

THE HOLYROOD BUILDING PROJECT

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This briefing has been produced as background to the debate on the Holyrood Inquiry report on Wednesday 22nd September. Whilst members will have access to extensive information and briefing in the form of the Fraser report itself, and the copious reporting and analysis in the media, this SPICe briefing focuses on **construction management** techniques and the construction of **other recently built parliamentary buildings** in the UK and overseas.

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SPICe briefing

21 September 2004

04/60



The Scottish
Parliament

KEY POINTS OF THIS BRIEFING

- The First Minister, Jack McConnell, announced on June 12 2003 that Lord Fraser of Carmyllie had been appointed to conduct an inquiry into the management of the Holyrood Parliament building project. The Holyrood Inquiry was not a judicial inquiry and so did not have the powers to compel the submission of documentary evidence, the attendance of witnesses or to require witnesses to give evidence on oath.
- In his report, Lord Fraser stated that the selection of construction management was the *“single factor to which most of the misfortunes that have befallen the Project can be attributed”*
- Guidance from the Treasury on contract selection available at the time indicated that the advantages of construction management included possible early completion and that it is suitable for complex projects. Identified disadvantages included the fact that price certainty is not possible until the last of the works packages have been let, and that the ‘department’ bears the full risk of delays and disruption caused by whatever reason
- The **Welsh Assembly** building was originally procured using a hybrid construction management contract, with Skanska appointed as management contractors in December 2000. The Welsh Assembly voted to suspend the project in July 2001, conducted a review and changed the management arrangements. On 1 July 2003 the Assembly agreed to appoint Taylor Woodrow Construction Ltd as the contractor to build the new National Assembly Debating Chamber for a fixed price of £40.997m excluding VAT. Work re-commenced on the site in August 2003, with completion scheduled for August 2005.
- **Portcullis House** was procured for the UK Parliament using construction management. An initial estimate of between £151m and £164m (at 1992 prices), eventually became £234 million at outturn prices in 2002 (£179 million in 1992 prices). However the Comptroller and Auditor General (2002) concluded that Portcullis house had been delivered on time and that the House “obtained the high standard of architectural design, materials and workmanship that it had specified” and that it had secured “value for money”. One area of controversy related to the procurement process of the £37 million contract for ‘fenestration’, the courts ruling that the civil offence of dishonest abuse of powers had been committed by House officials
- **City Hall** in London, the home of the Greater London Authority (GLA) was built as part of a developer led project, the £65 million construction costs being met by the developers. The GLA now has a 25-year lease on City Hall and will pay an annual rent of £36.50 per square foot (£393 per square metre). This is frozen until 2007. According to the GLA *“City Hall was delivered on budget and on time, proving a great deal for Londoners”*
- A cap of DM600 million (approximately £180 million) was put on the renovation costs of the **Reichstag** in Berlin. Compliance with economy and efficiency guidelines was monitored by the Federal Court of Audit on behalf of the Bundestag. Nevertheless in 1999 there were reports of a dispute with the architect over building standards, including the thinness of the internal walls, and vibrations on the rostrum of the chamber.

BACKGROUND

The First Minister, Jack McConnell, announced on June 12th 2003 that Lord Fraser of Carmyllie had been appointed to conduct an inquiry into the management of the Holyrood Parliament building project. The Holyrood Inquiry was not a judicial inquiry and so did not have the powers to compel the submission of documentary evidence, the attendance of witnesses or to require witnesses to give evidence on oath.

The remit of the Inquiry (Fraser 2004) was:

“To review the policy decisions in relation to the Holyrood Project taken prior to its transfer to the Scottish Parliamentary Corporate Body on 1st June 1999 and subsequently. To build on the Auditor General’s existing findings in respect of procurement strategy and cost control, contractual and project management arrangements and to extend the consideration of these issues to cover the subsequent stages of the project”.

A total of 64 witnesses gave evidence at the Inquiry, some on several occasions, 74 witness statements were submitted and 21 individuals or organisations submitted 39 pieces of documentary evidence. These are all available on the Holyrood Inquiry website at <http://www.holyrood inquiry.org>

CONSTRUCTION MANAGEMENT

In his report, Lord Fraser stated that the selection of construction management was the “*single factor to which most of the misfortunes that have befallen the Project can be attributed*” (The Holyrood Inquiry 2004, 86). He went on to say (para 6.24) that

“It beggars belief that Ministers were not asked to approve the proposal to adopt construction management. Nor did they have the advantage of Treasury advice”

THE TREASURY GUIDANCE

Written HM -Treasury guidance on the use of construction management did exist however. HM - Treasury Guidance No 36, “[Contract Selection for Major Projects](#)” published in June 1992, outlined the following advantages and disadvantages with the construction management model:

Advantages

- the construction manager’s objectives are close to those of the project sponsor – being motivated by the level of the fee and enhancing reputation, not the value or the profitability of the construction works
- early completion is possible because of overlapping activities
- changes in design can be accommodated later than with some other strategies, without paying a premium, provided the relevant trade packages have not been let and earlier awarded packages are not too adversely affected
- it can be applied to a complex building
- direct control over the design team is maintained

- the sponsor has direct contracts with trade contractors and pays them directly. There is some evidence that this results in lower prices because of improved cash flow certainty
- the project manager and construction manager can also build better team relationships with trade contractors and resolve disputes directly rather than through a main contractor and
- delinquent contractors can be more easily removed from the project.

Disadvantages

- price certainty is not achieved until the last work packages have been let
- the sponsor must have resources to administer the contracts of the separate design team members and many trade contractors
- the department is responsible for co-ordinating design with construction (through the construction manager) and bears the risk of delays and disruption caused by whatever reason
- the construction manager does not assume any risk other than negligence; and
- because there is no main contractor, the department carries the risk of the activities of individual trade contractors delaying or disrupting each other.

The Treasury guidance at the time provided the following summary of the advantages and disadvantages of the various contract strategies.

Figure 8

Summary of advantages and disadvantages of contract strategies

SE/5/361

Project Objectives		Appropriateness of Contract Strategy in Meeting Project Objectives				
Parameter	Objectives	Traditional	Construction Management	Management Contracting	Design & Manage	Design & Build
Timing	Early completion	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Cost	Price certainty before construction start	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Quality	Prestige level in design and construction	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Variations	Avoid prohibitive costs of change	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Complexity	Technically advanced or highly complex building	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Responsibility	Single contractual link for project execution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Professional Responsibility	Need for design team to report to sponsor	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risk Avoidance	Desire to transfer complete risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Damage Recovery	Ability to recover costs direct from the contractor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Buildability	Contractor input to economic construction to benefit the department	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

- appropriate

- not appropriate

Note: This table is for guidance only. Generally the appropriateness of the contract is not as clear cut as indicated.

the project manager must advise the project sponsor in this.

OTHER PARLIAMENTARY BUILDINGS

WELSH ASSEMBLY, CARDIFF

The decision to locate the National Assembly for Wales on the present site in Cardiff Bay was taken in April 1998. The Secretary of State for Wales, Ron Davis, also decided, after consultation, to build a new debating chamber adjoining the existing office block which was to house Assembly staff. The initial price limit set for the new Assembly debating chamber was £12m, including fees and completion was scheduled for early 2002. However, by January 2000 the cost estimate had increased to £22.8m.

The Welsh Assembly considered that the "design and build" route was inappropriate because of the novelty and complexity of the design and the need to retain client control and selected instead a hybrid 'construction management' contract where the main contractor assists the architect with 'buildability' and constructional issues, and lets the works to sub-contractors.

The architects for the project, the Richard Rogers Partnership, were appointed following a competition and in December 2000 Skanska Ltd (formerly Kvaerner) were appointed as management contractors for the project with responsibility for managing the construction of the building.

In July 2001 the Assembly voted overwhelmingly (43 to 8) to suspend work on the project. The contract with the designers was terminated and work on the new Assembly building was stopped. In August 2001, Francis Graves Limited, a firm of construction project managers, chartered quantity surveyors and cost consultants, was appointed to review the whole project and to propose a way forward.

In November 2001, the Assembly decided to change the management arrangements for the project and to appoint a developer to complete the original design. In May 2002, Schal International Management Limited were appointed as project managers.

On 1 July 2003 the Assembly agreed to appoint Taylor Woodrow Construction Ltd as the contractor to build the new National Assembly debating chamber for a fixed price of £40.997m excluding VAT. Work re-commenced on the site in August 2003, with completion scheduled for August 2005.

The Welsh Assembly building will have:

- A Debating Chamber capable of accommodating 60 Members with adequate provision for officials, media and the public;
- Three committee rooms capable of accommodating a maximum of 24 people around the table including witnesses and officials. Each committee room has a dedicated gallery providing seating for members of the public and the media
- Public areas such as:
 - Parent and Child Area
 - Exhibition Area
 - Refreshments Area
 - Usual Public Amenities
- Media facilities
- Rooms for Party Business Managers
- Rooms for the First Minister and the Presiding Officer
- Members Tea Room/Lounge.

PORTCULLIS HOUSE, LONDON

Completed in August 2000 and formally opened in February 2001, Portcullis House provides offices for 210 Members of the UK Parliament and 400 staff, along with Select Committee and other meeting rooms. Using 'construction management' the project was passed from the Department of the Environment to the House of Commons authorities in 1992, and formally approved in 1993. By the time the House of Commons took over the project, the specification and design of the building had largely been decided.

In 1993, the building was forecast to cost between £151m and £164m (at 1992 prices). The cost at outturn prices was expected to be higher but this could not be estimated accurately at the time because of uncertainty over the timetable and the effects of inflation. In 1998, when construction actually began, the forecast cost of the building had increased to £187m (at 1992 prices), reflecting cost increases approved by the House of Commons Commission between 1993 and 1998. These were mainly due to higher than expected tender prices and the delay in starting construction. In 1998 the House of Commons Commission approved a cost forecast of £245m at outturn prices, consisting of a budgeted cost of £187m at 1992 prices and estimated inflation of £58m.

At April 2002 the estimate of outturn cost was £179 million at 1992 prices – £28m (18%) more than the 1993 forecast. This equates to £234m at outturn prices, some £8m (4%) less than the 1998 forecast. A further £13m (at outturn prices) has been incurred in other costs, principally the cost of a legal action against the House for failure to follow procurement rules. (Comptroller and Auditor General 2002)

The building has a lifespan of 120 years and was built on a site over Westminster Underground station, which involved a complex structural engineering solution.

The Comptroller and Auditor General (2002) concluded that Portcullis House had been delivered on time and that the House "obtained the high standard of architectural design, materials and workmanship that it had specified" and that it had secured "value for money". On the use of 'construction management' in the project the same report concluded

"House officials used a technique known as "construction management" to deliver the project. Experience elsewhere in the public sector with this technique had been mixed but the decision to use it has been vindicated by the outcome of the construction phase, which was delivered to time and specification. Risks arising during this phase were well managed"

The House of Commons Public Accounts Committee (63rd Report July 2002) also concluded that the building was good value for money.

Some aspects of the procurement process were a matter of controversy. The largest single item, the £37 million contract for fenestration (pre-fabrication of wall and window units), was subject to court action. The winning contractor had been allowed to submit a variant bid on the contract, without the same opportunity being afforded to other bidders. In 1999 Courts ruled that the civil offence of dishonest abuse of powers had been committed (tort of misfeasance in public office). House officials stated they disagreed with but respected the judgement, and that serious errors in the procurement procedures had been made. The Clerk of the House stated that no individual was to blame but that it was a collective responsibility of the project team (House of Commons Committee of Public Accounts 2002).

CITY HALL, LONDON

The Mayor of London and the London Assembly moved into City Hall in July 2002. In the selection process 7 out of 55 initial designs were put on public display and the views of the public determined a shortlist of two designs, which were then developed further. The winner was announced in February 1999 by former Minister for London Nick Raynsford. The winning 'developer led' plan is part of a wider redevelopment project on the banks of the Thames known as 'more London'.

The Greater London Authority now has a 25-year lease on City Hall and will pay an annual rent of £36.50 per square foot (£393 per square metre). This is frozen until 2007. The developer will meet the cost of construction and the Government will meet the cost of fitting out the building. The developers expect that overall construction costs for City Hall and related infrastructure will be £65m.

The building comprises 10 floors and approximately 12,000 square metres of lettable floorspace, and is said to run on a quarter of the energy of a typical high specification office building.

According to the GLA website:

"City Hall was delivered on budget and on time, proving a great deal for Londoners"

([Greater London Authority website](#),).

REICHSTAG, BERLIN

Following the fall of the Berlin wall and with the subsequent re-unification of Germany, the Bundestag voted in 1991 to move the Government, the Presidency and the Lower House of the Parliament (back) to Berlin. The competition to remodel the Reichstag (formally known as the Reichstag plenary site of the Bundestag) was won in 1992 by Lord Norman Foster. The centrepiece of the building is the glazed chamber crowned by the dome. A funnel with panes of mirror glass reflects the daylight from above into the chamber.

The building opened in April 1999 at a reported cost of DM600 million (at an exchange rate of DM3 to the pound in 1999 this equates to approximately £180m). This amount however is dwarfed by the total costs of the move of the full machinery of government to Berlin, involving the transfer of an estimated 30,000 parliamentarians, civil servants, journalists and others. The total cost has been put at over DM20 billion in some reports, (£6 billion).

A cap of DM600 million was put on the renovation costs of the Reichstag. Compliance with economy and efficiency guidelines was monitored by the Federal Court of Audit on behalf of the Bundestag. Nevertheless in 1999 there were reports of a dispute with the architect over building standards, including the thinness of the internal walls, and vibrations on the rostrum of the chamber.

(Information from the [Bundestag](#) website, the website of the [Senate Department of Urban Development](#), the *Financial Times* 29/9/99 (LexisNexis), *Time Magazine* 19/7/99 (LexisNexis) and *Deutsche Press-Agentur* 18/4/99 (LexisNexis).)

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