



The Scottish
Parliament

CO/5/1164

The Rt Hon Sir David Steel KBE MSP
The Presiding Officer

Tom McCabe MSP
Convener
Finance Committee
Committee Chambers
EH99 1SP

16 January 2003

HOLYROOD PROJECT

Giving evidence to the Committee in December, the SPCB was acutely conscious of the frustration caused by the apparent continuing uncertainty surrounding the Project completion date and consequently the final cost estimates. We shared that frustration, which was at least in part due to the unavoidable timing of the meeting, immediately prior to receiving the results of significant reviews of both programme and cost.

At that time, we anticipated that by January we would be in a position to report more confidently on the expected time-scales and budgetary requirements to completion. We have now met with the Construction Manager and the Cost Consultant and we were anxious to let you have the resulting information as soon as possible.

Programme

The programme review undertaken in late December/early January assessed the ability of individual package contractors to meet the time-scales required of them within the overall programme. It also took into account other outstanding risks which could affect programme – issues such as co-ordination of services; resolution of window installation; completion of outstanding design details etc.

This review concluded that package contractors were performing well on site; that there was the desired degree of construction momentum and that the spend profile was significantly improved.

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Given this, the Construction Manager is able to say with confidence that the construction and internal fit-out of the majority of the complex (the MSP Building, Queensberry House, the Towers and the Canongate Building) should be complete between the end of August (the programme 6B target date) and the end of October. However, the review also confirmed that the remaining elements, (the Debating Chamber and Boundary Walls) are unlikely to be complete by that time.

Mindful of the Committee's views and of the SPCB's own concern to secure a realistic handover date, we have discussed this issue in some detail with the Construction Manager. Taking into account the remaining risks, he has assured us that he has a very high degree of confidence that the building will be handed over in its entirety in November 2003 at the latest.

Clearly no programme is risk free, but we took from the Construction Manager a good deal of comfort that the remaining risks to this programme are now well understood and continue to be managed appropriately. For our part, we continue to send a very strong signal to the Construction and Design Teams about the importance of resolving all outstanding issues as speedily as possible and securing the best possible, (i.e. earliest) completion date.

Cost

When we reported to the Committee in December, an estimated total project cost of £310.5m was discussed. This figure was made up of the £294.6m reported on the basis of the previous Risk Review in May and the cost consultant's provisional estimate of the likely costs of the extended programme, (£15.9m). We indicated that the forthcoming Risk Review would assess the accuracy of this estimate as well as quantifying the other variations and delays to packages which had increased costs since the last full Review.

Following the December Review, the cost consultant has confirmed that his initial estimate for programme related costs remains unchanged. In addition, a number of individual packages had increased in expected cost since the last Review, totalling £6.5m gross. There has also been an increase to site running costs and fees of £6.9m.

These additional figures result in a revised overall target figure of £323.9m, (of which £7.8m is the remainder of the original project contingency sum intended to provide for as yet unforeseen, but common on-site problems.) The budget for the landscaping scheme is of course separate from this total.

At this stage in a project, programme uncertainty is the biggest threat to costs. The significantly increased programme certainty we are now discussing allows the cost consultant to be similarly confident about the accuracy of his current estimates and he has assured us that he is comfortable that this estimate of £324m represents the funding now required to complete the project in the light of known risks and the Construction Manager's expected completion dates.

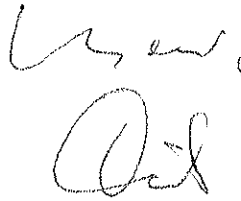
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Conclusion

It is accepted that 100% certainty about cost and programme at this stage is not within the gift of the Construction Manager or the Cost Consultant, let alone the SPCB. Nonetheless, we welcome the increased certainty which has emerged from the recent review and will continue to monitor progress closely over coming months.

I hope that the information contained in this letter is of assistance to the Committee and we will of course update Members should that become necessary. I am conscious that there were a number of other matters of detail which witnesses undertook to pursue following the meeting on 17 December and we will also write to you on these as soon as possible.

Given the considerable general interest in this matter, I am sure you will understand why I feel that it would be appropriate to release the text of this letter to the press tomorrow.

A handwritten signature in cursive script, appearing to read 'David Steel', written in dark ink.

David Steel