

# **FINANCE COMMITTEE**

Thursday 26 February 2004  
(*Afternoon*)

Session 2

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# CONTENTS

Thursday 26 February 2004

Col.

SCOTTISH PARLIAMENT BUILDING PROJECT .....	1081
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## FINANCE COMMITTEE

### 7<sup>th</sup> Meeting 2004, 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:

Margo MacDonald (Lothians) (Ind)

#### THE FOLLOWING GAVE EVIDENCE:

Robert Brown MSP (Scottish Parliamentary Corporate Body)

Sarah Davidson (Holyrood Project Team)

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

*Thursday 26 February 2004*

*(Afternoon)*

[THE CONVENER *opened the meeting at 12:46*]

### Scottish Parliament Building Project

**The Convener (Des McNulty):** I welcome members, the press and the public to the seventh meeting of the Finance Committee in 2004. I remind members to turn off all pagers and mobile phones. We have received apologies from Jeremy Purvis.

The one item of business on today's agenda is the committee's on-going scrutiny of the Holyrood building project and consideration of the monthly reports for January and February. We have before us witnesses from the Scottish Parliamentary Corporate Body and the Holyrood progress group. They are Paul Grice, the clerk and chief executive of the Scottish Parliament; Robert Brown MSP, who is a member of the SPCB; John Home Robertson MSP, who is convener of the Holyrood progress group; and Sarah Davidson, who is project director of the Holyrood project.

Members have a copy of the January report, which we have previously considered, and of various letters that I sent on behalf of the committee after our meeting on 27 January. Members will also have received on Tuesday a copy of the February monthly report and the Presiding Officer's response to my letters. I note George Reid's introductory comments in his letter about his "deep regret" over the further increase in the cost of the Holyrood project. I am sure that his regret is shared by committee members.

It might be appropriate to ask Robert Brown to make a preliminary opening statement on behalf of the SPCB, after which we will proceed to members' questions.

**Robert Brown MSP (Scottish Parliamentary Corporate Body):** It goes without saying that the last thing on earth that I wish to do on behalf of the SPCB is to come before the committee to report further increases in the cost of the Holyrood building project. As you said, the committee has received the Presiding Officer's most recent report and a separate letter that details a number of points that the committee raised on other matters.

Although I do not want to go back over old

ground—that is the job of the Fraser inquiry—it is fair to say that the current report contains both good and bad news. The bad news is the projected cost increase, which is largely due to earlier notified prolongation as estimated by our cost consultants. In a sense, we are reporting the effects of something that happened a while ago. As the Presiding Officer has pointed out, this ought to be the last such increase, provided that Bovis Lend Lease can complete the programme on schedule. It is confident that that can be done.

The good news is that key critical milestones have been passed and that the project is still on schedule under programme 7B to be completed by July. When George Reid said that we expect to be flitted and in by September, he was passing on the clear commitment of the construction managers, whose job is to ensure just that. It is in everyone's interests to see that that happens and everyone, not least the SPCB, is very focused on achieving that aim.

If, as we expect, progress is maintained, we expect around the end of March to be able to finalise tenders for the service contracts for when the building opens and to announce a date for the opening ceremony. This complex and prolonged project, which was inherited from the Scottish Office, has been a heavy burden on all those who have been involved because of its challenging nature and the spotlight of intense publicity that has been focused on it from day one. It is clear that, architecturally, it will be a remarkable building.

By the time that we report in May, the focus will have shifted permanently to the building's potential as the Parliament's permanent home, a principal democratic space and a major public building for the people of Scotland, for whom— notwithstanding whether we or they liked the previous cost unpredictability—the Holyrood project was intended.

The team is happy to take questions from committee members.

**The Convener:** I will raise a factual issue from the Presiding Officer's report, which says:

"Provided BLL complete programme 7B on schedule, as the company is confident it can, this should be the last Holyrood cost increase."

That is a highly conditional statement. I know that you must rely on the advice from Bovis Lend Lease and the cost consultants, Davis Langdon & Everest, but have you secured from BLL and DLE strong assurances that this is the last time that we will sit around the committee table to discuss a cost increase? What is the evidence that their estimates can be relied on?

**Robert Brown:** The committee is well aware from previous discussions that the contractual

method means that we do not have a fixed-term, fixed-price contract. We cannot give the committee absolute guarantees about the matters that you mentioned. However, the nearer we are to the contract's finalisation, the fewer issues we will have to resolve and the more confident we will be. Through our officials, we have sought precisely those assurances. The Presiding Officer has been greatly involved in the discussions. The statement in his letter represents exactly the position that we must take before the committee.

**The Convener:** I welcome to the committee Margo MacDonald, who has just arrived.

How confident are BLL and DLE about the information that they give you and on which your report is founded? What reliance can we place on that?

**Mr John Home Robertson MSP (Holyrood Progress Group):** It might be appropriate for me to chip in, because Holyrood progress group members put those questions to DLE and BLL representatives again yesterday. DLE and BLL reported confidence, but that must carry a health warning, because we have heard similar expressions of confidence before. However, we are close to the end—a relatively small number of windows have still to be fitted and a relatively small amount of work has still to be undertaken—so I find that confidence more credible now. All that we can do is maintain the pressure on them. Robert Brown has outlined the position, which members understand well. Under the contract, there can be no certainty until completion.

**Sarah Davidson (Holyrood Project Team):** DLE's confidence in costing this programme and our confidence in receiving its estimates are different from before because sufficient work had been done before the programme was put together to allow it to be based on known productivity levels by all contractors. In other words, nobody had to estimate what a contractor might or should achieve. The programme contains the known output of the past couple of months.

Previous Bovis programmes have always had alongside them a set of caveats—things that other members of the team must deliver to make the programme achievable. No such caveats are attached to the current programme. We are all aware that risks exist, but no major stumbling blocks must be overcome to achieve the programme.

**The Convener:** If I understand you, your answer is that we are further on with the project, so you know more about the contracts that have been let, and that your information from Bovis and DLE is that fewer external factors than before could increase costs. Is that a fair summary of your answer?

**Sarah Davidson:** That is correct.

**Kate Maclean (Dundee West) (Lab):** If BLL cannot complete programme 7B on schedule, I presume that more cost increases will be incurred.

**Robert Brown:** That is absolutely the case. That is why it is so important to focus on the programme.

**Kate Maclean:** Can the committee have any idea of the maximum cost increases? At an early Finance Committee meeting, I plucked a figure from the air and jokingly—well, not jokingly, because the situation is not funny—asked whether we would go beyond £500 million, which I could not be given a guarantee about. I thought there was absolutely no prospect of our reaching that figure, but now we are up to around £430 million. If BLL does not complete on time, what is the maximum that the building could cost?

**Robert Brown:** I understand why you are asking the question, but it is almost impossible to answer. If the building is completed on time, which we are focused on, the cost will be somewhere in the region of what we are talking about just now. If it is not, the cost depends on how long the delay is, the reason for the delay, who is involved and all that sort of thing. We just cannot answer the question.

**Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP):** The letter from the Presiding Officer states quite clearly that if the date of July cannot be achieved, entry could be delayed until 2005. I would have thought that the cost rises in that event would be massive. I just wanted to probe—

**Robert Brown:** I just want to make a brief point to put the issue in context, if I may. It is important to understand that the first issue is construction completion and the second issue is the physical entry at a time convenient to the Parliament, which is why the summer recess is so important. When we talked about 2005, we were not suggesting that there is a likelihood of the project going on until any such date.

**Fergus Ewing:** We will see. I am just reading from the report, which also says that snagging will be carried on until August. I would have thought that it was difficult to occupy a building in which snagging was taking place. I turn to the advice that the cost consultants have given. If I may say so, the answers to the convener seemed to be from a master of ambiguity and were not the sort of open and straightforward answer that people in Scotland want. Last week, when Mr Fisher was giving evidence to the Fraser inquiry, he stated that 49 out of the 92 packages for the Parliament have yet to be completed. He described that figure as "exceptional" and went on to say:

Prolongation is far greater in this project today than I have ever seen in any project before."

He revealed that 1,200 workers were still on site—a figure he described as "exceptional", given the finish date for the building.

That is evidence from last week to the Fraser inquiry, which is getting at the truth, about the views of the cost consultant. It seems to me that Mr Fisher is a careful man and has been careful to give his advice clearly at all stages, which has been kept secret at various points; that is a demonstrated fact, because his advice was kept from the public in 1999 and 2000. My question is simple: has Mr Fisher offered advice regarding whether programme 7B is likely to be completed by July and if so can we and the public see that advice?

**Paul Grice (Scottish Parliament Clerk and Chief Executive):** It is not Mr Fisher's job to advise on the programme. John Home Robertson can explain what goes on in Holyrood progress group meetings, which I do not attend; perhaps Mr Fisher is part of a round-table discussion. Hugh Fisher would be the first to say that we have been really quite strict on this. Cost consultants will say, "Give us the programme and we will tell you what we think it will cost." That is what has happened here. I do not think that you would get Hugh Fisher to give you a professional view on whether the Bovis programme is achievable, because he is a quantity surveyor. He would properly say that that was a matter for programmers and would therefore put the question back to Bovis.

**Fergus Ewing:** I just want to be clear about this. You tend to talk in the general rather than the specific when you give your answers, Mr Grice. We are interested in the specific. Specifically, you are saying that Mr Fisher does not generally give advice. Will you confirm, specifically, that no advice has been received by the Scottish Parliamentary Corporate Body, by your office, by the HPG or by the project director regarding whether the July date is likely to be achieved?

**Paul Grice:** I can tell you specifically that Mr Fisher has not given me such advice, if that is helpful.

**Mr Home Robertson:** We took evidence from Hugh Fisher as well as from Alan Mack, the construction manager, and the design team yesterday at the Holyrood progress group meeting. Alan Mack spoke to the programme and gave us an account of how the packages are progressing in accordance with the programme. Hugh Fisher, on behalf of Davis Langdon & Everest, spoke to the costs, which is his job. The evidence that we heard yesterday is that, as you have said, the site is busy and a lot of work is going on but, in accordance with what has been

achieved to date, with the window fixing and the cladding completion, the July date can be achieved and it is our intention that it will be achieved to enable the Parliament to flit in the summer as planned.

13:00

**Fergus Ewing:** So Mr Fisher has not given the HPG, the SPCB or the project director any advice as to when the project is likely to be completed or, in particular, as to whether the July deadline will be achieved.

**Mr Home Robertson:** That is not his job.

**Fergus Ewing:** It may not be his job, but I am just asking whether or not that has happened.

**The Convener:** If it is not his job, then that will not have happened, Fergus. The Presiding Officer's letter makes it clear, when it says:

"Bovis presented revised programme 7B for the completion of the Holyrood campus by July of this year."

That is Bovis's job. The cost consultants have estimated the extra costs as £20 million to £25 million, and that is their job. It seems relatively clear what the allocation of responsibilities is in this instance.

**Fergus Ewing:** I understand that, convener—although normally it is the witnesses who answer the questions. It might not be his job, but Mr Fisher offered views to the Fraser inquiry last week, which clearly indicate, if one thinks about what he said, that the proposition that we are going to complete the project by July is extremely ambitious. Reading between the lines, judging from what he has said on the record, that is unlikely to be achieved.

**Robert Brown:** It remains the fact that it is not Mr Fisher's job to give us estimates or things on which we rely as far as the programme is concerned. That is the bottom line.

**Mr Home Robertson:** What Hugh Fisher has said is that if the programme had to be extended, it would cost more. It is our intention that that should not happen.

**Fergus Ewing:** Has Mr Fisher produced cost estimates that we have not yet seen?

**Mr Home Robertson:** No.

**Dr Elaine Murray (Dumfries) (Lab):** Presumably Bovis has advised you that the project will be finished in July. How confident can we be that Bovis is correct? There is a feeling that—

**Mr Home Robertson:** As I have said already, Bovis is expressing great confidence. My anxiety is that I have heard similar expressions of confidence from it in the past.

**Dr Murray:** Yes—Bovis has always been confident in the past, but we have had reason to dispute that confidence.

**Mr Home Robertson:** However, we are so much further down the line now that Bovis's assurances are, frankly, more credible.

**Dr Murray:** Can I move on to—

**Robert Brown:** May I make an observation, if you do not mind? We are not professional managers; we rely on those who work for Bovis, who are, and who are paid to give that guidance. Therefore, that is the best guidance and advice that there is. Whether it proves to be reliable remains to be seen but, because of the progress of the contract, we are much more confident that the deadline can be achieved than we have been at earlier stages.

**Dr Murray:** Let me move on to the advice that you have received from the cost consultant regarding the additional £20 million to £25 million. That increase has appeared despite the fact that prolongation happened a while ago. Four weeks ago, we were told that the project was on target at £401 million. Now, it is suddenly £430 million. That is not just a matter for regret; it is a matter for extreme frustration for everybody involved.

How much detail has there been with regard to the advice that has been received? We have a table in front of us indicating that another £3 million will be required for "Assembly Windows". That comes on top of the £9.75 million of overrun that there has already been. There is another £2 million for "Specialist Glazing". Again, that is above the £8.6 million by which spending for that has already overrun. The entry for "Zone 1 Fit Out" shows another £3 million. That budget has already overrun by £7.725 million. What detailed information have you had to show that those figures are now accurate? How have the figures been calculated? I do not feel that we have had information. The figures look as if they have just been plucked out of the air, to be honest.

**Robert Brown:** I will ask Sarah Davidson to deal with the background to how the costs come forward and how they are dealt with in relation to the points that you raise.

**Sarah Davidson:** There is a distinction to be drawn between the different figures. First, there are the figures that are listed in the annex to the letter as draw-downs from risk. Those are risk figures that were already predicted by the cost consultant back in August as likely to be required for the various packages, and which are now being drawn down into commitment. What is being reported this time, over and above that, is the impact of the slippage and disruption to the programme: that which has already happened over the past couple of months and which was touched on in the Presiding Officer's letter of January, and that which is anticipated over the coming months.

If Hugh Fisher were here, I think that he would say that there is a limit to how scientific risk estimates can be at this stage. The cost consultant takes the programme that is given to him by Bovis—programme 7B in this case—and examines the lines of work that it contains for every single individual trade contractor. He does that in the knowledge of how much each trade contractor pays his staff, what his overheads are and what Bovis's requirements are for the numbers of men to work on different jobs at any one time. He will also take into account what he deems to be reasonable. If he knows that Bovis requires a particular contractor to have 10 men to do a job, then he will be sceptical about anything more than that. He then considers what the programme requires of that company and comes up with an estimated sum of what that company will have to do in order to deliver the job.

Obviously, by this stage in the project, that is being done with a lot of background information not only on the trade contractor but on the trade package's interfaces and relationships with the other trade packages around it. From that point of view, it is quite a well-informed estimate. However, an estimate is all that it is, as is the case with the figures that are moving from risk into commitment. In the final analysis, all these sums have to be proved beyond any reasonable doubt. The package contractor will prove them to the cost consultant, who acts on our behalf in that regard and who will then prove them to the project team. We come to firm numbers only in the settling of the final account. As you rightly note, the figures are spuriously rounded at the moment. In the final analysis, they will not be nearly as neat as that; they will not be rounded to the nearest hundred.

**Dr Murray:** I am not particularly concerned about the spurious neatness at the moment—things seem to have been so inaccurate that that must be the least of our concerns. I am concerned about something else. We are told that the sum will be £20 million to £25 million yet none of us have any idea how that figure has been arrived at. Nothing that has been presented to us suggests why it is suspected that those extra costs have arisen. I feel as if we are being asked to nod something through on the basis that it is only another £30 million and we will probably get in by July or August, although we might not, of course. I feel that we are all being softened up to prepare us for more delays and expense. I do not have much confidence in this at all.

**Sarah Davidson:** Part of the difficulty in breaking down in any public way the increase at this point is that it concerns only a small number of packages. The vast majority of the 49 packages to which Mr Ewing alluded earlier are not attracting additional costs. I think that about six packages have a significant amount of disruption and



prolongation. Obviously, we do not want to disclose those figures to the contractors involved at the moment. The project team has received from DLE a breakdown of the particular problems relating to each of the key packages and an explanation of where the additional costs have come from. We are privy to that commercially sensitive information while the argument is being had with the trade package contractor.

**Dr Murray:** So all the Finance Committee can be told is that we have to trust you when you tell us that we have been told the truth this time.

**Robert Brown:** That has always been an issue. We have had some discussion previously about the balance between public knowledge and commercial confidentiality. The main object of the exercise is to deliver the project with as much concern for economy as we can manage. At the end of the day, we have to rely on our professional advisers to do that—that is what they are paid to do. The issue is one of timing. At this stage, it would not be helpful to the project or the financial interests of the Parliament for us to discuss publicly the information to which Sarah Davidson referred. I know that this is a difficult issue, but we have to take a line on it.

**Margo MacDonald (Lothians) (Ind):** I am interested in the 43 other packages that Sarah Davidson mentioned. As far as you know, Sarah, they have not accumulated any extra expenditure. Is that correct?

**Sarah Davidson:** Yes.

**Margo MacDonald:** I appreciate the notion of commercial confidentiality. It has been alleged that—perish the thought—some contractors might feel that they have you over a barrel, given that we have told them when the Parliament has to move to Holyrood and so on. Can you give us an idea of what the packages are? What sort of work are we talking about?

My second question relates to annex A, the financial summary. I might not be reading this correctly but it seems as if we are going to have the classiest toilets in town. As far as I can see, £500,000 is being drawn from the construction reserve and the programme contingency for “Toilet fit-out”. However, you must have planned to fit out the toilets.

**Sarah Davidson:** I just want to be clear about the first question. Were you asking which packages are the ones with particular problems?

**Margo MacDonald:** You said that only six of the 49 outstanding packages were causing problems at the moment.

**Sarah Davidson:** I can say where the packages that are causing problems are. The key problem is in what we call the envelope of the building—the

cladding of it. There have been problems, which has been well rehearsed before the committee and in other places, about the fitting of the windows. The problems go right back to changes to the window structure that were made in response to bomb-blast requirements and the strengthening of the window sections, which has meant that not only is the window itself a different creature from what was envisaged originally but the way in which it is put into the building is quite different. A company that started off with a relatively small contract is now doing an enormous piece of work, the programming of which has been complex, and dialogue between that company and Bovis has continued throughout.

As you will know from what the outside of the building is like, the windows and how they sit have a direct relationship with the granite cladding around them and the big, black, granite trigger panels that go on. The tolerances of those and the relationship between them all have to be exactly right and that has turned out to be an enormously complex enterprise, which involves numerous adjustments to scaffolding and so on. In the first place, that is where the problems are, but it has a knock-on effect in that until we get all that right in all the areas, we are not wind and watertight, which means that the fit-out packages cannot proceed safely in all areas, because of the risk of water damage. That is broadly where the problems are in packages that are to do with the envelope and the follow-on trades both in services and in the interior fit-out.

**Margo MacDonald:** I want to ask a question at this point—I will come back to the toilets. If the problem is in the marrying of the different materials, such as marrying the different specifications of the steel, aluminium or whatever metal of the windows with the inside stone and the outside cladding, was it not up to the designers to get that worked out a while ago?

**Sarah Davidson:** It is up to the whole team to get those things worked out, but the problems that we have encountered latterly have largely been logistical and are to do with getting things on the walls. That is something that Bovis has to programme along with the specialist contractors and the people who are responsible for scaffolding and cranes. It has been a hugely complex task.

**Margo MacDonald:** Sorry, with all due respect, I understand that it is complex and I am not a builder. Even I can work out that there should have been some forward planning to cope with that. You are saying that it is the reason for the prolongation and therefore the greater costs and all the rest of it. You have had a while to think about it.

**Sarah Davidson:** Obviously from the very beginning and all the way through a buildability

plan was being developed for how all the different components were to be put together, particularly where there were different trades interfacing in the way that you described. Bovis has been telling us that it has been much more difficult for it and the trade contractors than it anticipated. In due course we will have to take a view on whether that was reasonable.

**Margo MacDonald:** You said the most important thing last there. We have to consider whether it is reasonable to expect the client to say, "We appreciate that this is difficult, so it will cost a lot more money that you didn't tell us about."

Tell me about the toilets please—the £0.5 million unexpected expenditure.

**Sarah Davidson:** There have been a number of adjustments to the toilet package, on which the progress group received a report a few meetings ago. I do not have the report with me, so I cannot remember off the top of my head what the adjustments were.

**Margo MacDonald:** If they are not gold taps, you are in trouble.

**Sarah Davidson:** It is a site-wide package; there are a lot of toilets. We can certainly provide the committee with a report on the adjustments.

**Margo MacDonald:** I used the toilets as a example, because unless someone is an expert, when they read phrases such as

"Risk draw n dow n from 'Construction Reserve'"

and

"Risk draw n dow n from 'Programme Contingency'",

they do not know whether that indicates a good and prudent management of the finances or whether you are just covering your back.

**Sarah Davidson:** What I can tell you is that in the list of draw-downs given in the February report, almost every, if not every, draw-down is specifically to do with prolongation and delay and not to do with changes in design or changes in specification or putting in something that was not there before. The only way in which we can verify in due course that that is not back covering on the part of cost consultants or anybody else is by ensuring that the documentation that supports the claim for payment for final account justifies every penny of the money that is here.

13:15

**John Swinburne (Central Scotland) (SSCUP):** Do the witnesses agree that we are fortunate indeed to have George Reid taking command of the situation, given the shambles that he inherited from his predecessor? At long last we have someone who has a concrete way ahead in

tackling the shambles, which is the best word I can use to describe it.

We are talking about the overall cost of the building. There is no doubt in any intelligent person's mind that by 2006, when the final invoice is authorised to be paid, you will be looking at £0.5 billion. There is no way to escape that. We are talking about having cost consultants, but it is not cost consultants that we need. Even at this late stage, we should be bringing in cost reduction consultants and efficiency experts to try to get the job done more properly than you are succeeding in doing. All you seem to be interested in is the opening ceremony. You are saying, "Let's get this and have a big showpiece," and all the rest of it. We should be hanging our heads—

**The Convener:** Come on, John, you have to ask a question.

**John Swinburne:** I am asking a question. We should be hanging our heads in shame, rather than worrying about an opening ceremony. Would the witnesses agree with me that the figure of £0.5 billion is more accurate than the figures that are currently being bandied about?

**Mr Home Robertson:** Was there a question there, convener?

**Robert Brown:** Most of that was a statement. I refute entirely what Mr Swinburne said about the difference between the previous Presiding Officer and the current one. The reality is that the corporate body, which has been in charge of the matter and of which the Presiding Officers have been the chair, has done its best with the project throughout. There comes a time when it is possible to reach agreement on capping the architects' fees and so forth. We have been able to do that in this session, which would not have been possible further back in the project.

As far as the final cost is concerned, I have already answered the question. I have nothing additional to say to Mr Swinburne on that. He can speculate if he likes but I am afraid that he will have to wait until the final figures are through. However, we are getting increasing clarity as matters go forward.

**Mr Ted Brocklebank (Mid Scotland and Fife) (Con):** Perhaps it is because I share Margo MacDonald's slightly lavatorial sense of humour, but I would like to pursue the matter of the toilets. I, too, noticed that £0.5 million had been moved into the budget from the various contingency areas for toilet fit-outs. Is that £0.5 million contained within the figure that we have, which is approaching £3 million for toilets?

**Sarah Davidson:** The £3 million being the figure that was contained in the more substantial report that I passed to the committee last time.

**Mr Brocklebank:** Yes.

**Sarah Davidson:** Yes, it is contained within the £3 million.

**Mr Brocklebank:** I looked at the original figure for toilets for the building, which came out at £934,963. The figure is now £2.9 million, which is three times more than was estimated for toilets alone. I know that that is over the whole period. Some of us have been fortunate enough to go down and see interior parts of the Parliament. I probably would not disagree with Robert Brown when he says that we perhaps have something to be proud of down there, but being proud of it is one thing. In the toilets, the water switches on automatically, the lights go on automatically, the mirrors come out from the wall and are backlit and so on and so forth. Has somebody gone a little bit mad in designing the toilets? Was that all assumed?

**Sarah Davidson:** On the last point that you make, the lighting and the water are all part of the general approach of trying to be environmentally sound. That is environmental good practice in a building.

**Mr Brocklebank:** Was that included in the £934,000?

**Sarah Davidson:** Environmentally sound practice was included within the user brief for the building, so any tender estimate that was initially made for toilets should have taken that into account. However, you are absolutely right. The toilet fit-out package has concerned the project team and the progress group and for that reason a report on the package was asked for, which broke down all the amendments that have been made over time and costed them, and also set out clearly the cost of delay. I do not have that information to hand today and I cannot remember the exact balance of figures off the top of my head; however, a very substantial proportion of the change in the overall cost of the package is down to site-wide delay, for the same reasons that all the rest of the fit-out has been delayed.

There have been other items, some of which respond to comments from disability groups about the requirement to make the toilets accessible in line with the latest good practice. However, I do not rule out other issues. We have had a great deal of concern about that package, which I am quite sure is one of the packages that the auditors will examine particularly closely to ensure that the changes were justified and could not have been known about when the tender was put together.

**Mr Brocklebank:** We have a major manufacturer of toilet porcelain, urinals and so on in Scotland. Was that company given an opportunity to quote for the toilet ware in the toilets?

**Sarah Davidson:** To the best of my knowledge, anyone and everyone was given an opportunity to quote.

**Mr Brocklebank:** Can you confirm that the contract went to a European firm rather than a Scottish firm?

**Sarah Davidson:** Off the top of my head, I cannot remember which company has the contract for toilet fit-out, but I will confirm that. The information will be in the cost report.

**The Convener:** We can get that information in writing.

**Mr Brocklebank:** It would be useful to have the information in writing, but I am still slightly aghast. I can understand that certain things might go somewhat over cost—without wanting to be too lavatorial, I can understand that bomb blasting would require certain adjustments to be made in certain places—but I still find it unfathomable how the cost of toilets could go up from under £1 million to £3 million. From what I hear anecdotally, the cost will not stop there but will be nearer £4 million by the time the toilets are finished.

**Mr Home Robertson:** Ted Brocklebank makes a good point. As Sarah Davidson said, that point has been raised in the Holyrood progress group. The way in which the figure has escalated and the fact that the package has become so complicated are extremely worrying. We have been doing some work on that.

**The Convener:** Perhaps we could be provided with a written response to the issues that Ted Brocklebank has raised about which company was awarded the contract and the procedures for that. It would also be useful to be given a specific explanation of the growth in the cost of the package.

**Ms Wendy Alexander (Paisley North) (Lab):** I want to make two points, one of which is technical and the other more general.

Before asking the technical question, let me say that I greatly welcome the Presiding Officer's letter of 24 February 2004, which is provided in annex F of our papers. However, given that we are meeting today, it is slightly awkward that he says that the contracts will arrive in the Scottish Parliament information centre only

"by the end of this week",

which is tomorrow. That is not helpful, but I understand that there is huge pressure on the team.

I ask for clarification, which could happily be provided in writing, of the final page of George Reid's letter. Under the heading "Architects' fees", the Presiding Officer acknowledges that an unusual clause was agreed in the contract with the

architect. Can we get clarification about when that clause was agreed and when the whole contract was signed? That may indeed have happened before the Presiding Officer took over, but we cannot establish that just now because the contracts will not be placed in SPICe until later this week. It would be helpful to have clarification either here or in writing afterwards.

**Paul Grice:** The clause was included at the time that the contract was let. The contract is based on the standard Royal Institute of British Architects contract, although I understand that this clause was a standard Scottish Office clause that was routinely added into the standard RIBA conditions. Obviously, the clause gives the client slightly more protection as it does not give the architects an opportunity to revisit and dispute cost valuations on which different levels of fees have been agreed. The clause has actually been quite useful to us and has been applied throughout the duration of the project, but it was something that we inherited.

**Ms Alexander:** Fine. That is helpful.

The more general point that I want to ask about is the risk assessment going forward, as that is clearly the territory that we are in now. Obviously, the desire to have an on-going risk assessment that parallels the project dates back at least to the Auditor General's report in 2000, so I assume that there is such a risk assessment covering the likelihood of completion by the summer—although I understand that, given the requirements of commercial confidentiality, there may be a secondary issue about whether it is appropriate to make that public. Therefore, my first question is whether there is such a risk assessment at the moment and whether it contains a calculation of the probability of completion in the summer. I am not asking you to tell us what the calculation is, but does such a risk assessment exist? Does it quantify the likelihood of completion in the summer?

**Sarah Davidson:** The figures that are reported today are the outcome of the cost consultants' review of what they call the package risk register. That review is now carried out by the cost consultants very frequently—more frequently than was previously the case. It takes the form of the current pricing of risk, which has been done ever since the Auditor General's 2000 report, as you rightly say.

DLE allows for some contingency money in relation to the risk of not hitting the dates that are in the programme. The addition is in a range of £2 million to £4 million and is on top of some contingency money that was already sitting within the programme. On this occasion, the cost consultant has not projected any further ahead to say what the implications would be if we missed

the deadline by one month, two months, three months or whatever. He has not done that in relation to the previous two programmes. My understanding is that that is largely because of the greater certainty associated with the programme. I have not yet discussed with him whether he thinks that, now that the programme is up and running and the trade package contractors are working with the new programmes, there would be any value in having a whole-team, round-table risk review to assess the threats to the programme, how well they are understood and how well they are likely to be managed. I will take his advice and that of the construction manager on whether it would be appropriate to do that in the coming month.

**Ms Alexander:** I understand what you say about the assessment of risk for individual packages. One of the two risks that are involved relates to the cost of individual packages, but what has bedevilled the project is the highest-level risk, which has two dimensions: cost and completion date. I accept that all of the figures are stated within an envelope that assumes that the project will be finished this summer. However, as part of the overall risk assessment, and given the number of packages that are still outstanding, an assessment must be made at a high level—not at the level of every individual package—of the likelihood of hitting that June target.

I do not expect to receive an answer today, but I would like the Scottish Parliamentary Corporate Body to say whether an overall risk assessment of failure to hit the completion date has been conducted, in percentage terms. Will the SPCB discuss that? I do not expect the SPCB to share it with us if it exists, but I would like to know whether it exists.

**Paul Grice:** There is an on-going exercise that examines how we are going to get into the Parliament and which marries the construction programme and the migration programme. There are something like another 54 contracts for various services in Holyrood. Around 49 of those have been let and the remainder will be let by the end of next month. Bringing those contracts together will be a complex exercise and deciding when to activate them in the light of the uncertainties of the programme has been an enormous challenge for parliamentary staff.

We do not talk in terms of numbers or percentage probabilities. Bovis tried that some time ago in an attempt to be helpful, but it turned out to be unhelpful. Instead, we think of scenarios and ask how we would cope if one part or another of the programme moved out of schedule. That on-going process will remain closely monitored. Every week, I sit down with the Presiding Officer and several key advisers and assess our progress

against various milestones and make adjustments. I hope that you take some reassurance from that. We also feed into that process any programme information that emerges from the project team, as that continues to underpin everything.

**Ms Alexander:** I will not pursue this line of questioning further. I accept that a degree of commercial sensitivity surrounds the idea of completing the project in time and that you are not anticipating scenarios of non-completion. That said, I think that it will be important that the progress reports that the SPCB gives the committee in the coming months cast a little bit of light on what those scenarios might be and where we are in relation to them. I will leave it to the SPCB to decide exactly what to do in that regard. My point is that it creates a false impression if we are spending our time micro-managing the risk associated with detailed sub-packages when there is a higher-level risk about which scenario will prove most likely over the coming months. The SPCB might want to reflect on the way in which it reports to us on those matters.

13:30

**Mr Home Robertson:** In the figures that you have before you there is £2 million to £4 million of non-allocated contingency funds to allow for accelerated working where necessary. That is there so that, where it is physically possible, and where it would represent value for money for the Parliament, we could speed up some bits of the work to ensure that we achieve the target end date.

**The Convener:** Can I just be clear, though? To pursue Wendy Alexander's point a wee bit further, are all the figures that we have and all the risk estimates that you have been talking about absolutely centred on the idea that we will be in situ in September? Is that the core basis on which you are proceeding? Is the commitment that you are giving that that must be delivered?

**Mr Home Robertson:** We want everyone to be focused on that.

**The Convener:** I just want to be absolutely clear about that. I think that Paul Grice suggested that a number of the service contracts that are likely to be let in March are based on that assumption. In other words, more financial commitments are likely to be made on the basis that your underlying assumption will be reached. Therefore, you will have to be absolutely clear—if not at this point, when the contracts are let—that the target will be delivered. I just want an assurance from you that the only way in which those service contracts will be let and further costs committed will be on the basis of absolutely robust evidence that the target date can be delivered. On the other side of that,

do you have any ballpark estimates of what the cost might be if you are forced to abort making those decisions and go for a much later date of entry?

**John Swinburne:** Further to that, are there any penalty clauses, so that if we do not deliver by the September break we can claw back some of the money?

**Paul Grice:** To deal with the first point, we have been aware for some time that one of the real difficulties has been marrying the service contracts to the programme, because of the movement in the programme. A year or more ago, we set upon a strategy of having as much flexibility as possible in the activation dates for contracts, because our procurement team spotted the potential difficulty early on. We have managed to let all the contracts with a degree of flexibility.

While 49 of the contracts have been let and the other five are close to being let, what matters is when the contracts are activated and go live. We will have to make a judgment, and the corporate body will be invited to make a judgment on when that will be. I will be looking to make that happen absolutely as late as I can, because the later we leave it, the more likely it is that we will get it right. However, some of the major contracts, such as catering, need a certain amount of time to get the people in, trained and working. Other contracts have key equipment issues.

We are progressing contract by contract. Where a contract has a long run-in time we will have to consider it first. We will go to the corporate body, examine each contract and let it as late as we can—indeed, we have discussed that with the corporate body already. However, we must not jeopardise contracts' ability to deliver the service that we want. We have a pretty sophisticated approach to that.

Broadly speaking, the crunch point starts to come in late March and early April. By then, we will have to start letting some of the bigger contracts; others we will let later. On each occasion, we will consider not just the overall programme, but the element of the programme that affects that service. Slippage in one area of the programme might not affect another area. With catering, the key is the kitchen areas and various power and other issues. We will look at that for each contract. We have a good grip on that and so far we have managed it successfully, but of course it is a huge challenge. Fundamental to it all is the timing.

I am afraid that I cannot give you a precise answer to your second question. I know that the Presiding Officer probed what might happen to cost if the date moves beyond what is planned, but I do not think that the cost consultant was

prepared to put a figure on that. He did confirm something that Robert Brown has already said, which is that it would cost more—which I think is perhaps to state the obvious. The cost consultant could not give the Presiding Officer an estimate of the cost.

**The Convener:** I suppose that, in a sense, we are saying that that is not only the critical path but the only path to hold the project within even the broad parameters of the cost estimates that you have. We have to deliver on it.

**Paul Grice:** The Presiding Officer has taken an absolutely determined view that we must get in. None of us is pretending that we can guarantee that, much as we would love to—it would be nice to be able to sit here and promise that but that would not be an honest response. There is no doubt that the Presiding Officer is absolutely focused on the summer; he is not focused on any other time. He believes that we have to give that everything—and I think that the progress group and the corporate body back him 100 per cent. We must not fail because we did not commit ourselves to it. That is our position.

**The Convener:** Fergus Ewing wants to ask a specific question about architects' fees, after which I will bring in Jim Mather.

**Fergus Ewing:** Given what Mr Grice has heard, it occurs to me that if the July date is not met—I get the impression from the witnesses that in their heart of hearts they do not think that it will be met—the question will be whether the money spent on acceleration has been wasted and, if so, how much has been wasted.

I have a specific question regarding clause 1.5.4a of the contract—an unpriced copy of which is available and has been in SPICe for a while—which I think was inserted at the instigation of Mr Armstrong before he was pushed. It states:

"Any Consultant who is domiciled or has his/her registered office outside the United Kingdom must include the travel costs to the United Kingdom in his/her percentage fee offer."

I believe that the background to that was that Mr Armstrong felt that it would be unfair if any architect outwith the UK was able to add travel expenses to fees and thought that any architect—ultimately it was Mr Miralles with the joint venture company—should pay his own travel expenses.

My question is in two parts. First, has the clause been applied? Secondly, if it is the case, as I am informed, that on some occasions, consultants and others had to travel to Barcelona because Mr Miralles did not come to Scotland, who paid for their travel costs? Was it the taxpayer?

**The Convener:** I just want to be careful. Is that a question for us?

**Fergus Ewing:** It is a question about the cost of the Holyrood project. I thought that that is what we were here to get at. Perhaps I have been labouring under a misapprehension. We have the witnesses here and I have asked a serious question. I would be concerned if any money had been wasted in paying for travel costs other than strictly in accordance with the contract. I am bound to say that many other people outside this room would be concerned as well. It may be that the witnesses cannot answer the question today, but I hope that they will answer it pronto.

**Robert Brown:** It is a serious question, but it is a question for the Audit Committee rather than the Finance Committee. I certainly cannot answer it today and I very much doubt that my colleagues can. The issue should be taken up through the Audit Committee or the audit process.

**The Convener:** The question has been taken up by the Audit Committee and will be answered properly in that way. With great respect, Mr Ewing, I do not think that we should encroach on the function of another committee.

**Jim Mather (Highlands and Islands) (SNP):** I refer to annex A. What steps have been taken to analyse at a reasonable level of detail the reasons for movement in individual trade packages under the specific headings of original agreed adjustments to the original cost, inflation, subsequent approved changes and final cost overruns? What has been done to document that?

**Sarah Davidson:** Within the project team and Bovis, to whose records we and the auditors have full access, there is a file record of every single change order that promotes or enacts a change, all of which have to go through a process that involves all parties signing them off. The auditors are dragging themselves through the file record on the packages at the moment. In many instances, the story is long and complex, but the full record is there.

**Jim Mather:** Will it subsequently be published?

**Sarah Davidson:** Do you mean what the auditors are doing or the documented—

**Jim Mather:** I mean the documented report. The bill of materials that explodes each of the reasons.

**Sarah Davidson:** We have not considered that specific question. There would be an enormous amount of paper to publish and I suspect that much of it would be open for examination under freedom of information legislation anyway. The record of everything that has happened under the budget is the Parliament's property and, after the final accounts have been confirmed, I do not imagine that any of the information will be covered by commercial confidentiality rules.

**Jim Mather:** To move on from that specific point to a more general one, as you move along, is anyone documenting the lessons that have been learned about project management and about this particular style of project?

**Sarah Davidson:** We feel that we have been entirely taken over by people who are trying to learn lessons from the experience. After the project has been completed, one of the tasks for what will remain of the project management team will be to draw together an end-of-project report on exactly that issue. I am sure that the report will be heavily informed by the conclusions that are reached both by the Auditor General for Scotland and by Lord Fraser.

**Jim Mather:** Will the report be written in terms that will enable it to be a constructive, workmanlike road map for people who come after you to run similar major public sector projects?

**Sarah Davidson:** In so far as I can respond to that, we have a duty to ensure that it is, otherwise the document would be fairly worthless.

**Margo MacDonald:** I offer a bit of advice. I appreciate that it is difficult to quantify the risk of a programme overrun of one or two months, as Wendy Alexander tried to do. However, bookies in this town are giving odds on that sort of question. The public relations people whom you employ to help the team should have a mind to that. You cannot be absolutely accurate about the cost, but you should try to identify for people a ballpark figure of the possible cost if the July deadline is not met.

You have told me before that you cannot give out that kind of information, because that would give contractors an edge, but we are past that now. It is imperative that we get into the building, because the costs will rise exponentially if we do not—we would need to talk to the Church of Scotland and heaven knows what. I know that you are accountable to the Finance Committee just now, but you have a public duty to have a mind to how people outside these walls regard the situation and to produce some sort of estimate. Paul Grice said that he would be better able to give us the information at the end of March. That is fair; if Bovis provides you with a weekly report, you can pick up on which of the 49 packages—not, I presume, 54 packages—might be slipping a bit. You could give us a wee bit more information of the sort that might help to reinstate our status in the eyes of the people who are paying for all of this.

**Robert Brown:** Margo put her finger on the issue when she made that final point. If a delay were to arise, the cost would really depend on why the delay had arisen, in which part of the site and the effect that the delay would have on the other

people on the site. That would become clearer, as other things will become clearer as we progress. However, I honestly do not think that it is of particular public or other advantage to speculate about that now—the position would depend on the section where people were held up or whatever the problem was. The answer must be that we are focused on trying to complete the building by June or July, so that we can get in and get on. That is the central issue, and we should not be diverted from that. I do not think that speculative issues—which are really what we are talking about—much advance the sum of human knowledge on the matter.

**Margo MacDonald:** Let us agree to disagree on that.

**Kate Maclean:** We have been meeting for months but, whatever question we ask, the answer always seems to be the same: “The building will be finished when it is finished and it will cost what it costs.”

I will make a couple of observations, to which I would like a response, in relation to what Margo MacDonald said about the toilets. There has been a significant increase in their cost, from less than £1 million to more than £3 million, or possibly as much as £4 million. John Home Robertson said that that was a concern, so the figure had obviously jumped out of the page. I am concerned—not for the first time—that the witnesses do not have information to hand. Obviously, I do not expect the witnesses to trundle up the Royal Mile with a wheelbarrow with every piece of paper in it; that would be impossible—

**Robert Brown:** Technically impossible, I think.

**Kate Maclean:** However, it would be sensible—and courteous to the committee—for the witnesses to have to hand information on matters about which they might guess that the committee will question them.

I have a specific question about one of the points that Sarah Davidson made. She said that the additional costs could be attributed to some of the disability groups, which highlighted possible new practices or improvements that could be made. I understand that accessibility groups have been involved in the project from day one. One assumes that their suggestions were built into the plans at an early stage. Although the Parliament building project has dragged on somewhat, it has not done so to the extent that there is a new era in aids and adaptations for public toilets.

13:45

It was decided in September 2001 to change the windows to make them bomb proof. I find it strange that that is being used, at the end of February 2004, as the main excuse for costs going

up and up and up. I would have thought that the dramatic effect of bomb proofing on costs would have been obvious before now, rather than its becoming evident a few months before the building is supposed to be finished.

Like Elaine Murray, I have no faith in the information that we have before us. Robert Brown said that the SPCB has done its best, but I would hate to see the predicament that we would be in if it had not done its best. Nothing would surprise me about the finishing date or final costs of the Parliament building project. It is unfolding like a tragicomedy, although I have to say, more tragi than comedy.

I will recap my main questions. Why do not the witnesses have more information with them with which to answer the committee's questions? At what stage were the disability groups' points taken on board? Why is something that was decided two and a half years ago still being used as an excuse for the escalation in costs?

**Robert Brown:** Can I make an initial observation on Kate Maclean's first point about the difference in price? It is obvious that we have been discussing this issue for quite a while. It is a question of the contractual method—we do not have a fixed-price contract. Against that background, and bearing it in mind that the contract was put in place by other people before we were on the scene, the initial pressing of the button had many implications. We are not in a position to do anything about those implications, given that the project is to be completed to finality. I ask Sarah Davidson to deal with the details of Kate Maclean's questions.

**Sarah Davidson:** On disability access, I do not want to give the impression that liaison with disability groups has caused the project to run late. Kate Maclean is right to say that there has been consultation of groups that represent disabled people and that a consultant on access issues has been employed from the beginning. The consultant's advice has informed the design of all the packages. I meant to imply that, because of that, the design team is particularly sensitive to ensuring that those issues are addressed. After the tender was put together, the toilet fit-out package was amended to introduce accessibility issues. We will ask in due course whether the team should reasonably have known about such issues when the tender was priced. If so, why were the issues not taken into consideration? Did the issues come on stream later, perhaps when representations were made about them? We do not yet know the answer to that question, which is perfectly legitimate.

Kate Maclean is right to say that some time has passed since the design of the windows was amended to take account of blast issues. The

most difficult issue relating to the windows has not been their construction, but the logistics of their installation across the site. It was originally intended that they would come in several pieces, but they now come in one piece that is manufactured off-site and they have to be transported around the scaffolding. During the process of installing them, the bulk of which has happened in the last nine or 12 months, BLL and their trade contractors have realised how difficult it is. Kate Maclean is right to say that we have known about it for a while.

**Kate Maclean:** Could not that have been predicted when the windows were being manufactured?

**Sarah Davidson:** Apparently, the advice that we have received is that that could not have been done. It is something that we will need to examine in due course.

**Mr Brocklebank:** I hope that the convener will guide me as I attempt to raise a matter that relates to a question that was asked by Fergus Ewing. I am aware that the convener suggested that Fergus Ewing's questions should be dealt with by the Audit Committee, rather than by this committee, which is responsible for consideration of the financing of the Fraser inquiry and for examining its costs.

Very shortly, we hope, Mrs Miralles will turn up at the Fraser inquiry to give her evidence. Can you tell us who is going to pick up her tab for appearing at that inquiry? Will it be in her architects' fees or will it be as part of the project?

**Paul Grice:** The corporate body has taken a firm line on that, not just with Benedetta Tagliabue but with all the consultants. It does not see itself meeting any additional costs that are associated with providing evidence to the Fraser inquiry.

**Mr Brocklebank:** Do we know if she is actually going to turn up?

**Paul Grice:** It is impossible to say. I would not want to give a guarantee on Benedetta turning up to anything.

**Mr Brocklebank:** Someone had suggested that to me.

**Paul Grice:** I understand that she is scheduled to appear in the next month or so.

**Dr Murray:** I was going to suggest that if you do not pay her she might turn up, but perhaps that would be a little bit flippant.

I would like to ask first about the problems that have arisen because of the cladding and internal and external finishes. Has that work been completed? If not, when will it be completed? When must it be completed to ensure that we can get into the building in September this year?

Secondly, I would like to ask about who is responsible for scheduling. A lot of the extra costs



have been because of out-of-sequence working. Who is responsible for scheduling out-of-sequence working? Is it Bovis? Many of us have been down at the Parliament recently looking at the offices, which I thought were great: I look forward to being in them, although I might not be elected by the time the building is open—

**Mr Home Robertson:** Oh, come on.

**Dr Murray:** I may never see it. When we were there, we were struck by the fact that there seemed to be large groups of people standing around brushing up puddles. I am not blaming the guys who were doing that, but I had a strong feeling that day that there is not much planning of the way labour is used. You said that there were 1,200 people on site. If their work is not co-ordinated, there will be a great loss of money because they will not be being used productively.

**Sarah Davidson:** The figures that we give in the papers that are before the committee today under the broad umbrella of prolongation could equally well be described as prolongation, disruption and non-productive working. We would not disagree at all with what Dr Murray says, but the way in which the building is being completed—because it is the only way in which it can be completed to programme—involves working that is, in many ways, not particularly productive, although it is highly programmed and highly scheduled. In other words, Bovis has to move people around the site in order to work on faces wherever they can, because it has not been able to proceed in the logical sequence that it wanted and which it originally programmed.

Part of the down side of that is that you do have people who are literally standing around from time to time. That is because, if you suddenly need them to do something, you can get them only if they are standing around waiting to be needed. As Hugh Fisher said in his evidence to the Fraser inquiry last week, that is the kind of dialogue that goes on between DLE and Bovis all the time; it is about whether or not the methods of working that are being used to achieve the programme are delivering value. I think that Hugh Fisher's conclusion was that, in terms of finishing the project, they are.

You are right to say that the contractors are not—in terms of how they are using labour—completing the work in the most economically efficient way, except for the one thing on which everyone is agreed, and on which everyone has agreed again today, which is that the best way to prevent costs from escalating further is to close down packages and get them finished. Bovis's advice is that, in order to do that, we have to have all those men on site and they have to be working in ways that are not always logical.

**Dr Murray:** What about the cladding, the internal finishes and the external envelope? Is that troublesome work complete or will it be completed in the next couple of months?

**Sarah Davidson:** It is very nearly there: 100 per cent of the windows have been handed over on towers 1 and 2 and more than 90 per cent have been handed over on towers 3 and 4. The contractors will start stripping the external scaffolding from all those areas around the end of March, by which point the envelope will be closed down.

**Dr Murray:** Will we know at that stage whether we are on target?

**Sarah Davidson:** Yes.

**Fergus Ewing:** I have two points that I hope will remain technical for ever. The first concerns the parent company guarantee. The witnesses—particularly Mr Grice—will be aware that I ascertained in January that no parent company guarantee had been secured, which would secure the obligations of Bovis by having the parent company agree to step in should anything untoward happen to Bovis.

I made representations to the SPCB to the effect that there was no good reason why a PCG should not be obtained and every reason why one should be obtained, given that Bovis Lend Lease is one of the biggest companies in the world. The contract states specifically that Bovis shall supply the parent company guarantee forthwith upon request. Therefore, my first question is: Will the parent company guarantee be obtained very soon and can Mr Grice estimate when that is likely to be?

**Paul Grice:** Can I first of all acknowledge that Mr Ewing raised that issue with me previously and that I was grateful to him for coming to discuss it with me. Indeed, that discussion helped to inform the advice that we put to the corporate body and which it considered on Tuesday. In fact, that was the second piece of advice. As a result, the corporate body decided that it would be right to pursue a PCG, which we are doing. I cannot give a timescale today, but I am happy to try to indicate a timescale to the committee once I have had a bit more feedback. The next stage, to be frank, would be for Bovis's lawyers and ours to engage in. Once that engagement has taken place, I ought to be able to give the committee a better estimate, rather than make a guess off the top of my head. I will be happy to do that.

**Fergus Ewing:** Another matter that has arisen is a technical one—at least, I hope that it will remain so—about the level of professional indemnity insurance; namely, indemnity cover for Bovis and for the architects, for example, in the event that there is a negligence claim or litigation. We have heard from Miss Davidson, I think, that it

is by no means impossible that there will be litigation. Under the contract, as I understand it, both Bovis and the joint venture company architects have to provide, and have provided, indemnity cover to a limit of £5 million per claim. That, of course, was in the original contract, when the estimated budget price was £50 million. In other words, the indemnity cover was 10 per cent.

Am I right that the level of professional indemnity cover per claim remains at £5 million, because that was the figure in the contract, even though the overall costs have risen, as we know, exponentially? I believe that to be the case. If that is so, are the SPCB and the chief executive concerned that if there is an individual claim—I could speculate now, but I will not—in excess of £5 million, the excess over £5 million would have to be recovered from the individual contractor, because the insurance cover would apply only for £5 million?

**Robert Brown:** Are you asking about Bovis and the architects in that connection rather than about the individual contractors?

**Fergus Ewing:** Yes.

**Paul Grice:** My understanding is that you are correct, Mr Ewing. Again, though, I would be happy to check that and if it is not the case, I will confirm that to the committee. As Mr Ewing rightly understands, I do not want to speculate at this stage. Action could be considered against anyone who has contracted with the Parliament and, of course, that is a very wide range of people. I would rather not say anything more at all on that at this stage, other than to reiterate a commitment that I gave previously to the committee on behalf of the corporate body, which is that we will look carefully at the issue and that we will do, in due course, whatever we regard as being in the Parliament's financial interests.

**Mr Brocklebank:** I have received the following piece of information since the beginning of the meeting, when I was probing about the cost of the loos. I have had information to the effect that the firm that is well known throughout Scotland as the country's major supplier of toilet fittings—Shanks of Barrhead—was not, in fact, invited to tender for the toilet facilities within the Scottish Parliament. Indeed, when Shanks approached the people involved, it was told that the deal had been done. That sounds extremely serious to me. I hope that you will consider that matter and come back to us with some kind of response.

**Paul Grice:** That obviously must date back to some time ago, but I would be more than happy to take up Mr Brocklebank's concerns. If there is anything we can say to the committee to shed light on that matter, we will certainly do so.

**Mr Brocklebank:** Thank you.

**Margo MacDonald:** My question is actually for the convener. We can infer that there may be questions as to how Bovis has macro-managed and micro-managed the works packages. We have been talking about that, but we are, obviously, dependent on Bovis's advice as to whether it has used the most cost-effective or the most time-efficient way of getting the job completed. Who decides at the end of it all? Is it the Auditor General for Scotland? Does he run his eye over Bovis's practices, or is there another consultant or a professional body? Who does it?

14:00

**Paul Grice:** Bovis, did you say?

**Margo MacDonald:** Yes. I may not have made myself plain, but we were talking about the balance that is to be struck between economy of construction and speed of construction. Bovis made a judgment call—because you said that we want into the building quickly—about guys standing around and so on. Who decided whether that was a good idea?

**Paul Grice:** The corporate body will ultimately have to make a judgment on all these matters. I am clear, convener, that I am not singling out Bovis or any other contractor although, as you know, we have a contractual relationship with a very large number of people. That is the nature of construction management.

It is the corporate body's call ultimately. It will be able to draw on any professional advice that it thinks is appropriate. If the Auditor General looks at the project—as you know he has already held two inquiries into the project, and is near the beginning of a third—any conclusions that he reaches will be taken into account by the corporate body. However, such matters are the corporate body's judgment, ultimately, and one of the matters that it will want to look at in the fullness of time is the matter to which you refer. The SPCB will be able to draw on any advice from its own professional project managers as well as any external advice, including from the Auditor General.

**The Convener:** So, in essence, you are saying that the corporate body makes that decision, and that the Auditor General's role will be to review that and other decisions in the context of retrospective analysis.

**Paul Grice:** Yes. You are right that, in due course, the Auditor General could also look at the corporate body's decisions on any future post-completion issue, but that is entirely a matter for the Auditor General somewhere down the line.

**Robert Brown:** We have sought guidance from the Auditor General on a variety of issues, not

necessarily on Holyrood. There is a more complicated interplay than has been suggested.

**Fergus Ewing:** Margo MacDonald raised a serious point, which was followed up by the convener. I make no judgment of the performance or otherwise of members of the corporate body, but is not there a case for recognising that as the corporate body is the body that decides solely whether or not, for example, to pursue legal action, and as it has been involved throughout in making decisions on the project, it could be seen to be marking its own exam paper; that is, judging its own work? There is a potential conflict of interests that could put members of the corporate body in a potentially difficult situation in respect of some particular examples, which I could go into, although perhaps it is better that I do not at this stage. Just as we have a Holyrood progress group, is not there a case for having a committee—perhaps a resolution committee—that is entrusted with advising the corporate body and giving it a separate view on how issues such as potential litigation, for example, should be pursued? Is that something that we could consider before we go much further?

**Paul Grice:** The corporate body is a legal entity. There are individuals on it at any one time, but the corporate body is the corporate body, whoever is on it, and the corporate body legally must make those judgments. It is legally the client under the Scotland Act 1998—subject, of course, to direction by Parliament. The whole Parliament has directed it on a couple of occasions in relation to the Holyrood project but, nonetheless, legal responsibility lies with the corporate body.

As I said, the corporate body can take advice from whomever it wishes. Of course, it would be entirely a matter for Parliament itself if it wished to establish an advisory committee to advise on such issues. I would not want to pre-empt that. Mr Ewing has made the point and others may wish to pursue it. The corporate body could itself seek advice from members of Parliament. I just do not know the answer to the question. It is a matter for the future.

I can be more certain—I am sure that the corporate body would work with whatever the Parliament decided, if it ever took a view on such a thing—that the corporate body will seek professional advice and guidance on all these matters. I can assure the committee that we have already given specific thought as to what would be the best professional set-up, so that the corporate body is well advised on these matters. That is something that we will be taking forward over the coming months.

**John Swinburne:** Further to Margo MacDonald's question, I find it strange that there is not someone from the corporate body—a

supremo—on site. There are bound to be dozens of questions hourly, let alone daily, on which someone has to either make decisions or refer to you, which causes delay. We are relying on the contractor to say, "This is the best way to do it—let's do it that way and we will get more profit from it." It seems incredible that there is not a supremo in charge to report back to the corporate body. Do you have such an individual?

**Mr Home Robertson:** If I may say so, the last thing that we need down there is politicians going around telling contractors what to do.

**John Swinburne:** I am not talking about politicians. I am talking about a civil engineer who is capable of doing the job, with a squad behind him to back up all the decisions that must be taken. That is instead of finishing up like the committee that set out to design a horse and ended up with a camel. I am talking about daily decisions that should be taken instantaneously, to get the project completed quickly. Do you understand? Decisions should not have to be referred back—

**Mr Home Robertson:** I am anxious to help Mr Swinburne. The progress group has been there for some time and it is well served by project managers and the project director, who are on the spot all the time and who act on behalf of the Parliament day in, day out.

**Kate Maclean:** Well, that's a relief.

**The Convener:** This is the point at which we draw the meeting to a close. I thank the witnesses for coming along and giving us their evidence. We should re-emphasise the point that I made at the beginning: it is with deep regret that we deal with the increase in costs thus far. The signal that we should send out is that we must move towards completion as quickly and as cost-effectively as we can. All the information that we get from the witnesses suggests that the consequences of not being in the building in September would be significantly worse than the estimates that they give us. We must make progress on the matter.

**Robert Brown:** The Presiding Officer made it extraordinarily clear—

**Margo MacDonald:** I apologise for bringing this point in, but I do so simply because we have an example of it already. It is unfortunate that we had to have this meeting today, as the information that Wendy Alexander sought will not be available until tomorrow. If we will be better informed at the end of March, as Paul Grice reckons, can we try to co-ordinate the dates so that—

**The Convener:** I think that we will. If there is a key date at the end of March, and if the information will be available for the first appropriate date in April, we will try to co-ordinate

the process to get the best scrutiny by the Finance Committee.

**Robert Brown:** In conclusion, I want to say that it is clear from everything that the Presiding Officer has said—with the corporate body's full authority, agreement and backing—that getting in on time is exactly what the corporate body and its officials are focused on. Clearly, that must be the priority and there cannot be any doubt about that. If there is a single message to go out from today's proceedings, it has to be that.

**The Convener:** Thank you.

*Meeting closed at 14:08.*

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