

AUDIT COMMITTEE

Tuesday 24 October 2000
(*Afternoon*)

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AUDIT COMMITTEE

17th Meeting 2000, Session 1

CONVENER

Mr Andrew Welsh (Angus) (SNP)

DEPUTY CONVENER

*Nick Johnston (Mid Scotland and Fife) (Con)

COMMITTEE MEMBERS

*Brian Adam (North-East Scotland) (SNP)
*Scott Barrie (Dunfermline West) (Lab)
*Cathie Craigie (Cumbernauld and Kilsyth) (Lab)
*Miss Annabel Goldie (West of Scotland) (Con)
Margaret Jamieson (Kilmarnock and Loudoun) (Lab)
*Paul Martin (Glasgow Springburn) (Lab)
*Euan Robson (Roxburgh and Berwickshire) (LD)
*Karen Whitefield (Airdrie and Shotts) (Lab)
Andrew Wilson (Central Scotland) (SNP)

*attended

WITNESSES

Dr John Gibbons (Chief Architect, Scottish Executive)
Mr Robert Gordon (Head of Executive Secretariat, Scottish Executive)
Mr Muir Russell (Permanent Secretary, Scottish Executive)

THE FOLLOWING ALSO ATTENDED:

Ms Margo MacDonald (Lothians) (SNP)

CLERK TO THE COMMITTEE

Callum Thomson

SENIOR ASSISTANT CLERK

Anne Peat

ASSISTANT CLERK

Seán Wixted

LOCATION

Committee Room 1

Scottish Parliament

Audit Committee

Tuesday 24 October 2000

(Afternoon)

[THE DEPUTY CONVENER *opened the meeting in private at 14:02*]

14:16

Meeting continued in public.

Holyrood Project

The Deputy Convener (Nick Johnston): In the words of “Watch with Mother”, if we are all sitting comfortably, then I will begin.

Good afternoon and welcome to the 17th meeting this year of the Audit Committee. This is our third session on the costs and management of the Holyrood Parliament building project. I welcome our visitors and our witnesses: Mr Muir Russell, Dr John Gibbons and Mr Robert Gordon.

In our meeting today, we will seek clarification of five main areas: some of the points in Mr Russell’s letter of 2 October to the clerk; the state of the project at the time of transfer; the arrangements for appointing consultants to the project; the assessment of risk and the applicability of Treasury guidance in that area; and the arrangements for the reporting of project costs. Do you wish to make a statement before we start, Mr Russell, or shall we launch straight into the questions?

Mr Muir Russell (Permanent Secretary, Scottish Executive): Let us go straight into the questions, if we may.

The Deputy Convener: Thank you. On the letter that you sent to the clerk, I ask Karen Whitefield to take up the points raised by Margaret Jamieson—Margaret sends her apologies.

Karen Whitefield (Airdrie and Shotts) (Lab): Mr Russell, you will recall that, when you appeared before the committee a few weeks ago, my colleague Margaret Jamieson raised the issue of a person specification for the appointment of a replacement project manager. Can you tell us why you did not supply the committee with a person specification? Was a person specification drawn up for that post? What is the position of the person specification?

Mr Russell: The first couple of paragraphs of the substantive part of my letter of 2 October were

designed to explain how we went about making that appointment. I am sorry if it was not clear from my letter that we did not have a formal person specification in what I infer was the sense meant by Margaret Jamieson.

We went about that appointment in the way that I explained in my letter. Mr Mustard was with us already—he was working on the project on the Mound. It was quite clear that he was good at his job and, knowing that he was a good and effective project manager, everyone judged it sensible to move him across quickly.

If that sounds like a corner cut, I put my hand up and say that that is what it was. We knew what he could do, there was a gap and he was moved across. You are quite right—there was no formal document.

Karen Whitefield: If you had no formal person specification, how could you be sure that you were going to get the right person for the job? How could you be sure that that person had the necessary skills for which you were looking, particularly given that the project team had no construction professional at a senior level at that time?

Mr Russell: The point was to fill the gap with someone who was a known quantity. To answer the question, I should explain that team members knew that they were getting a good person because they knew that person and they knew what he was doing.

Karen Whitefield: Therefore, there was no open competition. You based your judgment simply on whom you knew, rather than questioning or looking wider and seeing whether there was someone who would have been better for that job.

Mr Russell: Mr Mustard had come in after discussions with a number of project management firms. Several people were identified from those discussions; there was a shortlist of about seven people, who were met by a little board. There had been a bit of process around bringing him in initially, if I remember correctly, although I may be getting that slightly wrong. He was brought in after a process that involved checking round with several project management firms. He was in and he was doing the job well. It seemed the most natural thing in the world to fill the gap—much of what we discussed at the previous meeting was about not having a gap.

Karen Whitefield: I do not think that anyone would disagree that we needed somebody to be in position. The committee is keen to get to the bottom of whether it is good practice to fill positions in such a way. A precedent may have been set that we might not want to follow. Is it not better for there to be open and clear accountability as to who is interviewed for such a job and

whether that person is the best person to fill the position?

Mr Russell: As a general principle, what you say is right. There are often circumstances in which it is appropriate to bring in someone on secondment. That is now positively encouraged in our relationships with local government, the health service and the business world. There is a lot of moving back and forth. It is often done when we can see that a position is required to be filled quickly and we can identify someone who can do the job. I looked out some numbers; at the moment there are 67 outward secondments and 47 inward secondments across the Executive, so secondment is quite a big part of the process.

You are right that the long-standing fundamentals of how the civil service fills posts have to do with recruitment, advertisement and competition. I would never suggest that the world would change to a situation in which secondment dominated. I will leave you to judge whether secondment is often the right thing. In the long run of the project, I believe that it was the right thing. The committee met Mr Mustard when it took evidence from Paul Grice. I hope that you formed the judgment that he was doing the job well; that was certainly what we thought.

Karen Whitefield: I do not think that anyone would disagree that secondment is sometimes necessary and can be the best solution, especially if it is short-term and temporary. However, this was a senior position in the Holyrood project. Rather than filling the position so secretively, would not it have been wise and caused less difficulty if you had opened up the position to competition and invited people to apply for the job?

Mr Russell: The process was not very secretive. This is a judgment that one has to make. There was a need to fill a gap. There was someone in a cognate area whom we knew was doing well. It is a management call; it is a judgment that one has to make. I can only plead that the judgment was successful, as the committee has seen. It is the sort of judgment that people make; they make it against the balance of the criteria that we have talked about. I am not going to say that such action will never be taken. I am certainly not going to say that it will become anything remotely resembling standard practice, but it is an option that I would be wrong to rule out. That is why I am sounding as though I am refusing to give you the general point. I am giving you the general point that recruitment should normally be done in the way that you described, but there are special circumstances and it was appropriate in this case to do things in the way that they were done.

The Deputy Convener: On the same point, Margo.

Ms Margo MacDonald (Lothians) (SNP): It is on the general point. Paul Grice said to us:

"The committee should bear in mind the fact that we inherited the entire project team. The situation would have been different had we set up our own project team, as we would certainly have crawled over the project with a fine-toothed comb."—[*Official Report, Audit Committee*, 3 October 2000; c 378.]

This is in the same area of recruitment and management of personnel. I would like more of an assurance than you have given Karen Whitefield that the rules of engagement for experts, or whoever, are going to be better understood by this Parliament and better reported to the appropriate bodies in the Parliament so that we, too, can make a judgment.

The Deputy Convener: Perhaps we should address that point under the third section, which is on the arrangements for appointing consultants.

Miss Annabel Goldie (West of Scotland) (Con): Mr Russell, I will continue with the project team's experience of construction management. It was indicated at our previous meeting that it would be helpful if you could let us know in writing the specific details of the team's experience of construction management projects. Obviously, those projects would not be identical to this project, because nothing has been like this project, but they may have been roughly equivalent. I understood that the chief architect said that it would be fairly easy to provide that information, but as far as I can see from your letter there is no specific information on that experience. There are some general comments about what members of the team have been up to and who they have worked with, but why do we not have more detailed information about the experience that the project team enjoyed?

Mr Russell: The committee required information on the team's experience of construction management. In the letter, we mentioned that one of the two quantity surveyors on the team had direct experience of this sort of project—I think that it was the Hyundai project in Fife—and we also tried to bring out the team's more general experience. I am sorry if that did not come across clearly, but we felt that there was construction management experience on the team in the shape of that individual, as well as a broad context of other project management experience.

In addition, there were the main consultants that I mentioned, including the RMJM people, Davis Langdon & Everest and Bovis, which is particularly expert. I thought that, in the letter, I was bringing out the fact that there was good, relevant experience in the individual whom I mentioned and

in the penumbra of consultants and supporters. I can readily let you have more details on who was on the team and their experience and background, if the committee would find that helpful. There is no problem with that.

Miss Goldie: That would be helpful. The interest that we take, Mr Russell, is simply to enable us to consider as a committee whether, in our objective appraisal, we might have reached the same conclusion as you and your advisers reached at the time of the appointment of the project team. It would be helpful for the committee if we could be given specific information about the construction management contracts on which the project team had previously worked, and their value, because obviously building contracts vary hugely and the construction of Holyrood is a substantial project. Would it be possible for that information to be provided?

Mr Russell: We will see what can be done. Remember that this relates to the appointment of the Bovis people who were going to run the construction management project, so I would not want the committee to draw too many inferences from your point about value. However, I will let you have the information that we have about the composition of the team, what they had done, and their experience within Government and the professional sector.

Miss Goldie: That would be helpful.

The Deputy Convener: Mr Russell, one of the purposes of the Audit Committee hearings is to try to draw out information; they are not meant to be a tribunal. However, I said at the previous meeting that I looked forward to our receiving a note outlining the lessons that the Executive had learned from the Parliament project. I do not believe that your letter provides such an outline. Can you explain why?

14:30

Mr Russell: There are always lessons to be learned from big construction projects. What I was seeking to bring out was that there were a number of bits of the process that we would want to look at. I can elaborate a little on those issues, if you will bear with me while I find the note with the specific details.

The Auditor General mentioned some points about documentation. For example, he said that there was no procurement strategy. As I sought to explain at the previous meeting, a clear strategic approach was certainly taken by the people who were providing advice up the line. However, I can see that it is perfectly reasonable to make the criticism that not everything was written down. That is the sort of point that, looking back, I can see was an important issue. We talked at the

previous meeting about fee incentivisation and went into some detail about judgment in that area. Looking back, one can see that it would have been helpful to those visiting the project after the event if people had articulated what they were about in a formal way at the beginning. Perhaps greater attention could have been paid to some of those procedural points.

However, I return to the key points that can be drawn from the Auditor General's main conclusions: that there were a lot of strengths in how the team was established and how the project was run, and that there were no major stewardship or proprietary problems. In offering some lessons that we can learn from what has happened, I do not want to go overboard and accept that a huge number of things were wrong. Nor do I want to allow us to forget the positive points that the Auditor General's report brought out.

The Deputy Convener: What evidence can you produce that the Executive has taken note of the points raised by the project and the Auditor General's report? What steps have been taken to ensure that those points are covered in future?

Mr Russell: Those points will be fed in through our procurement people and through the professional staff in John Gibbons's area. I cannot point you to a highly specific set of actions already taken, as we are still very much in the middle of this. The report has just arrived and we have been looking at it and digesting it, so I cannot give you a list of specific actions that have been taken.

We believe that, as a general rule, we are observing all the correct formal requirements of procurement procedures. However, I accept that there are some points on which, with an eye on this sort of investigation in future, it would be sensible to acknowledge the comments that have been made about writing things down and systematising them. In so far as we did not always do that, that is something that we will feed into the procedures. We have not done it yet, in the sense that there is not a new list that says, "Lessons from Holyrood: always do this", in relation to things that are happening under the aegis of the Scottish Executive at the moment.

The Deputy Convener: Does that mean that no guidance has been offered, or is in prospect, by the Executive to minimise the risk of major cost overruns on projects that you may undertake in the future?

Mr Russell: It does not mean that. There is plenty of procurement advice and a huge amount of procedural guidance is followed with the objective of avoiding cost overruns and managing projects properly. As you can see from the report, there is a general acceptance that the processes respected all that—how the project was set up,

how things were done and what processes were used. There was a fair degree of detail in that, and I am attempting to acknowledge that there are a number of things that we can tighten up. However, I would not want the record to suggest that there is no guidance in the Executive about ways of avoiding risk of overruns. In a sense, I am picking up on your wording and on the implication that the main bulk is absent, because it is present. If you read the report with that in mind, you will see that the Auditor General is saying that there were some things that, in his judgment, might have been documented better and written down in advance. I accept that there are lessons to be learned there.

The Deputy Convener: Are there any lessons to be learned about the future management of public projects where major cost overruns are in prospect?

Mr Russell: You use the phrase “major cost overruns”, which takes us back to some of the questions at the heart of what shape the project was in when it was handed over and whether we are talking about a cost overrun or a design change. My thesis last time—which, after I have read Paul Grice’s evidence, it remains—is that we are talking about a design change, not a cost overrun.

The Deputy Convener: We will come to that later in the meeting.

Mr Russell: We are talking about a budget that went up as a result of conscious decisions taken by the client. Whatever else it is, that is not a cost overrun.

Ms MacDonald: You have just said that the cost estimate went up because of design changes undertaken by the client. That is true, but it is also true that design changes were made by the architect that were not at the behest of the client. You will find that in Mr Grice’s evidence, too. I say that to correct the record.

Brian Adam (North-East Scotland) (SNP): In your letter to us, Mr Russell, you stated that the whole increase in construction costs from the £62 million at handover to the current £108 million is for changes introduced after the transfer. What are the main changes that took place after the transfer that, in your opinion, resulted in extra costs?

Mr Russell: The increased space and the additional design complexity accounts for £25 million. There is the Queensberry House cost of £3 million, the enhanced specification of £10 million, the security enhancement of £3 million and an extension of the programme, due to delay, of £5 million. That adds up to £46 million in construction costs, to which you can apply the multiplier. That accounts for the difference.

Brian Adam: When we covered this ground at our meeting in late September, you did not accept the idea that the project was flawed at handover. You said that the other view was that specific changes account for the difference in costs and you have given us some ideas about where, in your view, that is the case. If it is the case, it is only fair that members should know about it. You undertook to analyse the numbers to help us. I note that the changes were introduced after the handover, but were any of them under consideration? Many of them must have been on the way anyway, so this is a question of when the changes took place.

Mr Russell: What I was seeking to explain in my letter was that the estimate had gone from £50 million to £62 million before handover. That was the increase in construction costs—we debated when that became apparent last time we met. In round terms, the increase was 6000 sq m. I gave three basic elements of that increase. First, given the way in which the consultative steering group work had been going, it was accepted that the Parliament would need more staff accommodation. Secondly, the balance area—the circulation space—needed to be bigger; it was accepted that the original brief had been too tight. Thirdly, a formal entrance concept had been recommended by the design team—people thought that that was the right thing to do. Those were the three space elements that made up the £12 million. You are right that those elements were being thought about. They were part of the process of constructive tension—to use a tactful phrase—between the design team and the project team over the period that we discussed when I was last here.

Brian Adam: Those elements had been agreed and introduced prior to June, but when were the subsequent ones considered?

Mr Russell: Those elements were built into a design. At the previous meeting, I used the phrase “closed down”; I thought that it would be sensible to have a good, hard look at that, because there was a question about whether the gap between the estimates was really closing down and whether things were getting to the point of being doable—a word that I notice has been quoted quite a lot.

I have checked this through. I asked John Gibbons how close things were to the stage D firm design and whether the gap was closing. He can talk about that, as he has the near-final draft of the stage D document with him. My clear understanding was that the gap was indeed closing down and that, therefore, extra elements such as an extra 8,000 sq m of space or the enhanced specification were not being built in; they were, most deliberately, not being planned for

at that stage.

The project, in the shape that it was in at the time, was—I keep saying this—pretty near finality. It was at a stage where it could have been submitted for planning permission, which it received on the basis of the submission in September 1999. It was pretty final in a range of ways.

All that changed, given the tenor of the handover debate, following people's visits to see other Parliament buildings around Europe and following a recognition, as highlighted by Paul Grice, that the way in which the Parliament was to work would require more accommodation and that there were advantages to achieving that on the one site. Those are all perfectly reasonable things to have happened. Where I take issue with Brian Adam's question is that I do not think that those things were latent in the design—John Gibbons can talk about this—that was closing down at the handover point.

Brian Adam: We can come to that later, but I suggest that, although some of the changes that led to the construction costs increasing from £62 million to a projection of £108 million may not have been agreed, authorised or actually introduced, they must at least have been under consideration prior to the handover.

You mention the increase in space. It is true that the Scottish Parliamentary Corporate Body authorised an increase in space in November 1999, of the order of 10 per cent. However, that 10 per cent increase in space led to a 75 per cent increase in construction costs—from £62 million to £108 million. How would you explain that?

Mr Russell: As far as I understand it, providing that extra space was complicated. I am going slightly off my own territory now, but the delivery of that space involved additional complexity in the design. There was then the enhanced specification, which pervaded the whole set of designs.

Brian Adam: However, before the enhanced specification was agreed—the redesign was instructed only in November 1999—the cost consultants were predicting construction costs as high as £115 million in August 1999. Why were the cost consultants forecasting such a gigantic increase well before the redesign was even contemplated?

Mr Russell: Remember that people had begun to unpick the design concept right from the handover point.

Brian Adam: You keep suggesting that the unpicking was taking place at the point of handover; I am suggesting that it may have been taking place prior to handover. There is nothing

concrete available for us to get hold of about what had actually changed in June, July and August to lead to that explosion in costs.

The project does not appear to have been closed down, to use your phrase, or to have been close to a final design. Although it is true that there was no authorisation of changes that would lead to a big rise in costs, consideration must have been given to such factors. If not, why would we get the sort of figure that the cost consultants produced in August 1999, which was well before even the commission of the redesign?

Mr Russell: John Gibbons lived through some of that and I will need to ask him to explain how that came about. He may wish to do so in reference to the stage D report as it stood. This will get technical, but I ask John to try to deal with these complex points.

14:45

Dr John Gibbons (Chief Architect, Scottish Executive): The explanation need not get very technical. The stage that the project had reached at the handover is described in the report, which is technically called a stage D report. The report also describes a scheme that was put on public display, so what was proposed was in the public domain.

It is necessary to think back to what was being proposed at that time, which was that there should be three quite simple groups of buildings that were much smaller in total volume than those that are currently proposed. The way in which the project used Queensberry House at that time was extremely simple; there were no appendages to Queensberry House and the main circulation route was used as the method of getting from A to B in the three complexes. The proposal was essentially simpler and much smaller in volume than the current proposal.

Brian Adam: Are you suggesting that what appears to be a simple corridor has cost us several tens of millions of pounds?

Dr Gibbons: I am suggesting that what is now seen as the foyer, which is an enormous space with a very complex roof using very complex materials, will cost many millions of pounds—that is the case. If the simplicity of the previous scheme were contrasted with the complex set of relationships that exist in the current scheme, an enormous difference would be seen. That reflects the development of the scheme—the difference between a scheme of 23,000 sq m and the scheme of 31,000 sq m that we have at the moment.

Brian Adam: I draw your attention to one of the tables in the Spencely report, which gives a

breakdown of the building costs, the elements and the projected costs across the time period. Do you have that report with you?

Mr Russell: Yes.

Brian Adam: The table cites the projected construction costs, giving dates. The stage D cost projection for the total construction costs at 25 May 1999 was £62.16 million—the famous figure of £62 million—but by 30 August 1999, that figure had risen to £76.4 million. The corporate body had instructed no changes in that period, except changes to the chamber, which we had been told would have a negligible impact on the construction costs. How do you explain that rise?

By the end of September 1999, that cost of £76.4 million had risen to £94.35 million. What changes did the corporate body authorise that led to those significant changes in the projected costs? It could not have been the changes to the chamber. We were assured at that stage that the construction costs—only the construction costs and not those related to design or fees—would not be affected materially by the proposed changes to the chamber.

Dr Gibbons: I think that those are quantity surveyors' estimates that were based on proposals that were put before them and which were informed by a dialogue with the client at that time.

Brian Adam: Perhaps we are now getting to the point. There was a dialogue between the client and the quantity surveyors. If there was a change in the quantity surveyors' projected cost, I presume that some change in the design must have led to that. What I, and others, have been trying to get at is this: what were those changes? We have been assured that they were not to do with the construction costs of the chamber—the only thing that the corporate body had agreed to at that point. What were the changes? Who was talking to the cost consultants and what changes were they told about?

Dr Gibbons: I am not sure where you are coming from when you suggest that you were assured that changes to the debating chamber would not produce additional costs.

Brian Adam: We were assured about that at an earlier meeting.

Dr Gibbons: The assurance that the design team gave was based on the debating chamber staying in the same position. At the time, there was a long discussion about the position and shape of the debating chamber and the way that those related to what is called the footprint of the east end of the site, which was designed at that stage.

Brian Adam: We were told two things during

previous evidence-taking sessions: first, that the actual construction costs were not materially different; and secondly, that there was a significant effect on the costs of the fees, because a lot of time would be involved. The £62 million that is mentioned in the Spencely report relates only to construction costs—it does not relate to fees in any way. The rise from £62 million to £76 million between the end of May and the end of August relates only to construction costs. So, if the chamber cannot be the reason for changes, what were the reasons?

As the SPCB had not authorised anything apart from another look at the chamber, on what basis were those figures calculated? You have said that you felt that you were almost there and that you were finalising the costs. Someone had been having discussions, but clearly not the SPCB. Who was having the discussions with the cost consultants that allowed that projection and the increase in costs? What was the increase for?

Dr Gibbons: The point that I was trying to make was that, in isolation, the cost of the debating chamber was held constant. That was what the architects were working to. However, the relationships at the east end of the site were changed because of the change in the position of the debating chamber. That produced the need for additional area in the east end of the site. There was a need for more space within the complex and more space costs money.

At that time—August 1999—there was continuing dialogue about how to minimise the amount of additional space that was needed to allow the debating chamber to operate in the way that was required. That was the start of a design development at the east end of the site. If one compares the current design for the east end of the site with the design that existed in May 1999, one will notice an enormous difference in the amount of development that is to take place there.

Brian Adam: If the SPCB was told that it would not cost any more to construct the chamber, but that the changes to the chamber might have implications for design costs, was it also informed that there were cost implications for other parts of the construction?

Dr Gibbons: The cost implications of making changes to the contract were always made very clear.

Andrew Wilson (Central Scotland) (SNP): I would like to follow up on what you said a moment ago. You referred to the increase in costs that resulted from the changes to Queensberry House, the alteration of the circulation route, the volume increase and the foyer's complex roof. To what period do those cost increases apply?

Dr Gibbons: I was talking about the period after 1 June.

Andrew Wilson: Were those costs part of the increase of which you became aware in the lead up to the handover?

Dr Gibbons: No.

Andrew Wilson: Essentially, you are arguing that the cost increase between 25 May and 30 August 1999 as reported by Spencely was the result of the four factors that you listed.

Dr Gibbons: I would have to check that more carefully, but yes.

Andrew Wilson: You are arguing that the addition of just under £14 million was the result of changes at Queensberry House, alteration of the circulation route, a volume increase and the complex roof of the foyer. Am I right in saying that all those changes were made in the period after the handover and before 30 August?

Dr Gibbons: The changes in the circulation arrangements for the complex were made after 1 June, to deal with the increased area and volume of the building.

Andrew Wilson: When, after 1 June, were those changes made?

Dr Gibbons: I cannot remember. All the changes resulted from developments after 1 June.

Andrew Wilson: Were those changes among the increases that the cost team was aware of in November 1998, but that were not reported to you until you closed down just before the end of May?

Dr Gibbons: You have lost me slightly.

Mr Russell: Andrew Wilson is referring to November 1998, when the project team was working to the figure of £50 million.

Dr Gibbons: The increases that I have described were quite different from the cost increases that became apparent in November 1998. Those increases related to the additional 6,000 sq m that we have reported separately—

Andrew Wilson: That emerged just before the handover. Are you saying that the other cost increases became apparent in the immediate aftermath of the handover?

Dr Gibbons: Not all of the first set of increases emerged just before the handover. They emerged as part of a process of design development and were quantified before the handover.

Andrew Wilson: During the exchanges on the previous occasion on which you, Mr Russell and Mr Gordon appeared before the committee, Mr Russell and Mr Gordon said specifically that the team did not become aware of the increases in

costs until the point of close-down—around the time of the handover—because they were not reported.

Mr Russell: We said at that previous meeting that the team was attempting to hold to the budget of £50 million. However, there were a number of upward pressures—more expensive features were being proposed for the design and the project team was battling them back. In the period leading up to the handover, it became clear to the team that there were elements that ought reasonably to be included in the budget.

As I sought to explain, the project team did its best to keep to the budget. However, before the handover it became clear that it was sensible to build in the extra things that I mentioned earlier, such as staff space and the main foyer at the corner. Those elements took the cost from £50 million to £62 million. They are included in the fat document that John Gibbons has been talking about, which was close to being the final version of the stage D report. They are priced into the figure of £62 million and the calculations that accompany that and take the cost up to the figure that was announced at the handover.

I understand that the process that was then embarked on—of thinking about how the design could be different—led to people knocking about design ideas that were priced. That produced the column—to which members have referred—from Davis, Langdon & Everest in the Spencely report. I do not want to suggest—it is not my business to do so, because the project was out of my hands by this stage—that the SPCB had instructed a set of things that produced those figures. From Paul Grice's evidence, it is clear that he thought that what was being proposed had to be examined to see whether it was right and sensible and to establish how it related to budgets. It is also clear that the proposals came to be instructed and adopted by the client at a much later stage.

People were knocking about design ideas—I suggest that that is why those higher numbers began to come in from Davis, Langdon & Everest. People were looking at the project and asking, "Well, if we did this, what would it take?" I think that that is where those numbers come from. I am pretty sure that you will not find proposals built in to the close down of stage D that automatically drove up the figures, although that appears to be what Mr Adam is suggesting. That is where we must differ, because they ain't there.

The Deputy Convener: Do you want to follow up that point, Andrew?

15:00

Andrew Wilson: Yes—I want to close the matter down, although I realise that time is tight.

Mr Russell should understand where we are trying to get to with these questions. The Auditor General has given us reasonably clear advice that the project was not, at the time of the handover, in a state of absolute readiness. It is clear that his advice conflicts with and is contradictory to your advice, which suggests that the project was ready.

Could Dr Gibbons confirm whether the four factors to which he referred emerged in that short period? The Auditor General's advice was that nothing much changed during that period, whereas the advice that we are getting now is that all those factors changed during that period. It is difficult for us to draw conclusions until we are able to clarify which of those two views will prevail.

Mr Russell: Dr Gibbons can speak for himself, but I think that he is saying that people were beginning to knock around ideas about making changes, which led to the differences in the design which, in turn, led to that sort of costing. Figures then began to appear that Paul Grice and his colleagues had to deal with, as he explained to the committee.

Ms MacDonald: I want to clear up a point with a quick question. Which people were knocking around ideas?

Mr Russell: I guess that the design team talked to the project team about what might or might not be possible. I understand that some signals had been given in the debate about the handover and that the shape of the chamber needed to be examined. That idea needed to be knocked around.

The Deputy Convener: I am sorry, Mr Russell, but could you pull your microphone forward? We are having difficulty—

Mr Russell: I am sorry—I was turning away from the convener, for which I apologise.

I was saying that the period following the handover was conditioned by the fact that there was some feeling that certain issues had to be considered, such as the shape of the chamber. The figures were consequential to that consideration.

I am not suggesting that the SPCB, or any individual on the SPCB, instructed changes that led to precise costs. Work was being done by the design team, which was saying, "Well, if that is what you are interested in, this is how it might be and this is the sort of amount that it might cost."

John Gibbons is familiar with that process, on which he might be able to comment in more detail, but that is my layman's understanding of the reality of what was happening.

Dr Gibbons: The issue about the debating chamber was a specific development that took

place after the formalisation of the stage D report. Concern came initially from press speculation about the concerns of prospective MSPs about the shape of the chamber. The design team was asked to examine ways in which the chamber could be adjusted to meet some of those concerns. The issue was how easy it would be to adjust the design from a non-confrontational chamber to a more compact chamber. We tried to establish some ground rules about how that could be done at minimum cost—which addresses the point that we discussed earlier—without affecting the footprint of the building. I recall clearly that work was done on the debating chamber after May 1999.

Mr Russell: Paragraphs 1.16 and 1.17 of the Auditor General's report state that:

"with the approval of the client project management instructed the architects to investigate the feasibility of an alternative chamber design that would meet MSPs' preferences.

To assist this process in July 1999 members of the Corporate Body including the Presiding Officer visited Parliament buildings in Holland and Belgium accompanied by the architects and members of project management. By August 1999 the architects had proposed a revised chamber design, which the Corporate Body accepted in September."

That process was followed after June 1999.

Ms MacDonald: With all due respect, some steps could have been taken before that. I remember vividly that anyone who had an interest in the Parliament wanted the debating chamber to be horseshoe shaped. The architect was given to understand that that was a specific and basic requirement of the generic client—at that point the Scottish Office was responsible for the project. The architect produced a design that was different from the compact horseshoe, so do you now regret that you did not say to the architect, "Please go back to the drawing board and give us what we asked for"?

Mr Russell: I have no comment to make on that.

Ms MacDonald: That might have saved a lot of time and money, because we were assured by Mr Grice at the previous evidence session that the additional cost, to which Brian Adam referred, was incurred because the top designers had been taken off the work and were not available for the development of the project. Their availability would have kept the project on time and might have better controlled the estimated cost.

The Deputy Convener: We can all produce theories out of evidence and thin air. I want to keep the debate moving along. Do any members have specific questions on the Spencely report?

Andrew Wilson: I will ask Dr Gibbons about the

specifics. Mr Russell referred to a cost increase that was reported and agreed after September. That increase was therefore not included in the Spencely report's cost report of 30 August. It was also not included in the £12 million or £14 million increase. What was the source of that increase? From what Mr Russell said a few moments ago, the beating around of the design was discussed after the handover, but that implies that the design was not in especially good shape at handover because it still required discussion. Is Dr Gibbons saying that the £14 million increase was the result of changes to Queensberry House, the circulation route, the volume increase and the foyer's complex roof? That is in the notes that I have.

Dr Gibbons: I will quantify the state of development—as far as we were concerned—of the stage D report that we had in front of us. We were able to write to the architects to say that, although we were not prepared to accept it formally as the final stage D report, it was very close. We quantified that in terms of the issues that needed to be addressed. Of the 190 functional relationships within the Parliament complex, only nine minor relationships were left to resolve.

I cannot accept that the scheme at that stage was not incredibly close to being finalised. That was the scheme that was submitted to the city council for planning approval—the drawings were submitted and we received approval in September. We had that degree of commitment to that scheme and that was the level of resolved detail. From that point, design development started to take place to deal with the other issues of which the project team became aware.

Mr Russell: With respect to Mr Wilson, it is a mistake to try to identify, as he seeks to do, precise things at precise moments that led to that interim cost—the figure of £115 million. It does not work that way. John Gibbons explained the elements that went with the thinking behind the passage that I read out and how those would come together. The elements happened to be caught in a snapshot because people were asking how much they would cost. Rather than asking whether those elements were instructed or approved at a specific time, Mr Wilson should realise that they were pretty conceptual at that stage. People were asking what they might do to meet the requirements and expectations that were coming on to the scene.

The Deputy Convener: We will move on to the arrangements for appointing the consultants.

Euan Robson (Roxburgh and Berwickshire) (LD): I will ask about the construction management appointment, which is—I think—referred to in paragraph 3.29 in the Auditor General's report. That report says that the second-

highest tenderer was chosen after taking quality factors into account and after a significant financial adjustment was made to their bid. What was the scale of that financial adjustment? Were other tenderers offered a similar opportunity?

Mr Russell: There was a sequence of processes in the selection of a tenderer. That sequence began with an advertisement in the *Official Journal of the European Communities*. Tenderers were then whittled down to a shortlist of plausible candidates. There was a further whittling-down by interview and a final interview was given to, I think, three companies. Of those three, the tender that was eventually successful had been ruled out at the second stage. There were a number of reasons for that, one of which was a judgment concerning the aggregate cost.

The selection process was always about assessing quality, people and the capability and experience of the firms. It is documented that a decision was made to bring Bovis back in at the last stage, on the basis of a judgment concerning that company's quality and credibility. The criticism that has been made—which has some validity—is that it might have been better for that process to have been handled by reconvening the panel, rather than by merely saying, "Let us, for good reasons that are clearly set out in the documentation, bring Bovis back in for the final stage of interview."

When that final stage came, a large and broadly based panel conducted the interview. The panel included Señor Miralles and people from Ove Arup and Partners, RMJM and Davis, Langdon & Everest. I have score sheets that record the way in which the panel conducted its assessment. It is clear from those sheets that the panel based its judgment on quality rather than on price. It might be helpful to read an extract from the conclusions of that meeting. The minute states:

"Each panel member submitted completed interview evaluation forms for all three candidates. It emerged that the panel had unanimously considered that Bovis had performed by far the best of the three at final interview stage."

The minute then mentions the companies that came second and third, but for reasons of commercial confidentiality, I am not allowed to read those bits out. The minute continues:

"The results from the evaluation sheets were debated in detail and it was noted that these final interviews had been the first time senior client and architect representatives had met the candidates and questioning from those Panel members in particular had elicited illuminating responses from the interviewees. It was considered that Bovis were a very coherent team who would bring a lot of experience on board and although their tender bid was not the lowest one it was crucial that a company that the Client and Design Team felt comfortable with was selected for this most crucial of roles in the project."

Bovis were widely recognised as having an innovative, non-adversarial approach in dealing with complex and demanding projects, and the Interview panel were confident that they made the most appropriate choice to provide Construction Management Services for the Holyrood Parliament building project."

A decision was made on the basis of quality and capability. A couple of uncertainties had arisen about the Bovis offer. Those related to the treatment of inflation of staff costs and the cost of a parent company guarantee, if one was required. I understand that, in the interview, Bovis's people said that there would be no such inflation and that there would not be a cost to the parent company guarantee. The decision was made on the basis of quality and, even with those reassurances, Bovis's was not the cheapest bid. A conscious decision was made to pay for quality. Bovis's bid was in the range of £500,000 higher than the lowest bid across the life of the contract as it was then envisaged—a small but not negligible sum.

The Auditor General's comments draw attention to the fact that

"the client side procedures could have been more systematic or better recorded".

That brings us back to one of the points that I made when we were talking about lessons. The Auditor General's report goes on to say that

"the successful bidders are reputable firms of high quality"

and—crucially—he goes on to say that he does not

"consider that the shortcomings on the client side adversely affected the outcomes with regard to management of the project."

I wanted to go through that, because it is something that was not mentioned in detail when the committee last discussed the matter. I wanted to introduce that balance and acknowledge that the Bovis tender was more expensive. It was more expensive by about £500,000 over the life of the project, but people were paying for quality.

15:15

Euan Robson: In summary, we could say that quality, compatibility of personnel and good feeling between the client and construction management were the guiding factors. I would have thought that it was quite important in a project of such complexity to have a comfortable relationship between the two. Any consideration of an opportunity to reduce the fee was something that came along later when, as I think you put it, there was a convenient opportunity, because two specific parts of the fee were unclear. That opportunity came later, after the process of ensuring quality and compatibility. Is that right?

Mr Russell: Yes. In fact, it was a clarification offered by the Bovis people in the interview at their

initiative. It was not a negotiation initiated by the people who were doing the interviewing or by the project team. We are all conscious of the importance of handling these matters fairly and treating people equitably. It was not an attempt to give them preferential treatment and let them buy their way in. As I said, it happened in that order, which is why I have so boringly rehearsed the thing. I wanted to go through it and check that I could give you clear advice on that.

Euan Robson: Was there any time constraint on making the appointment? Did you feel that you had to complete it by a particular date, or was it a matter that proceeded in a logical sequence?

Mr Russell: There was certainly a logical sequence. I do not think that there was an absolute deadline of any sort. People obviously wanted to get on with things. John Gibbons can correct me if I am wrong about any criticalities that I am not aware of. It was hastened with all due pace, but it was not a mad rush.

Dr Gibbons: It was concluded about two weeks behind the programme that we had set, but it was important to get the construction manager on board at that stage.

Miss Goldie: I listened with interest, Mr Russell, to your helpful explanation of how the tender process proceeded. You made it clear that the judgment was based on quality. As I understand it, under Treasury guidance, that is a perfectly acceptable basis on which to award a tender, but I think that it is also necessary under that guidance to record in detail why the lowest price was rejected and to analyse the reasons for that. Is there such an analysis in existence and are those reasons recorded?

Mr Russell: Comments have been made on the judgments that were made on the other two people in the final frame.

Miss Goldie: Was that on the evaluation forms?

Mr Russell: They all have scores.

Miss Goldie: Yes, but was there any summarising analysis?

Mr Russell: There is a minute of the meeting. I can talk about Bovis because we know who they are and it is not a commercial secret to say what I just said. However, there are two other companies about whom there was a mixture of favourable comments, questions and concerns, expressed in a variety of ways, which led to that judgment. At that level, the same criteria and the same expertise were being applied to all three firms by the same long, large panel. It is written down and I am quite clear that it was a fair process that made them all subject to the same set of tests.

Miss Goldie: I accept what you say, but I am

slightly curious about the process of formal record keeping or archive taking. How does one preserve the record of the analysis and justification for not awarding the contract to the lowest tenderer? Is that meant to be kept separate from the record of the meeting and made part of the contract documentation to be put in the public archives?

Mr Russell: All the information is in the files on how the project was run. Audit Scotland has seen those papers, including the information that I just read out. All the details are in the project papers. I am just being a bit cagey, because the issue is a commercial one.

Miss Goldie: I accept that.

Mr Russell: All the information is there.

Miss Goldie: I infer from what you say that you were present at the meeting.

Mr Russell: I was not present. The project team undertook that work as part of its everyday business.

Miss Goldie: So the suggested compliance with Treasury guidance is merely the accumulation of the evaluation notes that the panellists all completed with their scores? Is that the only record?

Mr Russell: The whole process started with establishing the long list and winnowing it. That involved discussing the experience and capacity of people who might be brought in; who would be on site and on call; and the projects that they had been doing. All those questions were asked, and gradually we focused in. As I explained, cost was a factor at some stages. The last interview was chaired by somebody from DLE and was also attended by a couple of Scottish Office people, some people from EMBT/RMJM and some from Ove Arup and Partners. A broad list of highly competent professionals was associated with the project and made a professional judgment in accordance with the process.

I think that the only criticism that has been made is that Bovis might ideally have been brought back in by reconvening the second of the three stages, as I said in my original explanation. However, it was clearly written down why Bovis was brought back in, which proved to be a good judgment. As I said, the Auditor General has seen the papers. I hope that I told the committee very fairly what his overall conclusion was. I am pretty comfortable with the process.

Miss Goldie: There has been press speculation that the procurement process might have breached European Union regulations. Can you give us any assurance about whether the appointment complied with those regulations?

Mr Russell: I have no reason to believe that the

appointment breaches UK or European Union regulations. I believe that the requirement that people are treated fairly was honoured.

Miss Goldie: Is it fair to say that the regulations presume competition in an open process? The appointment process does not seem to have had that. How do you answer that charge?

Mr Russell: There was indeed competition in an open process. The one feature in question relates to a proposition about Bovis being brought back in before a highly authoritative, competitive, final panel. That was done for reasons of quality. Bovis competed fairly with the other two bidders on quality.

Miss Goldie: But are the other tenderers that were never brought back in not entitled to feel a bit miffed?

Mr Russell: Bovis was brought back on a judgment of quality and not because its price had been adjusted.

Miss Goldie: I am just curious about the integrity of the tender process, which is sensitive and tightly controlled in commercial circles, as you know. I am not clear about how anybody can be brought back in once the tender process has begun, without giving that opportunity to all others that were initially involved in the process.

Mr Russell: The judgment on which Bovis was brought in—to what was a selection interview—was based on experience and the quality of the people available. The process did not involve opening envelopes and taking the lowest tender. The decision was not of that kind. As Euan Robson said, the judgment involved factors such as compatibility, ability to work together, quality and track record. The process was a steady one of focusing. The analogy with straightforward competing financial bids is not right.

Miss Goldie: You are satisfied on that basis?

Mr Russell: Yes. I am very satisfied with the outcome. The comments that I quoted to you seem to suggest that a perfectly good outcome has been achieved.

Andrew Wilson: I will address the question of risk assessment and the application of Treasury guidance, which we discussed at a previous evidence session. At that point, it was clear that your approach was not to ignore Treasury guidance on risk assessment, but not to embrace it with open arms. The chief architect said that the Treasury was well aware of the Scottish Executive's attitude to the guidance. To follow up an earlier question, can you say to what extent exchanges have taken place between the Treasury and you on the guidance and what differences of opinion have been recorded?

Mr Russell: I will ask John Gibbons to answer. That is a matter on which groups of professionals worked together over a long period in working groups and seminars.

Dr Gibbons: We participate with the Treasury in a fairly regular and routine round of meetings about developing most of its guidance on capital projects. The guidance with which we were working at the time is three or four years behind the current guidance. If we were doing this again, we would certainly approach it with a different set of ideas from Treasury guidance. However, our basic concerns would remain the same: there is much in the Treasury's guidance on risk assessment that is project inflationary, as I discussed at the last hearing. We would treat that with great suspicion.

I do not have an answer and nor does the Treasury. If one introduces a contingency sum in whatever form into a capital budget, there is an immediate take-up of that contingency in the project. The extremes become that budget.

Andrew Wilson: I think that we followed that argument, which is in itself reasonable. However, given that the whole point of the Treasury guidance is to avoid cost inflation, I think that the committee was bemused by the fact that you argued that it delivers the reverse.

Dr Gibbons: On a project basis, I think that the Treasury guidance can lead to cost inflation. Treasury guidance often draws on private sector experience, as it has done in this case. The practices of the private sector, which are not open to the sort of public scrutiny that we face, allow hidden contingencies to exist. That is extremely useful. I recall arguing at the start of the project for a hidden, client-controlled contingency, which would be kept close to the chest of the client and of which the design team would not be aware.

Andrew Wilson: That is what happened in effect, is it not?

Dr Gibbons: No. There is no way that we could argue for a contingency that would not have to be declared.

Andrew Wilson: This raises an issue of public accountability. Your approach differs from the Treasury motivation. If a risk assessment had been carried out at the outset, any contingency would have been within boundaries that were then breached, but there would have been a clearer indication at the start of how high the costs could rise. Your point is that if the risk assessment had been done at the start, the boundaries would have been breached and costs would have risen beyond.

Dr Gibbons: Yes.

Andrew Wilson: That raises questions about

the point of Treasury guidance. What guidance does the Scottish Executive offer to public bodies generally as a result of that opinion on risk assessment?

Dr Gibbons: The procurement division regularly produces guidance notes that put Treasury guidance into the Scottish context.

Andrew Wilson: What is different about the Scottish context?

Dr Gibbons: Scottish building law is quite different to building law in the rest of the United Kingdom. The Scottish construction industry is unique in the UK. Those are important issues to be considered when one translates UK guidance for the industry in Scotland. That is long-standing practice.

Andrew Wilson: In what ways is the industry different?

Dr Gibbons: In many ways. Its basis is different and its organisation is different. There are very few national construction industry players in Scotland, but we have a plethora of small and medium construction firms. That is important for the way that we communicate. The industry in Scotland is represented in many different ways. Scots law means that all our contract law is essentially very different.

15:30

Ms MacDonald: I want to ask a quick question about the client's contingency fund, the secret stash, which you felt it was not advisable to have in this case, presumably because there would be no sanction on the people contracted to encourage them to keep costs down, or rather because there would be reduced control on those people. I seem to recall that members of the design team—the architects, to be precise—said that they could not understand our concern over the costs when others had assured them that this was a big public building and that it would be built.

Dr Gibbons: My point was that we could not conceal a private contingency fund in the way that the private sector could conceal one, because when anybody looked at our annual reports, they would see what we had for the project. It was therefore pointless to go down that road. It is common practice among major private sector clients, when managing capital projects, to make available two contingencies—one for the project and one for the client to retain and not disclose. That means that, at the outset, you can take on the sort of risk that is being argued for. Doing so is less likely to be inflationary on the project cost because the contingency is not known to the project team.

The Deputy Convener: We are straying a little

from the Auditor General's report.

Paul Martin (Glasgow Springburn) (Lab): At our previous session, we clarified a number of points. We clarified that, in November 1998, the construction costs were £69 million. You advised us that the project team was hoping to claw money back, rather than reporting those costs to you or to the late First Minister. Do you not think that there was some disadvantage, and possibly some misjudgment, in the project team not advising you or the late First Minister of the escalating costs?

Mr Russell: It is important to view this in the context of seeking to live within a publicly announced budget target. We had a reasonable expectation that that was deliverable, as I explained on the previous occasion, because when we started down this road EMBT/RMJM said that it was confident that it could do the job for £50 million. Everyone was working carefully to that figure of £50 million.

As far as I was concerned, an important piece of project work was going on within the department: it was being managed by a team that had been set up in accordance with project management disciplines; it was being steered by a steering group that was chaired by Robert Gordon; and it was working—as I think I said in response to questions about accountability—towards a design process and was not actually spending money. I was therefore perfectly comfortable, and did not expect to be told about the work involved in the process—the rubbing away at ideas and concepts and costs to keep within budget. You can take it or leave it as to whether that was a sensible judgment, but that was the judgment that I made.

As I think I pointed out, when we moved towards the handover point and things began to crystallise in the spring and early summer of 1999, the team was beginning to say that the project was likely to cost more. The Auditor General's report recognises that. That was when I would have expected to have been told—and I was—that consideration needed to be given to putting up the budget. That is what led to the announcement of the figure of £62 million.

The work was being carried out by people in whom I had full confidence and whom I was leaving to get on with the job. That is the way we have to do it in big hierarchies. If members think back to that six-month period, they will remember that there was a lot going on, which meant that, in all honesty, I would not be second-guessing people on something that I regarded as a piece of project work.

Paul Martin: Let us be clear, Mr Russell. Are you stating that there was not a misjudgment? Do you understand it to be the position that there was no misjudgment on the part of the project

management team in not reporting the information to you or to the late First Minister? What is your position on that information not being reported to you? It is—

Mr Russell: My position—

Paul Martin: Sorry. Hear me out. Either there was a misjudgment or you are totally satisfied that the project management team did not report the information to you or to the late First Minister. It is one of the two—it was either a misjudgment or you were clearly and absolutely confident in the process being carried out by the project management team, including its not advising you of the figure escalating to £69 million—but you have been trying to come through the middle.

Mr Russell: I do not think that anything that I have said implies that I think that a misjudgment was made. I am happy to confirm that I am entirely comfortable that the team was getting on with their work, not reporting to me every twist and turn of the process. As we discussed after June, and as members discussed with Paul Grice, that is the way it is when the work is going ahead.

Paul Martin: You use the word comfortable. I assume that I can translate that to mean that you are entirely confident in the processes that were carried out by the project team in not reporting the information to you or to the late First Minister.

Mr Russell: Yes, I am content to have those words put in my mouth.

Paul Martin: You are quite happy with my wording?

Mr Russell: Yes.

Paul Martin: I gather that the information about the cost of £69 million was only available from the consultants by November, one month after the original due date for the client to approve the outline design. As was mentioned at the previous meeting, quite a bit of money—£2 million—was paid to the cost consultants in respect of that information. What other information did you expect to be at your disposal at that point that prevented you from having confidence in the figure of £69 million?

Mr Russell: When you say that £69 million was the cost consultants' figure, you are talking about a figure that described, with all the consultants' professional acumen, the cost of building a set of designs as they were snapshotted at the time. However, the snapshot was part of a process. The fact that the consultants accurately priced that snapshot does not mean that that snapshot was the finished article. The snapshot figure was going to change. The whole essence of the thing is that it was the project team's job.

I do not want to leave the impression that people

were somehow ignoring the cost consultants' work. They were saying: "If that is the snapshot cost, thanks for telling us. We'll change the snapshot 'cos we can't afford the cost." This is what I am asserting: I was leaving the project team to get on with its day-to-day routine work.

Paul Martin: You made it clear that you respected that information, but sought further information, some configuration on other matters. What other information was made available to you at that point? You said that you were not accepting the costs and were looking for some form of clawback. Where did we go from there?

Mr Russell: I will ask Robert Gordon to answer that. I want him to explain the process by which a project team answering to a steering group that he chaired looked at that snapshot figure and decided that it was necessary to go back and change something—to reduce area, to reduce design standard—and that some things were built in that were not wanted, all in order to keep within what the team had reason to believe was a fair, achievable budget. Asking for other information is a process that pushes the project back. It is like saying, "Sorry, we can't have that. Try again." or, "Change, please."

Mr Robert Gordon (Head of Executive Secretariat, Scottish Executive): It is precisely at that point that Muir Russell was not alerted to those figures. I was aware of correspondence between the project manager and project sponsor. The project manager said, "This stage C proposal"—which is a stage well before stage D, which we have been talking about—"looks to DLE as if it would cost £69 million." The project sponsor went back to the project manager and said, "Right, we must get on to the design team and tell them that it is not affordable. They have to work at the design to bring it back to budget."

Paul Martin: That does not answer the question on the other information that was made available, which is what we are seeking. You were not happy with the consultants, you did not have confidence in the figure of £69 million, despite paying escalated fees. What other information was sought?

Mr Russell: We had confidence in the £69 million; it was the design that it was based on that would not do. This is a process. There might be something in it that means you have to say, "Sorry, but that has to come out." Then the design team comes back and says, "Okay, it will look like this", and the consultants look at it and say, "That is £62 million." At that point you say, "Their £62 million is as accurate a picture of that snapshot as their £69 million was of the other snapshot, but we have to afford the £62 million." That moves you into the process of getting budget agreement. I do not want to say that the DLE numbers—the £62

million and the £69 million—were not well done or that they were second-guessed. It was not that; it was the snapshots that they were costing that were changing.

Euan Robson: Given that this situation existed, it was going to be difficult to tie down a specific cost at any particular moment because, as you rightly said, there was some to-ing and fro-ing. Does that not suggest that it was even more important to produce a document for the people who took over the project to alert them to the fact that that was the on-going process, and that they would have to pay particular attention to additional items that they might want because they were in that type of contract with that type of flexibility? With hindsight, would it have been sensible to lay on the table for those who took the project on some of the potential problems that they might encounter and some of the difficulties that they might run into, given the nature of the contract?

Mr Russell: As I understand it, there were briefings for the Presiding Officer and the Scottish Parliamentary Corporate Body. We thought that the documentation was fast closing in on firm and clear conclusions—the stage D proposal, the planning permission and the historic buildings consent—and the whole team was being handed over so that the project proceeded seamlessly. I was not involved, but I understand that the SPCB was briefed on what it was taking over around the time of the handover debate, and the costs and budget implications were clearly explained.

A perfectly good case could be made for there having been more presentations or more documentation—I cannot argue that with you—but I am not altogether sure that a lot more could have been said to the SPCB, given that the project had reached that stage and that, as the design stood, the project was well capable of being taken forward on the basis that was planned. That is my contention.

15:45

Ms MacDonald: Mr Russell, you said that the situation was quite clearly explained to the corporate body. In his evidence, Paul Grice said that there were verbal briefings. He may not have said so, but—to pick up on the implication of the question—more documentation might have been of value at that point. However, I want to return to the question of the process, raised by Paul Martin, with which you say you were happy and comfortable. The budget overran by 40 per cent. Had it been 4 per cent, I could see why you would not be too worried, because there is always ebb and flow in projects such as this, but should not a figure of 40 per cent have rung alarm bells? That is perhaps a question for Mr Gordon.

Mr Russell: Forty per cent being the difference between which figures?

Ms MacDonald: Forty per cent being the difference between the figures of approximately £52 million and £69 million. The percentage above the estimated cost was huge.

Mr Russell: Construction-based costs accounted for the difference between the figure of £50 million and the figure of £62 million. Everything else goes pro rata from that.

Ms MacDonald: We cannot get away from the fact that money is money and has to be paid at the end of the day.

Mr Russell: Yes, but the difference between the figures was a quarter, not 40 per cent.

Mr Gordon: I think that Ms MacDonald is talking about the figure of £69 million in the autumn of 1998.

Ms MacDonald: Yes. I am talking about the figure we argued about. We argued about whether it should or should not have been intimated to the Executive.

Mr Gordon: At that stage, we were dealing with design development. The design was far from finalised. Ms MacDonald will recall that what was put on display were balsa wood models of what the building would look like. The project team's judgment, which I backed, was that it was possible to lean on the design team to say that the situation would not do and that the team had taken on the job saying that it could deliver the Parliament for the £50 million budget that was discussed during the designer selection competition, yet the DLE consultants were now saying that it looked as though the Parliament was going to cost a lot more than that.

The process went on. Out of that came the conclusion that some increase in size was inevitable because of the better knowledge that there was about the needs of the Parliament. We had to accept that the net to gross area that we had specified was not going to be achievable. There was also pressure from the design team to have a more formal entrance than had been allowed for in the initial brief. All those things, as Muir Russell said, were conceded in the £62 million, but the process between November and the handover point included working away at refining the design to bring the figure back from what it was at in November.

Ms MacDonald: Are you saying that, at the handover, the figure was the estimate for the total cost—construction and other costs—of the building?

Mr Gordon: At the handover, the construction cost was estimated at £62 million. By adding in

contingency and all other costs, the figure came to a final total of £109 million.

Ms MacDonald: Was any reduction made between November 1998 and the handover?

Mr Gordon: Yes. Those illustrative designs were costed at £69 million and the figure for base construction costs that was agreed at handover was £62 million. In the meantime, there were many design developments and changes between November 1998 and the finalisation of stage D of the project. There were quite significant changes between Barcelona and Edinburgh as better solutions were found to deliver the space that people wanted. In parallel with those design changes, the project team was carrying out work to ensure that the adjacencies were right. The team had to consider whether making provision in a new shape of building would mean, for example, that the clerks would still be sitting in the right place for committee rooms. A huge iterative process was going on throughout that period.

Mr Russell: As I have said, new snapshots were being developed all the time, and we were trying to drive the costs back down towards the budget. However, as more was being added to the project, it meant that, although it cost more, there was more in it. The project was undergoing a multi-dimensional set of changes—the process was very dynamic.

Ms MacDonald: I understand that the process is very dynamic; indeed, I wonder how anything ever gets built.

Do you now regret that you did not buy the extra strip of land at the Holyrood site? Even in the initial stages leading up to the handover—indeed, even in November 1998—was it not obvious that you would need more room?

The Deputy Convener: That is probably outwith Mr Russell's competence.

Ms MacDonald: Well, it created design difficulties.

The Deputy Convener: I have a final question that returns to one of Margo MacDonald's points. What was the shape of the chamber in the initial design brief? If I can put it crudely, did the architect just produce the banana shape off his own bat? Furthermore, what method was used to bring it back to the initial design shape, if that shape was indeed the horseshoe? You can ask your architect to answer, if that is easier.

Mr Russell: I will speak for 10 seconds while Dr Gibbons thinks.

One could make all sorts of clever points about how close the ends of the horseshoe need to be. However, we sought a design that was essentially non-confrontational and how far the shape could

be bent was one of the functions of some of the big shapes in the basic architectural concept.

Having trod water for 30 seconds, I will hand over to Dr Gibbons.

Dr Gibbons: The original brief for the debating chamber was the subject of much discussion with the CSG. The first Miralles design met what was in the brief, which was part of our problem with directing him to redesign the chamber. The board in the visitors centre down at Holyrood shows 12 shapes that chart the evolution of the debating chamber. Although the current design is not significantly different, the journey there is interesting. The design moved from a consensual shape to confrontational and back to where it is now.

The Deputy Convener: Thank you very much. I thank Mr Russell, Dr Gibbons and Mr Gordon for attending today. That concludes the evidence-taking session. We will now move to the final agenda item, which will be taken in private.

15:53

Meeting continued in private until 16:08.

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