



Des McNulty MSP
Convener
Finance Committee
The Scottish Parliament
Edinburgh
EH99 1SP

21 August 2003

Dear Des

HOLYROOD REPORT, AUGUST 2003

This is the second of the new-style monthly reports on Holyrood, keeping the Finance Committee up to date with the Project cost and programme.

The key developments over the past four weeks are:

1. Bovis Lend Lease reported to the HPG on 8 August that their projected completion date of November 2003 now required to be extended to July 2004. This letter and its technical annex provide the fullest possible information on the reasons given for this further delay.
2. Agreed 'once and for all' fee settlements have been reached with our five principal consultants, (EMBT-RMJM; RMJM Services; Ove Arup; DLE and Bovis Lend Lease). Further costs of delay will not incur any fee for these companies. £4.6m has been saved against the last estimate of the overall fee.
3. The current costing has been reduced this month by £4.6m to take account of the final fee figure negotiated with the consultants. £3.2m has been moved from the risk reserve into construction commitment.

It is clear, however, that the additional delay will have cost implications. For reasons given in this letter, it is not possible to quantify these at this stage. It is my intention to report to the Finance Committee on this issue in my next monthly report.

4. The gaps in the July report can now be filled and the targeted sequence of construction completion is:

- MSP Building – end November
- Queensberry House – end November
- Towers 1 & 2 – end January
- Towers 3 & 4 – end February
- Canongate Buildings – end March
- Debating Chamber and Press Tower – end March

- Lightwell and public stair area behind Chamber – early July including a period of 22 weeks for follow-on works after completion of the glazing works
- Final handover of completed complex – July 2004
- External landscaping, (plantings and final removal of site accommodation) – end August 2004

Programme

I reported in my July letter that the tasks of the glazing contractors working around the Chamber remained to be fully programmed and indeed the complexities of completing the lightwell area remain the most significant outstanding challenge. Despite very considerable efforts to meet the programme, it has proved impossible. The key reason is that Drawn Metal, the Window Contractor has been unable to fit the windows quickly enough, largely due to the additional blast proofing. The result of this is that Mero, the Specialist Glazing contractor, cannot access the same lightwell area to complete their works. These delays have a knock-on impact on our ability to fit out the Chamber and other critical works. This is explained in more detail in the attached annex B. There are of course a range of issues to be resolved across all the remaining areas of the complex, but the lightwell is the most problematic and has the most significant impact on programme.

Elsewhere on site there is substantial progress. The dates for the MSP Building and Queensberry House are unchanged from the last report. The basement and Towers 1 and 2 will be available for Parliament staff to gain access for familiarisation, training and systems testing in January, with Towers 3 and 4 following in February.

Taking the lightwell issues into account, the early indication is of a July final completion date of the whole complex (excluding some landscaping). Being able to start business at Holyrood as soon as possible remains a key priority for the Parliament, but it is clear to me that these remaining complex problems simply have to be worked through.

When I met the Construction Manager in July, I asked him to let the Project Director have an immediate warning of any problems with the proposed programme. This is therefore early information; Bovis have only just issued formal programmes for areas other than the MSP Building, QH and the Towers and these are now being analysed by the Project Team.

Clearly, there are many issues for the Parliament to confront if we are to postpone migration to the new building until next summer. I take these issues very seriously indeed. I am not yet in a position to offer solutions to the problems, but I have asked officials to report to me as a matter of urgency on how we are to manage them.

Costs

Annex A shows two movements this month; a reduction of £4.6m in the bottom line as a result of the successful fee negotiations and £3.2m which has moved from the risk reserve into the construction commitment.

The Cost Consultant made provision in his latest estimate of costs for prolongation up to mid-February. This will need to be reassessed and it is clear to me that the costs will increase. You will appreciate that DLE are unable to quote specific figures before they have had the opportunity to examine the final programmes; indeed, to do so could be commercially damaging. As soon as these costs are substantiated we will of course report to the Committee and I anticipate that this information will be contained in next month's letter.

I am pleased to report that in the context of the related fee negotiations discussed below, we have been able to secure agreement with Bovis to a capped lump sum covering Construction

Management staff costs from now to completion of their contract. This, as well as extended site organization costs, will be included in the assessment of additional costs in the next report.

Fees

As promised in the July letter, we now have a result on fees to report. All the consultants have worked hard with us to achieve this outcome which is a good deal for the public purse.

We have secured a reduction of almost £5m on our last estimate of the overall percentage fee. Not only that, but as this is a 'once and for all' deal, that component of the budget is now fixed, giving us a greater degree of cost certainty. The unfolding programme position underscores the significance of having agreed lump sum caps at this stage; whatever assessment DLE make of the increased costs due to delay, it will not include a fee for the consultants.

Such negotiations are never easy, particularly in a situation such as this where final construction costs and programme have both been uncertain. I am therefore particularly grateful for the co-operative spirit in which these discussions have progressed and for the approach taken by the principal consultants of EMBT-RMJM, RMJM Services; DLE; Ove Arup and Bovis Lend Lease.

We will make our next report to the Finance Committee by the end of September. I also wish to take this opportunity to record my appreciation of the key role played by the HPG in progressing these important matters throughout this recess period.

Yours sincerely

A handwritten signature in black ink, appearing to read 'George Reid', with a stylized flourish at the end.

GEORGE REID

Attachments:

- [Technical Annexe](#) (pdf)
- [Cost Spreadsheet](#) (pdf)