee, I think that I can now say that, if we are not yet at the end of the process, we are certainly at the beginning of the end.

I hope that the committee will feel that the SPCB has been helpful—within the constraints that are placed on us—in responding to requests for further information. The hurdles to be overcome between now and mid-March—in particular, work that will lead to the sealing of the external link with the chamber—are crucial. Getting work on the light well out of the critical path will determine whether we can meet the finalisation date that we are aiming for. We are happy to take any questions that the committee may have on the reports and other documentation.

**The Convener:** I will pose two questions to start off with. The November report says:

“There is a degree of slippage being reported, but Bovis are working to accommodate this so that it does not impact on the overall target completion date of July.”

Can you elaborate on that? How confident are you that the target date can still be achieved?

**Sarah Davidson (Holyrood Progress Group):** As the report says, there is slippage in the work in a number of building areas. For example, there is slippage in the tower areas, where delays in the installation of windows have meant that work on internal finishings has not proceeded as fast as we had hoped. Some of the delays run concurrently, so we cannot add up all the delays to get a total figure. There are delays of between two and six weeks in different areas. Bovis Lend Lease Ltd is examining ways in which work can be resequenced in those areas so that the overall completion date can be held to. As we have explained to the committee before, there is a degree of scope for resequencing within individual packages. Once the externals have been completely sealed, there will be a good deal of scope for using acceleration measures to fast-track the internals. We have seen that being done very effectively in the past few weeks in the MSP block and Queensberry House.

As Robert Brown says, there are hurdles to be overcome. We cannot say with absolute certainty here and now that it will be possible fully to absorb all the slippages, but Bovis is hopeful that it will be. We will continue to report monthly to the committee.

**The Convener:** Have you identified the key barriers to achieving the July completion date? Has Bovis given you further information on its degree of confidence that the July date will be achieved?

**Sarah Davidson:** As the report indicates, there are major targets in the critical path that will have to be met, such as progress in the chamber and in the light well. Bovis has made it clear that completing external works to a degree that allows it to proceed safely with internal works will be key. It has not indicated that we have hit an

insurmountable barrier or a brick wall; it is still examining the situation and has told us that it believes that the completion date is still achievable. It will report to us again in mid-January when it has carefully scrutinised how successful the measures that it has been implementing have been. We will review the situation again then. However, at the moment, Bovis is making it clear that it is still working towards the summer date.

**The Convener:** One of the cusp points mentioned in the report seems to be the taking down of the crash deck in the chamber. The date given is mid-January. I presume that, by mid-January, Bovis should be able either to give you firm information on whether that has been achieved, or to indicate the possible implications if it has not been achieved.

**Sarah Davidson:** Absolutely. The scope for working over the Christmas period is being explored in order to give greater confidence of meeting that date.

**Robert Brown:** The report includes information about times in order to show the key targets that we have to meet if we are to keep the critical path not critical—if that is the right way to put it.

**The Convener:** The report says that towers 3 and 4 are well advanced. In September, you expressed confidence that they would be finished by the end of February. Are they still on target?

**Sarah Davidson:** I do not have the figures with me, but my recollection is that work on internal finishings in the towers has slipped by about three weeks. The completion date will depend on what, if any, acceleration measures are worth adopting. As we have discussed with the committee before, judgments have to be made all along about when and where it is worth accelerating work on an area. If the completion of the towers is not critical to the overall completion, there will be no particular advantage in working hard to pick up those two or three weeks. That is a matter of judgment. However, the partitioning and creation of individual offices is well advanced.

**Dr Elaine Murray (Dumfries) (Lab):** The report mentions crucial milestones that have to be reached in order to meet the completion date that we all hope you will be able to achieve. Are you confident that those milestones will be reached by the middle of January?

**Sarah Davidson:** I have no reason to think that they will not be reached. Bovis has told us the dates that it is working to and those dates are shown in the programme of works.

**Dr Murray:** Bovis still thinks that the dates are achievable.

**Sarah Davidson:** Absolutely.

**Mr Ted Brocklebank (Mid Scotland and Fife) (Con):** I want to be absolutely sure about this. If you do not achieve the mid-January date for the removal of the crash deck, will you be unable to hit the July date?

**Sarah Davidson:** We cannot say that for certain, although we can say that it would be a great deal harder to do so. Part of what Bovis does, as construction managers, is to programme and sequence works. That is both a fine art and a high science. It is Bovis's job to work out how we can get past problems. There is no doubt that, for the currently planned sequence of events to roll out as expected, the deck will have to come down by mid-January. However, Bovis has not said that the whole game will be off if the crash deck does not come down by then. We can be absolutely certain that, if there are delays in that respect, Bovis would consider very carefully how it would be possible to recoup that time.

The removal of the crash deck is certainly a very important milestone. At the end of January, we will be before the committee either—I hope—saying that the crash deck is down or talking about what, if any, mitigation strategies can be used to deal with the fact that it has not come down. However, at the moment the signs are good.

**Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP):** I have a question for Robert Brown based on information that went into the public domain last week in response to a question from John Swinburne. As we know, the estimated cost of the building is just over £400 million. We have also been told that approximately £100 million has been spent on proofing the building against bomb blasts. That indicates recognition of a possible threat—indeed, there was publicity about that in *The Scotsman* yesterday. However, it emerged last week that the building is uninsured. Does it not seem somewhat contradictory that we spend £100 million on proofing the building against bomb blasts and yet the Scottish Parliamentary Corporate Body has apparently decided that the building does not require to be insured?

**Robert Brown:** I think that Fergus Ewing is well aware that Government policy is to self-insure on such matters. In fact, I think that that is also the policy of several councils. That is nothing to do with the building's being uninsurable or insurable; it relates to the fact that the Government has resource across the board to deal with such matters instead of paying premiums to insurance companies. The practice is commonplace and is applied in other parts of the Government in Westminster and in Scotland.

**Fergus Ewing:** That may be the case for normal buildings, but no one would call the new Scottish Parliament building normal. As we have spent a

quarter of the total cost on bomb proofing, it is odd—if not reckless—not to insure the building. Is the House of Commons insured?

**Robert Brown:** I do not know, but I think that it is probably dealt with on the same basis as the new Scottish Parliament building.

**Fergus Ewing:** Might the corporate body wish to examine that urgently?

**Robert Brown:** I have no difficulty with our doing that. The answer is probably fairly easy to obtain. However, I repeat that for a series of valuable buildings in the Government domain in Westminster and in Scotland, the policy is one of self-insurance, for good reasons.

**Fergus Ewing:** I understand the general point, but there is a difference between a building that houses the ministry for paper-clips and a building that the authorities have overtly acknowledged could be a target. In these febrile times, one recognises that thinking.

I will move on to the comments in Paul Grice's letter about the *Daily Mail* article that was published after a journalist spent time undercover at the site. I appreciate that the parliamentary authorities might feel somewhat unhappy about the *Daily Mail* coverage, but the reply is not especially informative about the substance of the journalist's criticisms. I can understand that a bit of *Daily Mail* bashing might be the source of pleasure, but the journalist was providing a service and made fairly serious allegations.

As Mr Grice's letter says nothing about the substance of the allegations, will he give a detailed response now, in particular to the allegations that materials have been wasted regularly, that timekeeping records are suspect and regularly abused and that work has been redone, which adds to the expense? Those are three fairly serious and highly pertinent allegations to which Mr Grice has not responded.

**Paul Grice (Scottish Parliament Clerk and Chief Executive):** I reiterate the point in my letter that such articles are a huge blow to the highly dedicated work force on the site. It is deeply regrettable that much of the reporting, which was largely of anecdote and hearsay, was presented in an unhelpful way. We expect the people in the work force to work extremely hard to complete the building. That is an important point.

As I have said to the committee, notwithstanding the manner of the reporting, we sought Bovis's reassurances straight away. We received reassurances that work is of a high quality and that effort is made to avoid waste. I understand that when work occasionally has to be redone, if that is the contractor's fault, it is undertaken at cost to the contractor, not us. To my knowledge,

the timekeeping systems are monitored carefully and are as good as those on any site.

As I said at the time, we pursued those matters with Bovis and received assurances. As part of its contractual obligations to us, it is Bovis's responsibility to deal with such matters. Bovis assured us that the allegations had no substance.

10:15

**Fergus Ewing:** You are saying that the allegations are without foundation.

**Paul Grice:** That is what Bovis told us and I have no reason to disagree. I tend to take more seriously the advice of professional project managers than that of undercover journalists. I am not sure what the journalist's construction experience was. We sought and received reassurance from Bovis.

I visit the site regularly. If someone read the *Daily Mail* article then spent hours wandering around the site, they would not recognise the allegations in the article. What we see on the site is hundreds of people working extremely hard and to a high standard on a difficult building. It is important to give the workers down there credit for what they do.

**Fergus Ewing:** Obviously, we accept that. We all welcome the fact that the work force raised a substantial amount of money from a charity football match for a local school.

I, too, have visited the site—most recently a couple of weeks ago. However, that does not put me in a position to conclude whether the allegations, which were made by somebody who spent several days on the site, have foundation.

I will make a final point about the process. The chief executive tells us that he investigated the allegations by asking Bovis whether they had any merit. However, Bovis might have an interest in the question whether the allegation has any merit that work has been redone, for example. Is any process that is independent of the construction manager available to investigate the allegations or any other similar allegations, or does the chief executive rely entirely on the response from the construction manager?

**Robert Brown:** What counts is what has implications for the Parliament and the corporate body. Contracts are in place under which contractors deliver bits of work, for which they are paid if the work is done right and not paid if the work is not done right. A goodly bit of the *Daily Mail* article related to matters that were between subcontractors and their people. As Paul Grice said, when work has had to be redone on the odd occasion—I understand that that has not happened often—if the fault lies with the

contractor or with workmanship that is within its control, that work is undertaken at the contractor's cost. The Parliament need not make a detailed investigation of all the press reports on such matters.

We also have our own project team, which is on the site regularly and is in a far better position to report to us about what is going on at the site and the general impression than is a reporter who probably lacks construction experience and who was on the site for a short time. It is important to separate the wheat from the chaff and to deal with matters that have implications for the Parliament, rather than matters that are on the edge of all that and have nothing directly to do with us.

**Jim Mather (Highlands and Islands) (SNP):** I am interested in the schedule of trade packages in Paul Grice's letter, which shows cost-plan allowances and current trade contract values. The data are all present, but my criticism is that they are not very comprehensible. Earlier, I produced a schedule that totalled the figures and drew out the variances and other matters. It would be more helpful to have something that showed running totals and allowed us to make a proper comparison.

It would be equally useful if the data were reconciled with the schedule in annex A to the Presiding Officer's report, so that we understood what was happening and what component was represented by the current construction commitment. That is about the audit trail and understanding the data. The information that has been provided is interesting but relatively incomprehensible.

**Sarah Davidson:** We talked about exactly that issue before we came to the committee this morning. We recognise that the table at annex B to Paul Grice's letter grew out of something that was required for a different purpose. Robert Brown asked this morning to what extent we could tie in the table with the model of reporting regularly to this committee. We will examine that. It is hoped that the next full report will contain something that is much more comprehensive and on which the read-across from annex A to the Presiding Officer's letter to the trade packages is clear.

As Paul Grice's letter mentions, we hope to pick up the point that a committee member—I forget which one—made at a previous meeting about tender information that we have not previously given. We could probably use a table to give the number and range of tenders. That will take a bit more work, but it is perfectly possible to provide.

**Mr Brocklebank:** I had a discussion with the convener before the meeting started. I could not remember whether we had been given explanations of why certain costs had escalated to

the extent that they have. I am talking about matters such as the cost of windows in the MSP block. Although it was pointed out to me that we have had some oral or anecdotal evidence on the matter, it would be extremely useful if you could remind the committee why some items have more than doubled in cost and why we have got to this stage. That would save us coming back and constantly asking you for information that we should probably have remembered from an earlier meeting.

**Sarah Davidson:** What I thought we might do when we redraft the table, which could be done more quickly than a package-by-package analysis, is to show broad areas where there has been an increase—we would indicate where a certain package has been particularly affected by time or bomb blast, for example, so that members could tell at a glance where such issues have had an impact. If members then want further, more detailed information on individual packages, we could provide that on an ad hoc basis.

**Mr Brocklebank:** That would be helpful.

**Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD):** You have helpfully given us part of the timetable and the deadlines for the remainder of the project. Assuming that each of those deadlines is met, we will be on course for the July target. However, what steps will be taken if targets such as that for the removal of the crash deck in the chamber are not met? Will the contractors reorganise and accelerate the work or would the failure to meet the targets be seen as a major breach of contract? Would the moneys involved have to be recouped down the line through legal action? When will such decisions be made?

**Sarah Davidson:** Those issues are dealt with on a case-by-case basis. On the example that you have given of the crash deck in the chamber, the project team would expect to receive a report from Bovis after the Christmas recess, which is about when that work should be complete, indicating whether the work has gone to programme or whether there has been a delay. If the work has gone to programme, we assume that the programmes that we have from Bovis will roll out as planned; if there has been a delay, Bovis's contractual responsibility as our programmer is to make proposals to us on the ways in which that time might be recouped or the ways in which the processes that follow on from the delay can be replanned, resequenced or remanaged. As I said, it is for Bovis to come to us and set that out. It may be that the proposals would involve a measure of acceleration in some places. If that acceleration has additional costs attached to it, it is for the client to decide whether it wants to commit those costs.



You are right to allude to the possibility that, if there are delays—either on that item or others—because a contractor has failed to do something properly, there is always the opportunity for set-off or recovery of moneys from that contractor. As we have said to the committee before, the reality is that many of the delays in the project have been knock-on consequences of problems that have arisen elsewhere, so it is not always clear cut where financial liability lies. However, that does not mean that the issue is not carefully looked at in the whole process.

**Jeremy Purvis:** What I am getting at is that, although we hear the language of targets that have to be met, the explanation that we hear subsequently is that a target does not have to be met, because there is no agreement with either the managers of the project or the contractors to meet that target and the work can be accelerated or rescheduled. We have also heard in the past that those targets have to be achieved if we are to meet a subsequent deadline, which is now set at July, but that there may be reasons why we cannot meet the deadline. My difficulty is that, although we hear determined language about meeting targets, nothing backs you up in enforcing that.

**Sarah Davidson:** You are right. What you eloquently describe is the nature of construction management. Something that both the committee and those of us at the official end are constantly wrestling with is that, although Bovis is on our side and is working with us to try to achieve targets, it has no contractual obligation to meet a certain date. That is the nature of our contract with Bovis.

What Bovis has to do for us—working alongside us and understanding our objectives—is to programme the works in an achievable and manageable way in order to meet the final deadline. You are right to say that, when we talk about targets that must be met, we are saying that hurdles must be crossed at a certain point in time if we are to achieve our programme target or programme ambition. You are correct that the nature of the contracts are such that there are not contractual obligations on Bovis to meet certain dates.

**Jeremy Purvis:** Have you received any legal advice that extra contractual agreements can be reached with any companies so that July is a deadline and, if that deadline is not reached, there will be significant penalties? Have you had discussions with the chairmen of each of the contracting companies or have you had legal advice that further agreements can be made? What confidence can we have now—other than the percentage confidences that you used to give us about completion—that you will focus everybody's mind on paper? I do not know

whether such agreements are possible. Have you received advice on that?

**Sarah Davidson:** The way in which the contracts are established means that each individual contractor works for the Parliament rather than for Bovis, so that the contractual relationship is between us and the individual contractor. Were we to wish to give Bovis the power, as it were, to ensure a completion date, we would have to change completely the basis of all the contractual relationships so that the contractors worked for Bovis. There is no doubt that that would come at a very high cost. Our view is that the way in which Bovis is managing the package contractors towards completion on a highly complex building is the best way of achieving the targets that we are aiming at. We have not asked for any specific legal advice on whether we should change the basis of those contracts. The professional advice of the project team that we are working with is that we should not seek to do that.

**Mr John Home Robertson MSP (Holyrood Progress Group):** It is obviously a little late in the day to seek to renegotiate such contracts. The timetable points that Jeremy Purvis mentioned are very much in the minds of members of the progress group. We receive reports when we meet every fortnight. If there is evidence that a contractor is having difficulties and things are running late, we interrogate and investigate ways in which the work can be accelerated and how other contractors might be able to help. That is our job; we are examining the matter constantly.

**Jeremy Purvis:** Have there been discussions with the people who managed the millennium dome? They set a deadline that had to be achieved.

**Mr Home Robertson:** Please do not compare the Scottish Parliament building with the millennium dome.

**Jeremy Purvis:** Unfortunately, almost all of my constituents do. The relevance of the dome is that a deadline was set for its completion. I do not know whether you have had discussions with those in government who had a relationship with the contractors on the dome project.

We are faced with the stark situation that, if the July deadline is not met, there will be significant problems on top of the ones that we have had already. The Finance Committee must have confidence that extremely robust measures are in place to ensure that all the people with whom you deal are clear that the deadline must be met.

**Robert Brown:** The trouble is that, once the construction contract method has been put in place, it rules the way in which we go. If we were starting the project again, we might well not go

down that track because of the experiences that we have had, but we must face the issues within the current context.

The central issue is not so much legal advice—Jeremy Purvis makes quite a good point on that—as professional advice. The professional advice that we are receiving is that, given the point that we are at, the existing contracts are the basis on which we should move forward and the cost of moving from those arrangements into one of guarantees—even if that could be done; there are question marks about whether it could be—is not something that is worth taking on board now. We must bear in mind the complex interrelation between different parts of the programme and the complicated situation that arises from knock-on effects. It is the nature of such a complex site that we have to face those problems.

I am not sure about the dome; I do not know whether we can say anything about that.

**The Convener:** We hope that, by the end of January, when we get to the next stage in the process relating to the key points that have been identified, you will be in a position to show us that the range of uncertainty has significantly diminished and indicate how much further you expect it to diminish month by month until we get to July. That is the essence of what the committee is looking for.

10:30

**Robert Brown:** For all sorts of reasons, including the public interest, there is considerable pressure—both public pressure and other pressures—on everybody who is involved in the project to get on with it and finish it as quickly as possible. Everything is in place, in that Bovis and the contractors are working hard to reach the dates in question and, as a result of the professional advice that we have received, we do not think that any different contractual arrangement would improve matters.

**Sarah Davidson:** We are currently discussing with Bovis proposals for incentivising particular contractors for completion, arrangements for the release of potential and so on. We are very much alive to such issues.

**John Swinburne (Central Scotland) (SSCUP):** With hindsight, everyone in the country is well aware of the total naivety of politicians and civil servants in awarding a contract without time-scale limitations and penalty clauses. However, I will put that aside and accept that it is water under the bridge. When will the building ultimately be complete? Is there any possibility that the completion date will be brought forward and that all of us will be given a tremendous lift and surprise by your beating your own deadline?

**Paul Grice:** We cannot make such a promise at the moment. The Presiding Officer's letter makes it clear that we have discussed January as a key date for taking down the crash deck. Beyond that, the next key date is March, when the back of the chamber will effectively be completed. If we hit that critical target, which is right on the critical path, people can get inside it and begin to work fast on the fit-out. We have seen what Bovis can achieve in the MSP block and Queensberry House when it can work in that way. If we reach that milestone, I expect that we will be able to talk in very confident terms if we come to a committee meeting in March. If we do not reach it, we will obviously report in different terms.

Currently, we are targeting next summer not just for completion but for migration, as it is obvious that the summer recess would be the best time during which to move the Parliament. The summer recess would provide the best opportunity for moving without disrupting work, and for ensuring that the building functions as we want it to function when we move in. Those are major considerations for us. We constantly bear in mind the interplay between the completion of the building, elements of the building—there are around 10 individual elements, as members probably know—and migration, and we are working hard on a handover strategy to ensure that the building is not only finished but commissioned and works effectively to meet the requirements of members and the huge numbers of members of the public whom we expect to visit.

I understand that the aim is to complete certain things by March. If that is done, we could talk to the committee much more confidently than we can today. However, there is no merit in our promising today things that we cannot do—to do so would be no more than speculation. I can say that we are still planning a move next summer on the basis that the building will be completed in time to enable that to happen.

**John Swinburne:** What is the worst scenario? How much later would the very worst scenario be beyond the date when you all plan to put on your jackets and go home? What is your final date?

**Paul Grice:** We have always worked on the basis of the information that Bovis has given us and I have not been given a worst-case scenario. My speculating on such matters would not be particularly helpful.

**The Convener:** On behalf of the committee, I welcome Mr Zalusky and the delegation from the National Council of the Slovak Republic, who are here to observe the Finance Committee in operation. [*Applause.*]

**Mr Home Robertson:** I wonder whether a Parliament building is being built in Slovakia.

**Fergus Ewing:** It is always gratifying when we are visited by colleagues from a newly independent country.

I would like to continue the questioning about deadlines. Are Sarah Davidson, Paul Grice and Robert Brown arguing that there are no performance deadlines at all in the construction management contract?

**Sarah Davidson:** The construction management contract does not contain a date by which the building must be complete. Bovis is required to give the best programme advice to the client and to programme the works, but the contract does not say that the building must be delivered by a specific date.

**Fergus Ewing:** My recollection is that the completion date for the building was originally specified as some time in 2001. From the outset, a date was specified as to when the building would be complete. Why was that date not put into the contract? Why were the construction managers not under a legal obligation in the contract to procure trade packages that would be completed in accordance with a timetable and schedule of works that enabled them to ensure that the work was completed on time?

**The Convener:** Before someone answers that question, it should be remembered that there are issues that fall within the responsibility and remit of the Finance Committee and others that fall within the responsibility and remit of the Audit Committee. Perhaps some of the issues in Fergus Ewing's questions fall into the latter category.

**Robert Brown:** Most of the issues that Fergus Ewing has asked about are not matters for which the Parliament has responsibility. As he is well aware, the initial contracts on arrangements with Bovis, construction methods and so on were set up by the Scottish Office.

**Fergus Ewing:** I am sorry, but that is wrong. I will take a step back to demonstrate that that is simply incorrect. Following representations that I made at some length to the Presiding Officer that the contracts between the Parliament and the contractors should be made public, which culminated in a meeting at the end of June, the Presiding Officer agreed that they should be. Incidentally, I would be grateful if we could be told when we can see those contracts. I understand that we will be able to see them when amendments to the contract dealing with fee adjustments have been completed, but I would have expected those to have been completed by now.

An unpriced copy of the principal contract with Bovis has been provided to the Parliament and I can tell Mr Brown that that contract was not signed until October and November 1999, which was after

the Parliament came into being and when Mr Purvis's colleague, Lord Steel, was Presiding Officer. I presume that Lord Steel approved the signing of that contract, but this is patently a matter for the Parliament, as the contract was not signed and legally entered into until October 1999. There must have been letters of intent before then, but they have not been made public either. Therefore, on the face of it, the Parliament entered into the major contract with the construction manager. Are you really saying, then, that the Parliament has no responsibility in the matter?

**Robert Brown:** I am saying that the binding letter of intent was in place prior to the Parliament's taking over the matter. For what it is worth, we have said that that letter will be made public.

**Paul Grice:** It will be made public at the same time as the contracts for the minutes of variation—I think that I have already made that clear in a letter.

**Robert Brown:** Formalities to complete the finalised formal contract might have been completed later, but the key issue is that the contract was entered into by the Scottish Office before the formation of the Parliament. However, the convener is right. The matter is one for the Audit Committee. The rights and wrongs of that matter do not affect the issue that we must consider at this point.

**Fergus Ewing:** The convener did not interrupt Sarah Davidson when she gave evidence about features of construction management, so it is germane to probe assertions that have been made. I simply ask whether it is really being put to us that an inherent defect of construction management contracts that cannot be remedied is that deadlines cannot be inserted into them. I find that hard to swallow.

**Robert Brown:** Construction management involves a variety of pros and cons in respect of the terms on which it is taken on board. We have previously discussed such matters. Many of us who have had to live with the matter are well aware of the difficulties that we face. Whether we would face such difficulties under another form of construction management agreement is another matter.

Whether we like it or not, the reality is that we inherited a certain form of contract and we have to work with it. Sarah Davidson has explained some of the implications of the form of contract for how we work. We are where we are and we must deal with the matter on that basis. It is for the Audit Committee and the Fraser inquiry to consider whether we should have entered into the contract in the first place.

**Fergus Ewing:** With respect, my question was fairly simple. Is it impossible to insert into

construction management contracts deadlines that require work to be completed within a schedule?

**Paul Grice:** The point goes back to the nature of the construction management approach. A series of contracts is involved. In this case, we have a contract with Bovis, which is the construction manager, and separate contracts with the design team, the cost consultants and, crucially, a range of package contractors. There is no single contract, as there would be if we had a single contractor. Each contract contains terms and conditions for the delivery of its various parts, whether that means pouring concrete or providing professional advice. Where appropriate, timelines will be agreed with the individual trade package contractors, but that is not the case with consultants such as Bovis and EMBT/RMJM because the contracts with them that we inherited are for the provision of professional advice and other services.

**Fergus Ewing:** I am grateful that Mr Grice has at least clarified that the trade package contracts contained deadlines. My question is fairly simple: have any of the trade contractors breached their deadlines and, if so, have they coughed up for any extra costs resultant therefrom?

**Paul Grice:** The question goes back to a point that we have discussed a number of times with the committee, which is that the packages are complex and interrelated. Even in this meeting, Sarah Davidson has answered the question. If it can be shown that a trade package contractor has failed to perform and if that is the fault of the trade package contractor alone, it is clear that offset or the recovery of moneys would be pursued. If, as is more often the case, the failure to perform is the result of a much more complex set of circumstances, it is enormously difficult to prove that that is the fault of one trade package contractor.

We are constantly on the look out for failures. One of the principal responsibilities of our cost consultant, Davis Langdon & Everest, is to advise us whether there is an opportunity for offset when it comes to the final settlement of accounts. As we have reported previously to the committee, we take every opportunity to offset when such opportunities come along. However, relatively few of the package contracts have come to the final settlement stage. We have undertaken previously to provide information to the committee on that issue, when there are results to report—that is, when there is a final outturn cost on a trade package. That situation has been the subject of detailed discussion with the committee and it has not changed at all.

**Fergus Ewing:** The line of questioning is interesting and I am not convinced that we have discussed this specific issue before. Mr Grice,

given that you have advised us that you and your colleagues are

“constantly on the look out”

for failures to perform on the part of trade package contractors, have you found any such failure thus far and, if so, did that result in the Parliament receiving a proper discount or refund in respect of the payments that had been made to the defaulting contractor?

**Paul Grice:** Bovis’s responsibility is to manage the whole contract on our behalf. The cost consultants’ responsibility is to examine cost, which includes, as I said, the settlement of final accounts. The approach is not to look for failure, but to finish the building.

**Fergus Ewing:** On a point of order, convener—

**Paul Grice:** Can I answer the question please, Mr Ewing?

**Fergus Ewing:** That is what I am hoping for. I asked a specific question.

**Paul Grice:** I am attempting to answer your question. If you would do me the courtesy of allowing me to answer, that would be helpful.

We have explained the approach before. Our construction manager is responsible for managing the trade package contractors, although the architects also have a role in that. If the construction manager believes that there has been a failure in the quality of the work or negligence on the part of a trade package contractor, that would be reported to us and the cost consultants would come into play. At present, I am not aware of any failures that fall into that category, but part of Bovis’s and DLE’s job is to be constantly on the look out for such failures. I assure the committee that the corporate body and I have sought assurances from Bovis and the cost consultants that they will continue to pursue that part of their job vigorously.

I say again that the emphasis is on trying to finish the building, which requires the management of a complex set of relationships and contractual positions. I assure the committee that the thrust of the work of the corporate body, the Holyrood progress group and the on-site consultants is towards that end. We take seriously failures to perform and any possibility of guarding the public purse through the corporate body’s responsibilities. That position is no different today than in the past. I am afraid that the situation is difficult and complex and does not lend itself to simple yes and no answers.

10:45

**The Convener:** You have already given us a written response on some of those issues.

**Paul Grice:** I have indeed.

**Mr Brocklebank:** I seek more explanation from Sarah Davidson. When talking about possible methods of catching up with slippage, you mentioned incentivisation, which usually means overtime or extra money being spent somewhere. We talked earlier about the work force's morale; I can think of few things that would improve morale more than the prospect of a fair bit of overtime between now and March. Is there provision for such extra expenditure in the figures that you have given us today?

**Sarah Davidson:** If overtime is used, it will be as part of a strategy for completion and not as a bung for workers.

**Mr Brocklebank:** I did not suggest that it would be a bung.

**Sarah Davidson:** If overtime has to be used, it will not be as part of an incentive strategy, but as part of a completion strategy. That is an important distinction. The figures that have been reported to the committee in the past contain a contingency sum that includes—from memory—around £5 million that could be used for targeted acceleration. For example, in the past few weeks, Bovis found that too many workers were working in one place at the same time in Queensberry House, so a period of 24-hour working was adopted, which meant that people worked at different times during the day. That cost additional money, but the money had already been identified and set aside.

At some point between January and March, the client will have to take a decision, according to progress on the targets that we have been discussing, on whether targeted acceleration with additional costs is helpful or merited or is a good investment of money in the site. We hope that any such acceleration could be accommodated from within the current budget, although we will have to consider that issue in due course.

I am not familiar with the detail of the incentivisation that has been considered, but it includes early and staggered release of retentions to contractors as individual areas of work are certified as being properly complete.

**Mr Brocklebank:** The ultimate bottom line with incentives is that there are usually extra costs somewhere along the line. You have identified around £5 million that might be available for that, but the cost could be higher.

**Sarah Davidson:** Extra costs would not necessarily be involved; we might release retention moneys early rather than give additional money. Bovis is exploring those matters, but in a public sector atmosphere rather than in a commercial atmosphere, which means that any

additional expenditure would have to be fully justified.

**Dr Murray:** Migration has been mentioned in passing, but we have not spoken about how the planning for migration is going. If we assume that the crucial deadlines will be met and that the building will be ready in July, how confident are you that we will be ready to start operating from the beginning of September?

**Paul Grice:** If we hit the deadlines that are set out in programme 7A, I am confident that we can migrate successfully. That means moving on to the site the entire parliamentary operation, including the technical systems, the data equipment and, crucially, the people who are required to support parliamentary work. The deadlines in programme 7A are for completion in June—one or two of them slip into July but, fundamentally, the buildings will be finished in June.

I reiterate that some of my staff are already on site examining information technology and other issues. We will install and commission locally what we can, but we cannot carry out site-wide commissioning until everything is finished. The crucial issues are familiarisation for staff and ensuring that systems, when commissioned, deliver what we want. The major new challenge is dealing with substantial numbers of visitors. Obviously, they will be welcome, but that will require a lot of effort to ensure that we get it right.

I say again that, given that we hit the deadlines in programme 7A, the migration programme is extremely robust.

**The Convener:** Has there been any shift in the anticipated cost of migration?

**Paul Grice:** There has been no shift since I reported to you last.

**The Convener:** What is the position on the building's rateable value?

**Paul Grice:** Again, there has been no shift on that since we reported to the committee previously.

**The Convener:** The previous Finance Committee raised the issue of the opening ceremony, but there was nothing on that in the SPCB budget. Can you give us any further information about anticipated costs?

**Paul Grice:** I believe that there is something in the contingency for that. That is my understanding but, as I reported to you previously, no decisions have been made yet on the nature of the opening ceremony and therefore what the budget implications would be. I will check, and, if we have not included a sum for that in the contingency, I will write to make that clear. However, I am pretty

confident that we have and I therefore do not expect any additional expenditure above the budget for 2004-05 to cope with an opening ceremony. Ultimately, decisions about the nature of the opening ceremony will be taken at a high level, and, if we need to revisit the matter, we will report back to the Finance Committee.

**The Convener:** I hope that you will report back before hard and fast decisions are made.

**Paul Grice:** There is money to cope with an opening ceremony in the general contingency—I will double check that and write back to you if I am wrong—so I do not expect at the moment that we will have to come back and ask for any more money in the global running costs to cope with it. If the position is different, I will write quickly to correct that statement. Also, if an opening ceremony that could not be afforded within that contingency was planned, I would take forward what you say about coming to the committee in good time.

**The Convener:** I thank the witnesses for giving evidence this morning. I am sure that we will see them again.

**Robert Brown:** I look forward to that with pleasure, convener.

## Cross-cutting Expenditure Review

10:52

**The Convener:** The second item on the agenda is consideration of a paper by the clerk and the Scottish Parliament information centre on the proposed remit and timetable for the cross-cutting review of economic development. The paper has been prepared following our discussion at a previous meeting and tries to draw together the different strands of suggestions that the committee made. I invite comments from committee members on the paper, and then we will decide whether we want to follow the route that it proposes.

**Fergus Ewing:** I thank the clerks for the work that they have done in producing the paper, which followed a discussion in which questions were raised about what we are trying to achieve with the inquiry. Unless we have a clear remit and understanding of exactly what we hope to do, we are heading for the rocks. Although the paper gives more suggestions about what we could do, I feel that we could spend an awful lot of time not achieving much.

Some of the key questions in paragraph 3 of the paper have already been dealt with in parliamentary inquiries. For example, the former Enterprise and Lifelong Learning Committee's first major inquiry in the first session of Parliament—Dr Elaine Murray and I were on that committee at that time—considered how

“various bodies involved in supporting economic development, and development linked activity work effectively together”,

to quote the paper. Therefore, that point has already been covered by the Enterprise and Lifelong Learning Committee's report on the delivery of local economic development services. That report and others have already considered some of the key questions that the clerks have rightly pointed out, and we would therefore reinvent the wheel if we were to examine them.

That is a specific criticism; my general criticism is that I am not convinced that the committee should spend three months on an inquiry, because I do not think that we will benefit from it. The only part of the remit that seems clear to me is:

“to assess whether individual programmes are contributing to economic development”.

Even then, what answers would we get by considering specific programmes? It might be that they contribute in some shape to economic development, but I am not convinced that we would be able to reach specific conclusions.

I am afraid that I do not feel that it would be sensible for the committee to spend three months

doing that work. I regret that, but it is the view that I have reached with the benefit of this helpful paper.

**Kate Maclean (Dundee West) (Lab):** I agree to a certain extent with Fergus Ewing, but we are being asked to undertake work in three phases. In phase 1, we would commission research, so the committee would not be involved in any work or use any of its time. It is suggested that, at the end of phase 1, we

"reach a consensus on the scope of the investigation".

At that stage, we could decide whether we want to commit committee members' time to the investigation. There is some merit in at least exploring the matter by commissioning a piece of research, which would last for three months and would not involve any of the committee's time. There is merit in taking the suggestion further.

**Dr Murray:** The Enterprise and Lifelong Learning Committee got rather bogged down in the inquiry to which Fergus Ewing refers, which expanded beyond what we had expected. As I recall, that inquiry examined local economic development and how the local agencies worked together. It is worth making the point that such work has already been done at length, but there are still issues about how we encourage economic development at a national level, which is possibly more within our remit.

**Jim Mather:** I agree with Fergus Ewing that we would end up getting bogged down, thrashing about and throwing all the data around and that we would not be much the wiser at the end of the exercise. I would be keen to change the polarity of the inquiry and put the onus on Scottish Enterprise and Highlands and Islands Enterprise to unravel some of their data, because their recent accounts have become more and more confusing and oblique on how the money is spent. They are moving away from traditional profit and loss accounts and towards spending money under broad titles, such as strengthening communities, and the accounts therefore begin to lose some of their relevance. If we could get some consistent data and ask Scottish Enterprise and HIE to present the element of the overall Scottish Executive budget that they feel has a positive impact on their remits and link that to what they consider to be the major macro outcome targets in their areas of responsibility, we would see the matter with a bit more clarity.

**The Convener:** It is important that we bear it in mind that we would have a role only in a cross-cutting context. It is also important that we do not replicate the former Enterprise and Lifelong Learning Committee's activity, and that we do not focus our attention too narrowly on Scottish Enterprise and Highlands and Islands Enterprise

as organisations or on the Enterprise, Transport and Lifelong Learning Department's work generally. I thought that we had clear in our minds the idea that a number of strands of expenditure—transport investment, investment in infrastructure, training investment, possibly education investment and certainly the way in which the common agricultural policy and similar policies operate through the system—affect economic development in its broadest sense. I also thought that we had agreed that our objective was to ask the fundamental question whether the way in which that expenditure is organised contributes to economic growth in the best way.

The issue is difficult to explore, but the fact that something is not easy does not mean that we should not do it. The way in which the suggestion has been put together, with a technical exercise taking place in the first instance to identify the parameters of what we want to consider—that is, the relevant expenditure—and perhaps some comparative work taking place on how the strands of expenditure work elsewhere, would give us a basis for further clarification of what exactly we want to emerge from the second phase of the work.

That was the impetus that underlay our intention and that is what I see us doing.

11:00

**Jim Mather:** I understand that, but the situation is awash with anomalies. We are told that economic development is the top priority, but, as we have seen from the other report today, we have the anomaly that came through at the Motherwell meeting of relatively less money's being spent on economic development. There is the further anomaly, which I raised in a written question, that we have no target for economic growth in Scotland. Our remit is ill-defined to start off with and that makes it difficult to conduct a proper cross-cutting inquiry.

**Jeremy Purvis:** The clerks have done a remarkable job to pull together our previous discussion on this issue. What Jim Mather said is addressed fully in the proposed remit, which is excellent. The proposed way of conducting the inquiry is also very good. If we are going to appoint an adviser to do the phase 1 work for us, we will need to sharpen up a few areas, because it could be a colossal piece of work. Having said that, the work that Ross Burnside has done gives us a good steer and I am happy to endorse the paper.

**Mr Brocklebank:** There is consensus that phase 1 will be valuable in explaining to us in rather more detail the way that we might be going. I am not totally convinced that the committee has

either the time or, even with the help of Professor Midwinter and others, the expertise to carry out the six months' analysis that is recommended. I would like to reserve judgment on that until we consider what is suggested in phase 1.

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

As others have said, we will have the opportunity to reflect on the issues that emerge from phase 1. It would be a mistake to continue to try to do everything after phase 1. Given that we have the right to consider issues in a cross-cutting way, we will have the opportunity to consider a number of discrete issues that might emerge. We are looking at areas in which there are high levels of expenditure, but they are not particularly growth supporting. Questions need answered around that. We should review at the end of phase 1 whether those areas have become apparent in the technical exercise, which will not involve the committee in much work; the experts will have a mandate to produce something useful. Other than the Executive, no part of the institutional architecture in Scotland would be in a position to commission such a desk exercise; everybody else has a remit for just a piece of the action.

**Fergus Ewing:** After we have the benefit of the research that members have said should be commissioned, I wonder whether we will be any further forward. I tend to think that we will probably not be. I also tend to think that it is fairly obvious whether public expenditure contributes solely, partly or not at all to economic development. There might be grey areas, but if we consider health expenditure, for example, it is possible to construct a case that if people are healed more quickly, that enables them to get back to having an economically productive life. That is a serious point. I am not sure how, if we get evidence to support that point, we will be any further forward.

Be that as it may, it would be imprudent of us to spend money, which I presume we would do, to commission research when it seems that there is uncertainty among members as to whether that exercise would be useful. Kate Maclean, Ted Brocklebank, Jim Mather and I have, to a greater or lesser extent, expressed reservations about it. Not for the first time, I am perhaps at one end of that. Given that we have such reservations, is it really prudent of us to authorise expenditure on research? I for one must say no, because I take the view that we should not be wasting money.

On the other hand—this is where I display my desire to be consensual—if members feel that there is potential benefit, as Wendy Alexander and Kate Maclean have argued, in obtaining information from the key bodies and players, such as Scottish Enterprise, which Jim Mather mentioned, is there anything to prevent us from writing to them with the paper that has been

produced and, taking into account members' comments, asking them for their views? Do we need to go to the expense of appointing an expensive adviser to conduct research that members have already accepted might not lead anywhere?

**The Convener:** The first three of the bullet points in paragraph 3 of the paper cover legitimate areas in which we have identified lack of information. The first bullet point covers an issue that has been highlighted as an area of concern, particularly by economists and business people. I do not think that there is sufficient clarity about the pattern of capital and resource expenditure. We have heard different answers from the Executive on categorisation and there have been shifts in the way in which capital has been put forward. It would be valuable to the committee to examine how the pattern of expenditure has changed over time since the Scottish Executive was established. Obtaining information about the strategies and allocative criteria that were used in the areas that affect economic development would be a valuable technical exercise. It would also be valuable to get technical advice or pointers towards how we deal with the points in the second set of three bullet points in paragraph 3. I do not think that we would get that from a written trawl to Scottish Enterprise or other related bodies.

In a sense, I am taking a different view from Fergus Ewing. There is valuable information that we would want to get, irrespective of whether we decided to progress with phase 2 as it is constituted. The first exercise would be valuable and we could define how far and in what way we wished to proceed. I argue strongly that getting someone to do the work as opposed to simply writing off for the information would be a better mechanism.

**John Swinburne:** I look on the suggested approach as a part-time exercise in clutching at straws, which will be very expensive. Will we be able to balance A against B and say that it was worth while? I doubt it.

**Jim Mather:** We might be letting the custodians of the data off the hook. Three months ago, we took to the Holyrood team a schedule that added, cross-added, reconciled, and showed variances and the team came back to us today with data that are yet another exercise in obfuscation. We could be letting the Scottish Executive and the enterprise agencies off the hook. They are the custodians of the data, which they know intimately. They can present those data cohesively, reconcile them and show them consistently. That is the double six that the committee needs to throw first before it can make decisions to move on. Unless we have the data as a firm base on which to build a deep understanding, we have nothing.



**Kate Maclean:** I am not sure that Scottish Enterprise is the custodian of the data. It would be able to produce figures for matters that are labelled specifically as relating to economic development, but I am not sure that that is the information that we wanted when we started discussing the exercise. Scottish Enterprise would have a vested interest in the way that it presented the information. If the committee agrees to proceed, there would be merit in agreeing to phase 1 to get the information that we need to determine whether there would be any point in proceeding to phase 2 of the inquiry.

I accept what members are saying about paying for an adviser, but we would not have to pay out astronomical amounts of money for that. We will not know whether there is merit in going ahead with the rest of the exercise until we get the independent research, so I suggest that we go ahead with phase 1. I think that we should just agree today to commission research, instead of asking Scottish Enterprise for information, getting its response and then deciding to commission research.

**Ms Alexander:** It would be a big mistake to limit ourselves to consideration of less than 5 per cent of the budget, which is what is nominally devoted to economic development and growth, as Ross Burnside has laid out. Frankly, the easy option would be to examine the £371 million a year that goes to Scottish Enterprise, given that at least one other committee should be doing that on a full-time basis. We should wrestle with the fact that, although we have an Executive that says that its number 1 priority is growth, we have no identification of the expenditure that is associated with that. That will not be easy, but it is the sort of cross-cutting task that we are charged with.

I wish that HIE and Scottish Enterprise were the custodians of the data on the other 95 per cent of the budget, because non-departmental government bodies often have to have a higher degree of transparency for their governance and financial arrangements than do other, less-transparent parts of the Executive. From our consideration of the budget, we know that we do not have trend data on all the budgets and therefore, by implication, that we not do not have trend data on the 95 per cent of the budget that is not specifically dedicated through the enterprise agencies' budget.

The proposed exercise is legitimate because, although we examined a budget that said that growth was the number 1 priority, we struggled to identify what expenditure in the budget was growth supporting. All that we are being asked to do in the proposed exercise is to employ a little bit of expert help to examine the area in more depth. I feel that that will at least mean that, in four years, we will

be able to look back and say that we tried to identify what expenditure was growth supporting and to examine areas in which it might have been more or less growth supporting.

Fergus Ewing has pointed out some of the difficulties in identifying what is, and what is not, growth supporting, but it is possible to reach a view on those parts of health expenditure, for example, that could be helpful and those parts that are extraneous. As I recall, none of the health service budget will be under consideration in the limited way in which Ross Burnside has defined the exercise. It is right that that is the case. Although there has been some attempt to limit the scope of our ambition, even in pursuing the proposed exercise we will encourage the Executive to produce the time-series data that we seek and to have more internal rigour in identifying how expenditure is supporting growth.

For that reason, it would be very much in keeping with the overall stewardship of the budget with which we are charged to have a specialist adviser for three months to carry out a piece of work that will allow us to revisit the issue of what supports, and what does not support, growth in a more conceptual and analytical framework.

**Dr Murray:** I do not agree with Jim Mather when he says that the Scottish Executive is the custodian of the data, because the evidence that we took on the budget process made it clear that the Executive is coping with four different sets of accounting systems and does not really know what the trends have been. Furthermore, I think that the evidence that was given to the Enterprise and Culture Committee showed that the Minister for Enterprise and Lifelong Learning was not able to specify how much was spent on economic development. Therefore, there would be merit in pursuing the proposed exercise.

Given the role and cross-cutting objective of the Finance Committee, it is important that we do not just take at face value whatever information the Executive decides that it wishes to give us on such matters and that we have a role in scrutinising the way in which the Executive presents its data. It would be worth while to commission research from an independent person.

**Jim Mather:** I will restate what I am looking for. I want Scottish Enterprise and HIE to unravel their data and to present them consistently. I am also keen for that element of the Scottish Executive budget that helps overall economic development to be presented consistently over time, in a time series. Once we have those data, we will have a basis for moving forward. The old adage is, "If you can't measure it, you can't manage it." If one cannot measure the relevant expenditure, one certainly cannot give any advice and guidance on how the management of that expenditure might be changed.

11:15

**The Convener:** One of the objectives of the first phase might be to identify the questions that we need to ask and to find out where the precise data are that we are looking for. Even if we follow the logic of what Jim Mather said, there would be considerable merit in at least carrying out the first phase of the exercise so that we would be in a better position to progress matters.

**Jim Mather:** I concede that, but we are constantly running up against the buffer that the time-series data that we desire is not available. It would be interesting to understand where the blockage and the sensitivities are. I think that members would be willing to demonstrate considerable give and take to get such data consistently, which would mean that we would be able to see the trend without trying to make facile points. Let us have a statement of the trend and let us work forward from there.

**The Convener:** I will try to sum up where I think we are. As Fergus Ewing said, at one pole is the suggestion that the proposed exercise might not be the best use of our time—that is the view that Fergus Ewing and John Swinburne are putting forward. I think that other members are moving towards the view that the first phase of the exercise might be useful in getting technical work done that would, at the very least, allow us to explore the data more effectively than we have been able to do until now; beyond that, it might help us to map out some of the questions that we might want to consider further in the second phase of the inquiry.

More members seemed to be speaking in favour of the second approach than the first. If we were to adopt that approach, we would need to ask the clerks to give us a remit for an adviser, which we would need to agree at a subsequent meeting—probably our meeting on 9 December. On the basis that the majority of members seemed to share that view, do we agree that the clerks be asked to bring back to us a proposal that we can consider on 9 December? That is based on the assumption that we are in broad agreement that we want to opt for the phase 1 approach, as mapped out in the paper.

**Fergus Ewing:** I understand that some members have spoken in favour of opting for the phase 1 approach, but there are a couple of points that emerge from that, particularly if the proposal is that we should now frame the remit for an adviser.

Kate Maclean, in particular, envisaged that it was possible that we could have phase 1 and get the responses in, but could then decide to do nothing further. If that were to happen, we would be in the position of having appointed an adviser, spent the money and decided not to do anything

further. I ask the convener to find out—not at the moment—whether there is a precedent for that. In my view, if that were to happen, we would be made to look extremely foolish. We would look ridiculous if we paid for an adviser and then did not hold an inquiry.

**Kate Maclean:** I will clarify what I said. I said that we should commission research, which would not necessitate appointing an adviser for a given length of time—although we would want to appoint someone to do that research.

**Fergus Ewing:** Regardless of how much money was involved in any such appointment, my view is that, if we were not to go on to hold an inquiry, we would look rather foolish. However, that is not a view that is shared by every other member of the committee—perhaps not for the first time.

I would like to suggest an alternative. Could not Professor Midwinter consider the remit for such an inquiry and assist us in preparing a paper on the remit? That would enable us to revisit the issue with the benefit of his advice. After all, Professor Midwinter is the standing adviser to the committee. I hope that that would be within the purview of his appointment and his role.

**The Convener:** Arthur Midwinter is the standing adviser specifically on the budget; that is what his expertise and his function relate to. If we agree that we want research to be undertaken, the clerks will be able to identify all possible routes for that research and to come back to us with recommendations about what might be the best route for us to take. However, that is a matter for a different day.

Having identified the particular concern in the budget about support for economic growth and development and, bearing in mind the various concerns that have been raised repeatedly with the committee and the previous Finance Committee about economic development and growth and the barriers to them in Scotland, the committee should not send out the signal that it does not even want to undertake research to get to first base.

I return to the proposal that we ask the clerks to identify a research remit on the basis that we agree to proceed with phase 1. We will have the opportunity to tinker around the edges, but I seek agreement in principle to go down that road.

Do we need to move to a vote on that?

**Fergus Ewing:** Would it not be sensible to make a decision when we see the paper that sets out the remit? At the moment, if we agree that research be carried out, we have no idea about the amount of money to which we would be committing ourselves. By definition, I could not support that step and I propose that we move to a vote. I am happy to do that if you wish, convener—

**Kate Maclean:** Just for clarity—

**Fergus Ewing:** Can I just finish, please? An alternative would be to revisit the matter when we have the benefit of the paper and, presumably, advice from the clerk about the level of expenditure to which we would be committing ourselves. I assume that the convener agrees that we should not make an open-ended, blank-cheque commitment. Therefore, would it be sensible to revisit the matter when we have the remit?

**The Convener:** You are not new to the Parliament and you know perfectly well that, when it comes to commissioning research, the matter would need to return to the committee in terms of any financial—

**Kate Maclean:** My understanding is that the convener is asking the committee to agree that the clerks draw up a paper to suggest how we should proceed with phase 1. We are not being asked to agree anything other than that.

**The Convener:** In essence, that is it.

**Ms Alexander:** There is a clear description in the paper of what phase 1 would involve. The bottom line is that we are looking not just for a public finance expert, but for somebody who has expertise in economics and regional economics to try to establish what part of the budget supports economic development. Such people are incredibly few and far between. Frankly, it is dishonestly naive—and we should all know better—to think that we will find one of Britain's top two or three experts who is prepared to carry out this volume of work between January and March if we pussyfoot around endlessly before we even attempt to locate or appoint that individual. We are getting close to obstructionism.

We have had a lengthy discussion and the paper gives a clear description of what that person needs to do—a piece of desk research—but the quality of what emerges will be rooted in the quality of the individual. We are highly unlikely to find someone to give a significant proportion of their time between January and March if we do not begin to seek them before the middle of December. None of us operates according to that sort of work programme and it is naive to expect that we will find one of Britain's best to operate on that basis. Let us not dress up obstructionism as concern for sums of money that are relatively small compared with the significance of the task that we are trying to carry out.

**The Convener:** That is a fair point.

**Jim Mather:** I am worried about inviting anyone to try to reinvent the wheel and make a cohesive report when they will have no direct access to, or feel for, the data over time.

People from Scottish Enterprise, HIE and Eddie Frizzell's department could pull together as a team to produce a schedule that showed us over time a

consistent spending pattern and how those three agencies—Scottish Enterprise, HIE and the Scottish Executive—relate to money that is spent to develop the economy. We would then have a pattern to build on so that we could start to make more sensible judgments.

**Ms Alexander:** When we consider the money that is spent by the Scottish Executive, will we include the money that is spent on rural development, agriculture and fisheries? Such fundamental conceptual issues that need to be solved were flagged up in Ross Burnside's paper. It is wrong to suggest that someone in Eddie Frizzell's department should try to resolve those issues, because they are not responsible for spend on rural development, agriculture, fisheries and tourism. The matter needs to be considered by an outside third party.

I hope that the Executive will be co-operative in providing data and there is no doubt that Professor Midwinter's forensic knowledge of the current budget will be helpful to somebody who tries to bring a conceptual framework to the part of the spending that supports growth. However, it is not the committee's place to tell the adviser how to meet the remit as laid out in the bullet points.

The first priority is to see whether, within incredibly short time scales, we can find people who are experts in growth-supporting expenditure. There is an entire academic tradition of regional economics. We have to leave it to the clerks how they go about the task. The good news is that the work will not consume vast amounts of committee time. However, I caution against micromanaging the exact disposition of our advisers, an external adviser and indeed, Executive officials; it is not commensurate with the role and responsibility of the committee to say which official we will ask to do a certain piece of work.

**The Convener:** We have to reach a conclusion. The consensus in the committee—Fergus Ewing and perhaps John Swinburne excepted—is that we need to develop the suggestions about phase 1 of the inquiry and try to shape those into a research remit that would come before the committee. We then need to identify individuals who might be in a position to undertake the research. I hope that we will receive a proposal from the clerks at our meeting two weeks from today and we can decide on that day whether to commission the research. In principle, we seek to agree to take those suggestions further. Is that agreed?

**Members indicated agreement.**

11:27

*Meeting continued in private until 12:12.*



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