



Cynulliad National
Cenedlaethol Assembly for
Cymru Wales

Audit Committee



The Senedd

Committee Report AC(3) 11-08
November 2008

An electronic copy of this report can be found on the National Assembly's website:
www.assemblywales.org

Further copies of this report can be obtained from:
Audit Committee
Committee Service
National Assembly for Wales
Cardiff Bay
CF99 1NA

Tel: 029 2089 8617
Fax: 029 2089 8021

Email: Audit.Comm@Wales.gsi.gov.uk

THE NATIONAL ASSEMBLY FOR WALES

AUDIT COMMITTEE

Report presented to the National Assembly for Wales on 5 November 2008
in accordance with section 143(1) of the Government of Wales Act 2006

The Senedd

Contents	Paragraphs
Summary and recommendations	1 – 12
The Senedd is an iconic building with outstanding environmental credentials	13 – 16
Even though the Senedd was significantly more expensive than first estimated, the Welsh Assembly Government and its partners did all it reasonably could to keep costs to a minimum	17 – 22
The procurement process was handled well in difficult circumstances although the delayed procurement of Merlin caused problems for ICT	23 – 32
The successful delivery of the project was greatly influenced by the establishment of a highly effective team who worked together with a clear and shared vision and purpose	33 – 39

ANNEXES

Annex A	Record of proceedings of the Audit Committee of the Third Assembly, Thursday, 19 June 2008
Annex B	Senedd annual energy prediction benchmark
Annex C	Letter from Richard Wilson, 6 October 2008, on Senedd sustainability capital costs premium

Summary

1. The National Assembly for Wales took occupation of its new building, the Senedd, in February 2006. The project had been halted in 2001 because of a number of problems, the most significant being rising costs. When the project restarted in 2002, it was done so with a revised project management structure and a different procurement route; the prime aim of the Welsh Assembly Government was to “deliver a landmark building...to time, to an appropriate quality and within budget.”
2. On the basis of a report published by the Auditor General for Wales¹, we took evidence from Claire Clancy, Chief Executive of the Assembly Commission; Dianne Bevan, Chief Operating Officer of the Assembly Commission; David Richards, former Finance Director of the Welsh Assembly Government; and Richard Wilson, Construction Director at the Welsh Assembly Government. We very much appreciated the openness and integrity with which the witnesses answered our questions. While we were mindful of the earlier stages of the project, these have been covered in previous reports by this Committee² and we therefore focused on the period from the time the project restarted in 2002.
3. We examined whether and how the Assembly Government delivered the Senedd to time, cost and quality. We concluded that these objectives had generally been met; even though the procurement process had been difficult, the Assembly Government had handled it well. The successful delivery of the project had a great deal to do with the establishment of an appropriate project management structure and a team which worked together effectively.

The Senedd is an iconic building with outstanding environmental credentials

4. While judgements about the iconic nature of the Senedd will inevitably be subjective, we have no doubt that the Assembly Government’s intention to deliver a landmark building has been achieved. We note that around 300,000 people visited the Senedd in its first year after opening.
5. It was also important that the Senedd building should be as sustainable as possible. The building has achieved a high rating, by independent experts, for its environmental credentials and we are pleased that it, as it should, stands as

¹ Auditor General for Wales (AGW) report, *The Senedd*, published March 2008

² Audit Committee reports: *Accommodation arrangements for the National Assembly for Wales*, May 2001; *The National Assembly’s new building: update report*, April 2003

an exemplar in terms of what can be done to a building to make it sustainable. The Senedd's unique, bespoke status together with the fact that the highest standards of sustainability were built into the brief for the building from the outset mean that it is not possible to quantify the premium paid for its sustainability credentials.

Even though the Senedd was significantly more expensive than first estimated, the Welsh Assembly Government and its partners worked hard to keep costs to a minimum

6. The original estimate for the cost of the Senedd was £12 million in 1997. By the time the project was stopped in 2001, estimated costs had risen to around £40 million. When the fixed price design and build construction contract was signed in 2003, the estimated total cost had risen to £66 million and the building was eventually delivered for nearly £70 million.
7. We heard that this large increase in costs was due to a number of factors, including: lack of robustness in previous estimates, some of which were based on an incomplete design of the building; unforeseen changes in specification – especially in relation to the need for increased security following the 2001 attacks on New York; costs for certain items had increased in the periods between estimates being made; and the inclusion in the final design and build construction contract price of a contingency to cover possible cost overruns incurred by the private sector contractor.
8. Notwithstanding the increases in costs that the project experienced, we are satisfied that when the project was restarted sufficient measures were in place to control costs. These included testing against the open market, open book accounting, value engineering, use of the contractor's established supply chain, whole life costing and validation of costs by the project's independent cost consultant and project manager. We note that, unlike many other large-scale public sector construction projects, the project came in broadly on budget despite the challenges presented by its iconic, unique features.

The procurement process was handled well in difficult circumstances although the delayed procurement of Merlin caused problems for ICT

9. We have no doubt that stopping the project in 2001 was the correct course of action. The adoption of a design and build fixed price procurement process for the construction of the building was the correct route to secure the Assembly Government's stated aim of greater cost certainty.

10. On re-tendering however, there was a disappointing response from the market, with only two companies, Taylor Woodrow and David McLean, submitting formal tenders. To complicate matters further, David McLean's bid did not comply in one respect with the stipulated requirements of the Assembly Government. This left only Taylor Woodrow in the process. However, the Assembly Government managed to maintain a degree of competition in the process by David McLean agreeing to be a fall-back in the event that Taylor Woodrow failed to agree a fixed price contract with the Assembly Government.
11. The Assembly Government intended that the building should include state of the art information and communications technology (ICT) equipment. However, delays in the procurement of Merlin, the new IT system for the Assembly Government and National Assembly, resulted in some damage to equipment and a six month delay in the completion of the Senedd project. There were also delays in producing a full ICT specification because the Assembly Parliamentary Service did not have the necessary expertise to develop it in-house, and could not ask Siemens, the current ICT system providers, to help because they were involved in the bidding for Merlin.

The successful delivery of the project was greatly influenced by the establishment of a highly effective team who worked together with a clear and shared vision and purpose

12. When the project restarted, the Assembly Government put in place a revised project team and project management structure. The new structures, based on established project management methodology and including appropriate independent advice, succeeded in ensuring better organisation and accountability. However, at least as important to the successful delivery of the project was the quality of the relationships among the key players in the wider project team and the degree of teamwork within the revised structure. The result was a shared determination on all parts to complete the project to a high standard.

Recommendations

- (i) We endorse the Auditor General's recommendations, which cover all the issues of concern to us. **We ask the Assembly Government and Assembly Commission, as appropriate, to respond to each of the five**

recommendations in the Auditor General's report as part of their response to this report.

- (ii) The second phase of the Senedd project was generally successful – a notable achievement for such a large, complex project in the public sector. It is essential that valuable experiences gained over the course of the Senedd project are applied to the other accommodation projects currently being managed by the Assembly Government under its relocation strategy. **We recommend that the Assembly Government provide a note to this Committee by the end of December 2008, setting out how the lessons learnt from the Senedd are being applied to the other building projects that it is managing.**

The Senedd is an iconic building with outstanding environmental credentials

13. One of the key quality standards attached to the construction of the Senedd was that it should be an iconic building. We echo the words of Mrs Clancy who said that the Senedd is “without question, an iconic building and a landmark in Wales of which we should be immensely proud.” That pride is illustrated in part by the fact that some 300,000 people, many more than expected, visited the building in its first year after opening.³
14. Another important objective of the Senedd project was that the building should be ‘a model of environmental best practice and sustainable development’. The Auditor General reported that this was achieved, with the building rated as “excellent” according to the Building Research Establishment Environmental Assessment Method (BREEAM). Not only was sustainability a material consideration in constructing the building, but it will remain so throughout the life of the building through its management.⁴ Mrs Clancy told us that there is the prospect of the Senedd being “the most sustainable parliament building in the world.”⁵ This would be quite an achievement.
15. The building’s sustainability credentials are one of its most important qualities and are a matter of pride to us and our fellow Assembly Members.⁶ The Senedd can stand as an exemplar in terms of what can be done with public buildings; we welcome the refusal to compromise that has been demonstrated by the Assembly Government, the National Assembly for Wales and the Assembly Commission. We note the comment of Mr Wilson that “the building represents a very significant shift in the attitude of procuring authorities to having things such as earth-heat exchangers and photovoltaic panels on roofs. People now think that they are quite normal”.⁷
16. Significant capital was invested to ensure that the Senedd meets its desired sustainability objectives. Mr Wilson told us that it was difficult to single out the premium paid to meet such high sustainability credentials from the total cost of the building, because sustainability runs throughout the design and part of every element of the building; to have bolted on sustainability requirements at a later

³ Annex A, paragraph 9

⁴ Annex C, and AGW report paragraphs 1.38 and 1.40

⁵ Annex A, paragraph 11

⁶ Annex A, paragraph 70

⁷ Annex A, paragraph 77

stage would have resulted in higher costs. And the fact that the Senedd is bespoke for the National Assembly means that there is no other building against which to benchmark it. Although some costs in relation to making the building more sustainable are easy to determine, such as the biomass boiler, the majority of them are less so, such as the passive infrared systems which increases energy efficiency.⁸

Even though the Senedd was significantly more expensive than first estimated, the Welsh Assembly Government and its partners did all it reasonably could to keep costs to a minimum

17. The original cost estimate for the National Assembly for Wales' new building was made in 1997 by the Welsh Office when it estimated the total costs to be in the region of £12 million to £17 million.⁹ As the project developed, the estimated forecast costs increased, leading to disagreements between Welsh Assembly Government and the Richard Rogers Partnership, the scheme architect, and the suspension of the project in 2001. By this time, costs were estimated to be in the range of £37 million to £47 million. On the appointment of Taylor Woodrow as construction contractor, the total outturn cost of the project was £66 million (of which £48 million was attributable to the fixed price lump sum construction contract cost). In the end, the total cost of the project was almost £70 million, including a construction cost of some £50 million.¹⁰

Capital costs

18. We asked the witnesses why there had been such a marked increase in costs from the first estimates made to the actual costs incurred. Mr Wilson told us that early estimates had been based on a design of the building which was not sufficiently advanced to ensure any cost certainty. He told us that costs had also increased significantly because of the need for additional security following the attacks on New York on 11 September 2001. Also, in the time between the initial estimates being made and the signing of the contract with Taylor Woodrow (the construction contractor), the costs of some items had increased. The appointment of Taylor Woodrow as the preferred bidder was on the basis of various selected elements of the cost, not the totality.¹¹

⁸ Annex A, paragraphs 71 and 74, and Annex C

⁹ AGW Report, paragraph 1.27

¹⁰ AGW Report, paragraphs 1.14 to 1.15

¹¹ Annex A, paragraph 40, 44

19. There was also a risk of cost increases from the use of a design and build fixed price contract during the second phase of the project. There is a price to be paid for the cost certainty that this type of contract brings, as the contractor will naturally seek to cover any potential cost overruns it may have to bear.¹² Mr Wilson told us that this was even more likely in the case of the Senedd because it is not a standard office block or industrial shed but an iconic building. The nature of the contract meant that Taylor Woodrow took on most of the risks and these were therefore factored into the cost of their bid.¹³

20. However, despite these cost pressures, Mr Wilson was confident that the building could not have constructed for less than the final price of £70 million. He assured us that significant checks were in place to ensure that all aspects of the project were properly costed. This was done through a variety of methods such as:

- testing costs against the open market;
- open book accounting (where financial information was shared between the contractor and other members of the project team);
- value engineering (a process in which all the components and processes involved in construction are critically appraised to determine whether better value alternatives or solutions are available);
- use of the contractor's established supply chain;
- whole life costing (a technique that quantifies financial values for buildings from inception and throughout the building's life); and
- validation of costs by the project independent cost consultant and project manager.

Mr Wilson also pointed out that the transparency and visibility of costs was maintained throughout the life of the project, and not only when bidding was taking place.¹⁴ On the basis of the evidence before us, and in particular the rigour of officials in testing and controlling costs, we agree with the witnesses that the Welsh Assembly Government and the National Assembly for Wales got a good deal on the cost of the building.

¹² AGW Report, paragraph 2.3

¹³ Annex A, paragraph 38

¹⁴ Annex A, paragraphs 40-42; 126, 151, 169

Operational costs

21. Even though capital costs represent the majority of total costs associated with the building, there are also on-going operational and maintenance costs. The Auditor General reported that the operational and running costs of the building were unknown.¹⁵ However, Ms Bevan was able to provide us with an update. She told us that during the first year that the building was open, electricity costs were higher than anticipated. However, as staff became more familiar with how the building operated, the systems were adjusted and the following year's figures showed a marked improvement in performance.¹⁶
22. Data subsequently provided by the Assembly Commission confirmed the reduction in daily electricity usage. This has been accompanied by a marked decrease in electricity consumption costs, from £110,000 in 2006 to £79,000 in 2007.¹⁷ In the current climate of increasing energy prices, this is an excellent achievement. We were also glad to hear that improving energy efficiency is not only being concentrated on the Senedd, but right across the Assembly estate.¹⁸

The procurement process was handled well in difficult circumstances although the delayed procurement of Merlin caused problems for ICT

23. In hindsight, despite the possible embarrassment it may have caused the Assembly Government and the National Assembly for Wales, the witnesses convinced us that stopping the project in 2001 and restarting it again was indeed 'correct and brave' and vital to the securing a successful end result.¹⁹ The risk was that if the project had not stopped when it did, it would have gone the same way as the Scottish Parliament building project. The stakes were high since, as Mr Richards pointed out, the high profile of the project meant that the way the building procurement was managed was sending out a public signal about how the Assembly Government does business in Wales.²⁰
24. Following this decision, the Assembly Government quite correctly took its time in getting the procurement right for the second phase of the project. Mr Richards informed us that even though the chosen procurement process was not quick, it was designed to produce the best result in the end – that of an agreed fixed

¹⁵ AGW Report, paragraphs 1.45 – 1.46

¹⁶ Annex A, paragraphs 91-93

¹⁷ Annex B

¹⁸ Annex A, paragraph 95

¹⁹ Annex A, paragraph 99

²⁰ Annex A, paragraph 112

price.²¹ This contrasted with the earlier, pre-2002, phase of the project when time was the most important factor and due consideration to the complexities of the project (see next paragraph) was not given.²²

25. One of the main reasons for the need to take time over the procurement and get things right from the beginning was because of the complexity of the project. Mr Richards told us that the Senedd was exceptional in the scale of the challenges, the novelty of what was being undertaken, and the high profile and reputational issues around which the Assembly Government was working at the time.²³ Mr Wilson provided an example of the complexities of the project: in a normal building, there will be between 150 and 200 points at which the electronics control the environment interface with the building system. However, in the Senedd's highly sophisticated system to manage the building and control the environment, there are 1,860 such points.²⁴
26. In the event, only two companies, Taylor Woodrow and David McLean, bid for the construction contract, complicating the need to maintain competition and drive down the costs.²⁵ Mr Wilson told us that the Assembly Government – which had been hoping for at least four companies to submit formal tenders – was disappointed, but not surprised at the lack of response from the market. Possible reasons for this lack of response were the well-known problems of the earlier phase of the project and the fact that there were other high profile projects in Wales at the time that were having difficulties, such as the Millennium Centre and the Millennium Stadium. Mr Wilson also told us that alongside this, is the perception by the private sector of the public sector being a difficult client in major construction projects, especially when a project is restarting.²⁶ We hope that our report, disseminating the good practice from the Senedd project, can present not only the Welsh Assembly Government and the National Assembly for Wales, but whole of the public sector, in a better light as a potential client with the private sector.
27. Matters were further complicated by one of the bidders submitting a non-compliant bid. David McLean insisted that all their design fees, estimated to be

²¹ Annex A, paragraph 100

²² Annex A, paragraph 112

²³ Annex A, paragraph 13

²⁴ Annex A, paragraph 74

²⁵ AGW report, paragraph 2.10

²⁶ Annex A, paragraph 123, 124

the region of £750,000, be paid in full, whereas the Assembly Government had stipulated that it would pay no more than £100,000. Since David McLean's bid had to be ruled out, the result was the absence of genuine competition to the other bidder, Taylor Woodrow.²⁷ Mr Wilson told us that the Assembly Government had little idea of what design fees would be incurred by the bidders. However, the fee amount was set at the beginning of the procurement process and therefore to change it to keep David McLean in the competition would have been unjust on those companies that had pulled out earlier in the process.²⁸

28. In order to maintain as much competition as possible, the Assembly Government kept David McLean as reserve bidder should negotiations with Taylor Woodrow falter. We agree with the Auditor General's conclusion that the Assembly Government handled a potentially difficult situation well.²⁹ The measures they put in place to maintain competition and keep costs under control were appropriate to the situation in hand.

ICT

29. Even though in general the project was a success, there were certain aspects that could have been handled better and we are grateful to the witnesses for the open and frank answers we received on these issues – in particular, in connection with the problems around information and communications technology (ICT).³⁰
30. A number of factors contributed to the ICT difficulties experienced. Witnesses pointed to the complexities of the cutting-edge ICT system required, observing that it was not something that could be bought 'off the shelf'.³¹ There was a four-month extension of the negotiation for the procurement of Merlin, the ICT system for the Senedd and the Welsh Assembly Government. There was a delay in the development of a full ICT specification for the Senedd – partly because of a lack of relevant expertise within the then Assembly Parliamentary Service who were not able to approach the then ICT providers, Siemens, for advice as they were one of the companies bidding for the new contract. Part of the problem was the Assembly Parliamentary Service did not know what they wanted. As Mr Wilson said, 'if someone were to ask me what I wanted, my natural answer would be

²⁷ AGW Report, paragraph 13

²⁸ Annex A, paragraph 128

²⁹ AGW Report, paragraph 15

³⁰ Annex A, paragraphs 15 and 26

³¹ Annex A, paragraph 15

‘What can I have?’³² And developments in technology meant that more cabling and supporting infrastructure was required.³³

31. The procurement of Merlin and the preparation of a detailed ICT specification should have been concluded in time so that construction of the building was completed before ICT and broadcasting equipment was installed. In the event however, construction and ICT fit-out overlapped causing a delay in the completion of the whole project. It also caused damage to ICT and broadcasting equipment due to dust from the construction works. Despite these delays, and additional costs of £10,000 – £12,000,³⁴ there was no major impact on the project. Mr Wilson said that the best was made of a difficult situation and risks were taken, but the installation was managed and completed in a very difficult and challenging environment.³⁵
32. Despite the difficulties experienced, it was encouraging to hear from Mrs Clancy that the Assembly Commission is embarking on an “i-change” programme which will include the Senedd and that lessons have been learnt from the project and that expertise will be brought in to define the specification.³⁶

The successful delivery of the project was greatly influenced by the establishment of a highly effective team who worked together with a clear and shared vision and purpose

33. The restart of the project also saw a new project structure and new project team members to work alongside the new construction contractor and independent cost consultant. The Auditor General reported that the new project structure was in line with established Prince² methodology; it included a Project Board to provide overall direction, which reported to Policy Steering Group (made up of Assembly Members), a project manager – Schal – to manage the construction contractor, and an independent cost consultant, Northcroft.³⁷ Mr Richards acknowledged the importance of the new structure, telling us that it brought about a ‘crystal-clear, diamond sharp lines of accountability – knowing who does

³² Annex A, paragraph 22

³³ AGW Report, paragraphs 1.9 – 1.12

³⁴ AGW Report, paragraph 1.9

³⁵ Annex A, paragraph 19

³⁶ Annex A, paragraphs 31 and 51

³⁷ AGW Report, paragraphs 2.32 – 2.35

what and why.’ He contrasted this to the first phase of the project, which was ‘like a bowl of spaghetti’.³⁸

34. Mr Richards told us that while a clear structure was important, it was not sufficient by itself and needed to be accompanied by effective working relationships.³⁹ One of the main reasons why the project was successful during the second phase is because the project team worked so well together and the way it built effective relationships with the contractors and sub-contractors. These included the Richard Rogers Partnership with whom the Assembly Government had had a difficult relationship in the first phase of the project. Mr Richards emphasised that ‘everyone who was involved in this project...really worked together’ and ‘everyone went that extra mile to pull together’ and that this was done in an atmosphere of trust, commitment and integrity.⁴⁰
35. The effectiveness of the team work was particularly in evidence when problems were encountered. Mr Wilson told us that there was an atmosphere which fostered collaborative rather than confrontational forms of engagement with the contractors and project manager.⁴¹ He also said that the ICT problems referred to above were overcome through the ‘huge co-operation from both Taylor Woodrow and Siemens [providers of Merlin, the ICT system]’.⁴² Ms Bevan concurred with this sentiment, adding that the project did its best in some difficult circumstances and the way that everyone worked closely together, including contractors, benefited that enormously.⁴³
36. Mr Richards singled out the contribution to the project made by Mr Wilson, who was head of the Assembly Government project team.⁴⁴ We do not often give praise to named individuals, but in a project in which human relationships were obviously key, it is apparent that this was an important appointment in steering the project to a successful conclusion. We think that this project illustrates the importance of the softer issues of project management. This factor can be easy to overlook with more emphasis often placed on project management methods and structures. We are in no doubt that assembling a team with the right mix of

³⁸ Annex A, paragraph 101

³⁹ Annex A, paragraph 153

⁴⁰ Annex A, paragraphs 101, 102 and 107

⁴¹ Annex A, paragraph 165

⁴² Annex A, paragraph 19

⁴³ Annex A, paragraph 28

⁴⁴ Annex A, paragraph 101

skills and personalities was key to the success of the second phase of the project.

Lessons learnt

37. In a project such as this, we were encouraged to hear that lessons had been learnt and applied to other relevant projects. Not only were lessons from the first phase of the project learnt and taken forward in terms of the procurement route, contract type and project structure, but lessons have also been applied to the procurement and construction of Welsh Assembly Government buildings in other parts of Wales. We welcome the fact that Mr Wilson and other members of the team who worked on the Senedd project are now working on other similar Assembly Government projects. Building on our previous comments about having the right personalities involved in these types of projects, we were also encouraged to hear from Mr Richards that the involvement of Mr Wilson is to ensure leadership-based learning rather than purely document-based.⁴⁵
38. The witnesses told us about certain technical aspects of the project relating to sustainability and procurement that were being applied to the Assembly Government's projects at Llandudno Junction and Aberystwyth. These included the use of cutting edge technology to power, heat and cool the buildings, and the use of collaborative forms of contract designed to reach a target price and share risks.⁴⁶ More general lessons are also being applied in a number of ways: Mr Wilson is Chair of Construction Excellence Wales which seeks to promote good practice to construction practices in the Welsh public Sector; Value Wales is producing a construction initiative for Wales drawing on lessons from the Senedd. Mr Wilson is also developing governance principles for the public sector, drawing on lessons from the Senedd.⁴⁷

⁴⁵ Annex A, paragraph 105; AGW report, paragraph 2.41

⁴⁶ Annex A, paragraphs 82 – 87 and 115 – 121

⁴⁷ Annex A, paragraph 105

Annex A



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Y Pwyllgor Archwilio
The Audit Committee**

**Dydd Iau, 19 Mehefin 2008
Thursday, 19 June 2008**

Cynnwys
Contents

- 4 Ymddiheuriadau a Dirprwyon
Apologies and Substitutions
- 4 Y Senedd
The Senedd
- 24 Cynnig Trefniadol
Procedural Motion

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included

Aelodau Cynulliad yn bresennol
Assembly Members in attendance

Eleanor Burnham	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Chris Franks	Plaid Cymru The Party of Wales
Janice Gregory	Llafur Labour
Lesley Griffiths	Llafur Labour
Irene James	Llafur Labour
Bethan Jenkins	Plaid Cymru The Party of Wales
Huw Lewis	Llafur Labour
David Melding	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Darren Millar	Ceidwadwyr Cymreig Welsh Conservatives

Eraill yn bresennol
Others in attendance

Gillian Body	Swyddfa Archwilio Cymru Wales Audit Office
Jeremy Colman	Archwilydd Cyffredinol Cymru Auditor General for Wales
Ian Gibson	Dirprwy Bennaeth Uned Llywodraethu Corfforaethol, Swyddfa Archwilio Cymru Deputy Head of the Corporate Governance Unit, Wales Audit Office
Jeremy Morgan	Swyddfa Archwilio Cymru Wales Audit Office
David Richards	Pennaeth Project Llywodraethu mewn Iechyd, Cynulliad Cenedlaethol Cymru Head of Governance in Health Project, Welsh Assembly Government
James Verity	Swyddfa Archwilio Cymru Wales Audit Office
Richard Wilson	Cyfarwyddwr Rhaglen Adeiladu, Cynulliad Cenedlaethol Cymru Construction Programme Director, Welsh Assembly Government

Swyddogion Gwasanaeth Seneddol y Cynulliad yn bresennol
Assembly Parliamentary Service officials in attendance

Dianne Bevan	Prif Swyddog Gweithredu, Cynulliad Cenedlaethol Cymru Chief Operating Officer, National Assembly for Wales
Claire Clancy	Prif Weithredwr a Chlerc i'r Cynulliad Chief Executive and Clerk to the Assembly

John Grimes	Clerc
	Clerc
Abigail Phillips	Dirprwy Glerc
	Deputy Clerk

*Dechreuodd y cyfarfod am 9.31 a.m.
The meeting began at 9.31 a.m.*

Ymddiheuriadau a Dirprwyon Apologies and Substitutions

[1] **David Melding:** Good morning, and welcome to this meeting of the Audit Committee. We have received one apology, from Lorraine Barrett, but there are no substitutions. I will begin with the usual housekeeping announcements. These proceedings will be conducted in Welsh and English. When Welsh is spoken, a translation will be available on channel 1, via the headset. Anyone who is hard of hearing or requires amplification can receive it on channel 0. Please switch off all electronic equipment completely rather than using the 'silent' setting, as that can interfere with the recording equipment. We do not anticipate a routine fire drill this morning, so, if you hear the fire alarm, please take it seriously and follow the ushers' advice.

9.32 a.m.

Y Senedd The Senedd

[2] **David Melding:** We now move to item 2, on the findings of the report by the Auditor General for Wales on the Senedd. It is a subject that is naturally close to our hearts. We should note that the focus of this report is the project from the point at which it was halted in 2001. The auditor general's predecessor published reports on the earlier stage of the project. This report is broadly positive. We have appearing before us today witnesses from the Assembly Government and the Assembly Commission, in recognition of the fact that, while the Welsh Assembly Government took the lead on managing the procurement of the building, the Assembly Parliamentary Service in Cardiff bay was involved throughout, and, since May 2007, the Assembly Commission has been formally responsible for managing the building. I welcome the witnesses to the meeting this morning, and I ask them to introduce themselves for the Record. We can start with Mr Richards.

[3] **Mr Richards:** I am David Richards, and, during the time covered by the Auditor General for Wales's report, I was finance director of the Welsh Assembly Government. I was also the senior responsible owner of this project from 2001 until the handover. 'Senior responsible owner' is a technical term under PRINCE2 methodology, which basically means that I did not have to do very much of the work, but it would all have been my fault had it gone wrong. [*Laughter.*]

[4] **Mr Wilson:** Good morning. My name is Richard Wilson. At the time of this project, I was the senior supplier under PRINCE2 methodology, so I was head of the Assembly building project team, and I was also at that time the chief estates surveyor for the National Assembly for Wales.

[5] **Mrs Clancy:** Good morning. I am Claire Clancy, chief executive and accounting officer for the Assembly Commission and clerk to the Assembly. 'Accounting officer' is also a technical term meaning that, if it goes wrong, it is my fault. I joined in February 2007, so I was not here for the majority of the project work. However, I am responsible for the

management of the building and the ongoing features of the work.

[6] **Ms Bevan:** Good morning. I am Dianne Bevan, and I am chief operating officer for the Assembly. At the time of the project, I was, under PRINCE2 methodology, the lead user, which meant that I represented the future users of the building on the project board. I was also the deputy clerk to the Assembly at that time.

[7] **David Melding:** Good morning to you all, and welcome. You are all experienced officials, so you know how this session will be run. We have a range of questions to put to you, which Members will ask in turn. Four witnesses is quite a lot for us to handle, but that should not cause us any great difficulty. When questions are put to you, I would ask you not to repeat points that have already been made. Please add points, where appropriate, so that we get the full evidence.

[8] I will start with a general point, but rest assured that we will drill down to particular details, so please do not give encyclopaedic responses at this stage. My general question is on the procurement and construction of the Senedd. Is it your view that maximum value for money was achieved?

[9] **Mrs Clancy:** Before we move on to the construction aspect, I will preface my remarks with a view on the ultimate outcome, which is the building that we now have. Like all of you, I experience this building nearly every day and it is, without question, an iconic building and a landmark in Wales of which we should be immensely proud. So, that is an important point in relation to value for money and outcomes. It makes a hugely positive impression on every visitor that comes through the doors, and, although we will probably come back to this point, it is worth noting that visitor numbers to the Assembly have soared since the Senedd was built. We had around 4,000 casual visitors before that, but, in the first year of the Senedd, 300,000 visitors came. From that point of view, it is a hugely successful outcome.

[10] I also want to make two other points, although I am sure we will come back to them. I also want to point to the success of the building for its openness and transparency—everyone remarks on that. The number of visitors coming through the doors is one indication of that, but there are others that we could talk about.

[11] The second point is the fact that it was built as a sustainable building. Since we have occupied the building, work has been done to ensure that we are managing it as a sustainable building and getting maximum effect from that. We have the prospect, even if we are not there yet, of making it the most sustainable parliament building in the world. Again, we can be immensely proud of that, and it is a demonstration of the value of the outcome.

[12] **David Melding:** Given that ‘iconic’ and ‘value for money’ are not necessarily compatible, we will now turn to the value of it.

[13] **Mr Richards:** I get a buzz every time I come into this building. I am enormously proud of what the team achieved and of how the building has turned out. So, it is a huge thrill, and it was a huge privilege for us to be involved in working on it and delivering it. Did it achieve maximum value for money? No, it did not. On the other hand, I have never been involved in a project that did, and where absolutely everything went right all the way along. This building was exceptional in the scale of the challenges, the novelty of what we were doing, and the high profile and reputational issues around which we were working at the same time. So, in hindsight, as the auditor general’s report highlighted, there were things that we would have done differently, although not many. There were also a lot of things that we did right. So, given the scale of the project and the complexity of the work, I think that it came in pretty well.

[14] **David Melding:** I think that that is a fair statement that reflects the auditor general's report. You acknowledge that maximum value was not achieved. I am not trying to find perfection, but what one thing could have been done better to get closer to maximum value?

[15] **Mr Richards:** I think that the information and communications technology was the most difficult issue for us, and three issues were particularly difficult. The first thing was that it was hard, because you cannot go down to Dixons and buy a new ICT system off the shelf, so we were all on unexplored territory. The second thing was that our trying to specify and procure the information technology systems for the Senedd coincided with the Welsh Assembly Government's retendering of its ICT system, and that did not help. We were just unlucky in that respect. The third thing was that that competition extended longer than we expected. If I were to do it again, I would like someone with a crystal ball to say, 'This will take longer, so you should be doing something'. To put it more formally, I would have managed that risk better and sooner.

[16] **David Melding:** We will move on to ICT in the next question, but do any other witnesses want to add anything to that general point? Do you have anything to say in addition, Mr Wilson?

[17] **Mr Wilson:** In answer to the question on value for money—and I am sure that we will come back to discuss how we ran the procurement and the competition— I believe that we got value for money.

9.40 a.m.

[18] **Eleanor Burnham:** I was a member of the ICT sub-group, as it used to be called, so I remember the scenario very well. In addition to what you have already mentioned, Richard, I suspect that the other issue is the technological changes that are ongoing. On related aspects of the construction, such as the dust created by the construction work that damaged the ICT, my understanding is that that cost an additional £10,000 to £12,000. That was quite a difficult situation for you; could it not have been foreseen or planned for better?

[19] **Mr Wilson:** It was a risk that I felt I should take, having weighed up the risks of late delivery of the building. As we get into the questioning, you will see that there was an overlap between the completion of the construction work and the installation of the IT. In a perfect world—and we talked about what the perfect world was—the construction work would have been completed, which would have given the Siemens installers a clean environment in which to work. That did not happen for a number of reasons, and the report makes those clear. However, what we did—with huge co-operation from both Taylor Woodrow and Siemens—was to manage the installation in a very difficult and challenging environment.

[20] We could have sat back and waited until all of the dust had gone; we could have let the building work finish completely. The risk of that was very clear to me: the building might not be completed on time. Therefore, I had to make a judgment. We took what I believe were very significant measures to protect the server rooms—those behind these committee rooms, which, you appreciate, were never intended as server rooms, but were a result of the way in which the IT design developed during the course of the discussions. So, they were an adapted space. To be fair to Taylor Woodrow, they were never planned at the outset as server rooms; they were planned as chair stores. To be fair to Siemens, at the time, we were going to run everything on fibre from Tŷ Hywel across the link. So, there was a balance of risk to take. There was a huge amount of value in the kit, and I, at the time, was advised that there was a risk to disk drives because of the very fine dust from the plastering that was being completed, but it was a risk that I felt was worth taking in order to ensure the delivery of the building on time for the official opening.

[21] **Eleanor Burnham:** My understanding is that the in-house team perhaps did not have the skills to develop the specification. Why was the ICT project manager not appointed until January 2004, which, I think, was around five months after the full ICT specification should have been delivered to Taylor Woodrow?

[22] **Mr Wilson:** The IT specification was a collaborative effort with what was then the Assembly Parliamentary Service. We had to try to define what was required. This took some time, because the brief that I had been given was that we wanted state-of-the-art, cutting-edge technology. That was a difficult thing to try to define. The Assembly Parliamentary Service began to develop a requirement, and I am sure that Dianne will wish to add to this, and during the course of those early months, we engaged some external consultancy in order to define more properly what we thought we wanted. I am not an IT expert, and if someone were to ask me what I wanted, my natural answer would be, 'What can I have?'. It was very much an iterative process in order to try to develop something that was much more advanced than had been originally conceived in the early stages.

[23] **Eleanor Burnham:** Surely, as Siemens is a global company, there should have been enough expertise to have dealt with it.

[24] **Mr Wilson:** There was, as David has referred to, an unfortunate conjunction of events in that the National Assembly for Wales was, at that time, re-procuring the entire service provision of IT for the National Assembly for Wales, for which Siemens was part of one of the consortia bidding. So, it was difficult to engage it directly in work on this new project at a time when it might be perceived that we were giving it an unfair advantage over and above the other competitors. That is why we used an external consultant to do that work. I should add that, having developed the design and the design requirements—because you had to define the requirements in order to get the design—when Siemens was appointed as part of the Merlin contract, that external consultant and his firm were taken on by Siemens on a subcontract and that work was used, as opposed to being completely nugatory.

[25] **David Melding:** You knew, of course, that the whole contract was being put out to tender again, and that the obvious and traditional source of advice would not be available to you, or at least, not if you were running a fair competition. Could that risk had been managed better, because you knew that it existed?

[26] **Mr Wilson:** To refer to David's earlier answer, there was a delay in appointing that contract, which had an impact on us. For various reasons of commercial negotiation, that appointment probably took four to five months longer to conclude than was originally planned. So, the Merlin contract was not signed by the National Assembly for Wales until January, whereas we went into a construction contract in the previous July with Taylor Woodrow. We had every expectation that they would be almost simultaneous, but with the benefit of hindsight, we should perhaps have used our experience and said, 'This may not happen as quickly as we think.'. We did not think that it would be such a long delay, and, had we known that, we would have done something differently, but hindsight is a wonderful thing.

[27] **David Melding:** Indeed. Do you want to add anything, Dianne?

[28] **Ms Bevan:** Yes, I want to speak briefly about the practical issues involved here. I want to endorse everything that Richard said about the issues with regard to contracting and skills being available, but to make what might be a more general point for this sort of contract, when you are building a landmark building and you want to install cutting-edge technology, it is difficult to plan that in detail when all you have to look at is a hole in the ground, and in terms of the specification, you need to be able to show where the plasma

screens will hang and so on. So, in practical terms, I am not sure that there is a perfect answer to this problem. The project did its best in some quite difficult circumstances, and the way that everyone worked closely together, including contractors, benefited that enormously and delivered something that was a little late, but of a high quality in difficult circumstances.

9.50 a.m.

[29] **Eleanor Burnham:** May I just ask a supplementary question? Is it true to say that, because it is cutting edge and because you could not compare it with any other Parliament, perhaps you had extra problems? Would you agree with that?

[30] **Ms Bevan:** Certainly in terms of innovation, we were trying to install software that had not been used anywhere else first, so we had to make sure that it was tested and there were those sorts of issues. So, there were some quite considerable issues to grapple with.

[31] **Ms Clancy:** May I make one brief point? One of the most important things about evaluating a project of this sort and doing the audit work is that you do learn for the future. We are currently embarking on an i-change programme to look at the future technology of the Assembly, including that in the Senedd building. We will be bringing in expertise to help us to define the specification and there will be a reference group. We are making sure that we turn ourselves into the most intelligent customer possible at the specification stage and get that right. That is just to say—

[32] **David Melding:** We will look at the positive aspect in another question.

[33] **Chris Franks:** Good morning. I am going to refer to paragraphs 1.27 and 1.14 and figure 3, the analysis of the total outturn cost. The final cost was double the 2001 estimate. At that stage, the project was stopped and it was subsequently restarted. As I understand it, we must have paid a premium to ensure cost certainty. Can you remind us what that premium was and say whether it was worth it?

[34] **Mr Wilson:** I cannot give you a simple figure for what the premium cost actually was. We re-procured on the basis of a design-and-build contract with a fixed price. Inevitably, if you ask any contractor for a fixed price, there will be an element of risk money attached to it, in order to deal with the unforeseen—bearing in mind that we have talked about this as an iconic building that is very much cutting edge. In order to ensure that we received maximum value for money and to reduce the amount of risk involved—any project will have an element of risk money in it—the Assembly team engaged a company called Schal as the technical project managers and Northcroft as cost consultants.

[35] We chose Taylor Woodrow for a number of reasons. One of the reasons was that it had a very extended, well established strategic alliance partnership, as it calls it, which is its sub-contracting supply chain. The chain includes a small number of companies and therefore Taylor Woodrow works with them on a regular basis and those companies have a very high chance of securing the work within any Taylor Woodrow contract. The reason that I say that is that if a company is pretty sure that it will get the work—albeit that it is in competition with others—it will apply itself to work through the design to a greater detail than, perhaps, a company on a shortlist of 10.

[36] The beneficial effect of that works through the price to the benefit of the client, in that the more detail that you can work through on a design—whether it be the steel work, the glazing, the roof or whatever it may be—the more uncertainty that you will drive out of that design. If you drive out the uncertainty, you will remove the unknowns and the risk and, therefore, we felt that the selection of a company with an established supply chain would help to drive out the risk by the work that it did in terms of developing the design to the final bid

stage. In addition to that, the cost consultants, Northcroft, had absolute access—open-book access—to the tender prices being submitted to Taylor Woodrow in order for it to assemble its bid.

[37] So, we had a very high degree of transparency with regard to the elemental cost, if I can describe it as that, for each part of the building, which was market-tested within the Taylor Woodrow strategic alliance partnership, so we had a very high degree of visibility with regard to those costs, and we also had the advice of our cost consultants on whether those costs represented good value for money and whether there were better ways, value engineering, of achieving the same result, and we did several things in terms of value engineering to reduce the cost.

[38] So, it was a two-pronged approach. That is a rather long way of saying, ‘I can’t give you a figure for the risk money’, but we signed a GC/Works/1 contract—and I am sure that we will come to that—with Taylor Woodrow, at which point, barring change, Taylor Woodrow assumed all of the risk of delivering this iconic building. It is not a standard office block or a standard industrial shed and there were a huge number of uncertainties about how everything fitted together. I had a number of people telling me, in advance of the contracts, that the roof would not stay on the building and that it was unbuildable. So, there were risks, and they were factored into the cost of the bid, and Taylor Woodrow accepted those risks, bar any changes that we wished to instruct—which would of course be paid outside of that—at the point when we signed the contract.

[39] **Chris Franks:** The original estimates were given as £12 million to £17 million in 1997. The final cost was equal to a fourfold or fivefold increase. How can we justify to the public the dramatic change from the estimate of £12 million to £17 million to the final figure?

[40] **Mr Wilson:** I think that that is fairly straightforward and simple to do. First—and I was not involved with the earlier project, so it would be unfair of me to comment directly on those figures—the design development was not as advanced as when we signed a contract with Taylor Woodrow. We had a detailed design at that time. Secondly, in the interim, the amount of security required for the building increased very significantly as a result of the attacks in New York on 11 September. There were also a number of issues that were never part of the original project concepts. What we got in 2003, I believe, was a project that was properly costed, with the cost tested in the open market and validated by our independent cost consultant.

[41] **David Melding:** The estimate at the second phase was £37 million to £47 million, but it still ended up costing half as much again, did it not? In headline terms, what do we tell the public? Do we tell it that those costs were the best for the time but, given what we now have, it really could not have been built for much less than £70 million?

[42] **Mr Wilson:** Yes.

[43] **David Melding:** So, why was the second phase—and it was 2001 when you made those estimates—still quite a bit out?

10.00 a.m.

[44] **Mr Wilson:** I think that it was simply because we had not done the same level of due diligence in our testing of the market for the prices and costs, nor had we developed the design to the level that we had when we went out and signed a contract with Taylor Woodrow. There were costs. The costs moved between the time when Taylor Woodrow was appointed as the preferred bidder. It was selected not on the totality of the costs, but on the cost of various selected elements that we could measure. The cost moved, but that was where

the market was and, as I said, there was around £2.5 million in security costs alone. We did not have a plan to have glass behind us here or to have glass in the Chamber. There are also a number of not-so-visible things in this building relating to security that had to be implemented, installed and design-changed. Those things were never part of the original estimate.

[45] **Lesley Griffiths:** Going back to ICT, the original budget for the ICT and broadcasting costs rose by 67 per cent and ended up at £8.2 million; why did that happen?

[46] **Mr Richards:** I will defer to Richard for the details, but the basic reason was that the specification changed. The more we got into it, the more we realised the potential for state-of-the-art ICT that delivered the kind of service that the Assembly expected and deserved. It is not comparing like with like—it was not that the cost increased for the same specification; the specification rose. However, I will hand over to Richard for the hard bit.

[47] **Mr Wilson:** Thank you, David. That is true. I can see where your question is going: did we pay 67 per cent more for the same thing? The answer is, 'No, we did not'. As I said, the design evolved and a very significant amount of work was done to develop what we believed was going to be a cutting-edge design. Let us not forget the fact that the ICT systems in this building won a major European award in 2006 as the most innovative in a large project. So, it is not just us saying so—it is recognised as such. I know that times move on and there are now thoughts about upgrading, but that is the way that IT moves. To give you an example, and I referred to this earlier, the original systems were a little more basic than what you currently enjoy here to the point that they could be run from Tŷ Hywel across the way. Bearing in mind that there are three systems here, for data, broadcasting and audiovisual feeds, as those three systems expanded in their complexity and the demand for data transfer increased—and you can see that there are no wires here, as it is all infra-red—we needed to move servers across to what were to be chair storage rooms. So, there was an awful lot of additional work and additional cabling.

[48] However, many other things happened. There is a second broadcast gallery in Tŷ Hywel, which was never originally a part of the concept. Also, a decision was taken to retain the majority of the cameras in the old Chamber and provide new ones here. All of these things are very expensive. That is not an excuse, but I am trying to illustrate the fact that it is not an example of extravagance or of a lack of financial rigour. It is a case of starting with one thing and ending up with another. One might say that we got 67 per cent more for our money than what we had originally started with. I do not know whether Dianne wants to add to that.

[49] **Ms Bevan:** Briefly, that money bought extra functionality in the Chamber for Members in particular. As software systems develop, that tends to have knock-on effects on the kit that you need to install. The money also bought a bit of extra resilience. The decision to have the servers and the entire kit based in this building allowed very quick fixes to take place when it became necessary, although, thankfully, it has rarely been necessary since.

[50] **Lesley Griffiths:** Following on from that and from what Claire mentioned, what are you doing to ensure that the ICT keeps pace with developments for Members?

[51] **Mrs Clancy:** As I mentioned, we have just started what we are calling an 'i-change' programme in which we want to look at the Assembly's likely requirements in a five-year plus time horizon, starting from scratch, so that we do not make any assumptions about what is delivered now. This will be about not only the equipment that is in the Chamber or in the Senedd, but also our aspiration to be a strong, digital democracy so that we have the tools for the public so that the openness and transparency that we see in the Senedd are also in all the ways we operate. It is also to ensure that we have the flexibility and capability to do things such as e-petitions, and deal with whatever needs arise quickly and efficiently in the future.

So, that work will be going on over the summer. As I mentioned, we are bringing in a range of experts to look at that requirement, and they will be producing proposals for the commission to consider in the autumn.

[52] **Lesley Griffiths:** Turning to paragraphs 1.29 and 1.30, the report states that, as with most new buildings, there were several ‘snagging problems’. Have these now all been sorted out?

[53] **Mr Wilson:** Well—sorry; it is Dianne’s building.

[54] **Ms Bevan:** He finds it hard to let go. [*Laughter.*]

[55] We have just three minor issues. One is that we occasionally have a few leaks. These are being ironed out, but that has been quite tricky to do. Another is that the slate outside leaches salt a bit more than was expected, and that is being sorted out. Also, we have a few windows that do not work as yet. The contractors are very active in helping us to resolve those matters.

[56] **Lesley Griffiths:** How much extra money is this costing to put right?

[57] **Ms Bevan:** Nothing. It is all in the price.

[58] **Janice Gregory:** Richard does love this building—I notice that he does not have notes in front of him and he can answer all the questions.

[59] For Members, welcoming constituents and others to the building is wonderful, and yes, they do talk about the building as being breathtaking. In the main, when people from my constituency visit, when I do a spiel in the Chamber, I am always happy and proud to talk about the disabled access to the building.

[60] This question is to David and Richard. In 2003, Disability Wales decided that it had to withdraw from the panel because its representatives were very unhappy at the fact that the Chamber could not have a flat floor, and that there was a compromise. Are you as disappointed as we are that you had to compromise disabled access for the sake of the broadcasters?

[61] **Mr Richards:** Richard can kick me swiftly under the table if I get this bit wrong, but I think that the specification for the Chamber to have a slightly tiered approach was decided quite early on, and was done very much in consultation with Assembly Members and the policy steering group. So, it certainly was not a decision taken by the project team, as such. It was taken in the knowledge that there was a compromise to be made between total access to the Chamber and Members’ visibility, and it was felt at that time that the compromise was the best that could be attained.

[62] We were very disappointed that Disability Wales felt that it could not continue with us, because we valued its contribution very much.

[63] **Mr Wilson:** I will just add that I was also personally very disappointed that Disability Wales felt that it could no longer be involved.

[64] 10.10 a.m.

[65] We continued with an access group, and some people from Disability Wales attended in their own capacity, which I was pleased to see.

[66] I believe that you would agree that the ideal solution would be a curving ramp of some sort—not dissimilar to what is in the Greater London Authority building or the Scottish Parliament. However, part of the problem was that the building regulations changed, and the gradient for wheelchair access was reduced—I believe that it was to 17 per cent, but I would need to check that. The upshot of that was that the only way in which a ramp could be installed into the Chamber, as it is currently designed, without a major redesign, would be to make the Chamber about 12m wider in diameter. The effect of that would be that the Chamber would come to somewhere around the middle of this room.

[67] That was too major a change. As you know, we do not own the land next door, so the only other option would be to lose this committee room, and the offices on the other side, and maybe put some more accommodation above, which again would involve a major redesign. We worked hard with Disability Wales. We went through several iterations on lifts and ramps, and I know of its concerns about the building being inclusive and having equality of access; I believe that we have as good a solution as we can get, given the constraints of a circular chamber of a fixed diameter.

[68] **Janice Gregory:** My next question is to Claire and Dianne. Has the Assembly Parliamentary Service had any communication with Disability Wales since this falling out, and, if so, what has been the outcome?

[69] **Ms Bevan:** I am not aware of any specific communication with Disability Wales. However, we are keeping access issues under review. We have reviewed the audit that was done at the time of the building's completion, to see whether there are any further steps that we can take to improve access. We have an action plan, and we have liaised with disabled people and with the architects, on the design front, to look at improvements. The recommendations for improvement have not been hugely substantial—they are mainly about things such as defining surfaces better, better signage and so on, to help people who have visual impairments. However, in general, they are reasonably minor, and people tend to be able to access the building quite readily. Obviously, we take any problems seriously.

[70] **Darren Millar:** I wish to focus on the building's sustainability credentials. One thing that I am proud of—I know that Janice is proud of the disability access, as I am—and about which I often talk to visitors to the Chamber is how environmentally friendly the building is, and the fact that it has achieved the BREEAM excellent standard. What was the additional cost associated with achieving that standard, and do you believe that it represents decent value for money?

[71] **Mr Wilson:** I am afraid that I am going to say the same thing that I said to Mr Franks. I cannot give you a specific cost of all the elements that were necessary to achieve the BREEAM excellent standard. From the outset, the design intent was to have an exemplar building in terms of sustainability in order to fulfil the Assembly's commitment to sustainability. As part of that, a myriad of elements make up that sustainability and that BREEAM excellent grading. The most obvious things are things such as the biomass boiler—I can give you costs for that—but there is also the grey water harvesting from the roof. A wide range of things contributed to the BREEAM excellent standard grading that this building received.

[72] **Darren Millar:** I find it difficult to believe that you cannot suggest what the premium was on the construction costs. You mentioned the biomass boiler, the ventilation systems and the windows that let in the light. I assume that there would be no additional cost associated with some of those things, but it should be pretty straightforward, through the tendering process, to say, 'This is the bit that is associated with making the building green', should it not?

[73] **David Melding:** There should be some order of magnitude.

[74] **Mr Wilson:** Rather than try to pull out a figure, I will provide you with a note on that. It is very difficult. You talked about the windows, which are a good example. We have a building maintenance management system in the building, as you know. In a normal building, there may be 150 to 200 points at which the electronics, if you like, that control the environment interface with the building system. In this building, we have 1,860 such points, if I remember correctly. So, there is a hugely sophisticated system that runs the building management and controls the environment. You might say, 'Well, how much did that cost over and above just having air conditioning or windows that open manually?'. These windows will open and close according to the environment. There are very tangible things; I can tell you how much the biomass boiler cost—I think that it is in the report—and how much the grey water tanks and the siphoning system that takes the water off the roof cost, but it is not so easy in terms of things such as the passive infrared system that turns the lights on and off as you walk along the corridors, the urinal system and the infrared taps. Sustainability runs through the design; it was not tacked on at the end. We did not start off by saying, 'Let's build a building and then let's spend £0.5 million, £1 million or £2 million on the environmental credentials'. From the outset, it was part of the design intent, so it seeps through every element of the building and there are many elements in the cost plan. I would be very happy to provide you with a note as to what the estimate might be, but it might take a cost consultant two months to provide you with the actual detail.

[75] **David Melding:** In building terms, it would be an estimate rather than a quotation. [*Laughter.*] That is probably what we are after. Our motivation is that we could point to good practice and tell other people who are involved in building major, iconic buildings that the costs are not disproportionate. That is more or less what we are driving at.

[76] **Darren Millar:** What we are trying to get at is whether the extra investment represents good value for money, given that there are cost savings over the lifetime of the building.

[77] **Mr Wilson:** I think that there is another element to this. When I took over the project, the Assembly gave me a brief that included this wacky idea of a biomass boiler and a geothermal earth-heat exchange switch, which appeared to me to run by magic. I frankly did not believe that they could work, but I went down that road and I now believe that they do work. As part of my other roles in the Assembly, I talk about this to other people—sometimes to the point where I bore them stiff—and the building represents a very significant shift in the attitude of procuring authorities to having things such as earth-heat exchangers and photovoltaic panels on roofs. People now think that they are quite normal. This building was right at the cutting edge and there was a huge degree of political leadership at that time to make that brave decision. The easy thing to do would have been to have air conditioning; that is what I would have done back in 2001-02, because that is nice and easy to do. A brave decision was made to set an example and to show that leadership in terms of sustainability, and that has paid off. In my current day job, I am involved with the Llandudno Junction office project and the office in Aberystwyth—

[78] **Darren Millar:** I wish to speak to you later on about that.

10.20 a.m.

[79] **Mr Wilson:** I am very happy to do that.

[80] **David Melding:** There will be a question about that later, so keep your powder dry.

[81] **Mrs Clancy:** I wish to offer to add to the further information that we will send you.

We have had a major piece of work done by BDSP Partnership, which first put in the systems—that is why we are flicking desperately through these huge reports. We would like to say a bit more about that, but the particular point is that the company undertook a whole-life costing review, which is particularly pertinent to the sustainability issue.

[82] **Darren Millar:** We would appreciate that, because, of course, there is a cost premium attached to these things—we all recognise that. When you compare the cost per square metre of the Senedd with the cost of the other buildings in the report, it seems to be quite an expensive building for its size, although the cost per Member is quite favourable.

[83] We welcome the fact that we can be proud of the building's sustainability. You touched on the fact that the Llandudno Junction building is now within your remit, Richard. What is being done to ensure that there are high sustainability standards in future Assembly Government buildings, and also in the existing buildings, which currently do not meet the standards that we look for in terms of new developments?

[84] **Mr Wilson:** I could take an hour to answer that question, but I will cut it down to a few minutes. I am currently the construction director and, therefore, responsible for the procurement and development of the buildings in Llandudno Junction and Aberystwyth. The building in Aberystwyth, as you know, is well advanced, and we will hopefully be signing contracts shortly on the Llandudno Junction building. The BREEAM excellent standard is the default setting for those two buildings; that is now where the Welsh Assembly Government is going. We do not want 'very good' or 'good'; it must be 'excellent'.

[85] In Llandudno Junction, we are also trying—I only received the report yesterday—to look at a further development in terms of sustainability, which is a process called trigeneration, which includes heat, power and cooling. I thought that earth-heat exchanges were magic, but this is even more cutting edge. It is difficult to say whether it will work in Llandudno Junction, or whether the time and the conditions are right. However, I just wanted to make the point that our foot is hard on the accelerator in terms of the way in which we are driving sustainability within our new projects, but obviously with cost in mind.

[86] **Darren Millar:** What about the existing estate?

[87] **Mr Wilson:** We are currently rationalising the Assembly Government's existing estate, which includes a total of around 86 properties. Clearly, with the completion of the buildings in Llandudno Junction and Aberystwyth, there will be an opportunity to rationalise the estate and to move out of existing buildings that are no longer required. Our priority is to move out of the buildings that are environmentally unsustainable, and those that are not suitable to be adapted for access. Over the next five years, there will be a very significant rationalisation of the number of buildings in the Welsh Assembly Government estate as these projects come on-stream.

[88] **Darren Millar:** Will the ones that are currently regarded as less sustainable be adapted to improve their sustainability?

[89] **Mr Wilson:** Yes, and a certain amount of work is being done on that. I am also head of the project for the regeneration of Cathays park, which we are looking to refurbish to make it more sustainable, because the carbon footprint of Cathays park is larger than we would like it to be.

[90] **Mrs Clancy:** I have two quick points to make. We get quite a number of visitors to the building who are experts and who want to see this building as a model of good practice, including people from other parliaments. When BDSP did its work, the commission decided a while ago that it wanted to promote the work that we are doing here. Even though our results

are not as good as they could be at the moment, we want to tell the world what we are doing. BDSP felt that we were pretty unique in that not only had we built a sustainable building, but we were also seeking to manage it as a sustainable building. Very few buildings of that sort are being approached in that way anywhere in the world.

[91] **Irene James:** Good morning. I want to look at paragraphs 1.45 to 1.46, which deal with the operational and running costs. They state that, at the time of the auditor general's report, the operational and running costs of the building were not known. We all appreciate and realise that costs have been higher as a result of the building's being open seven days a week instead of the anticipated five, and you have touched on the consultant, BDSP, undertaking a review of what is happening. Have the figures for the running costs of the building now been established, and, if so, are they available?

[92] **Ms Bevan:** We can make the more up-to-date running cost figures available. On electricity consumption, for example, we were advised by BDSP of the sorts of figures that we could expect in the future. We have not quite got there yet, but we are moving in the right direction. In the first year, our electricity costs were much higher than we had anticipated, but we have adjusted the systems, and we have worked with BDSP to improve our performance there. They came down substantially last year and they were starting to come down again at the start of this year. So, we are getting close to the sorts of areas where BDSP expected us to be.

[93] The advice that we received from the system designers was that, because this sort of building is unusual, because the systems are very sophisticated, and because the building has to learn how you want to work, it is quite difficult to get to the stage of perfection in the first year or so. So, we have taken on board their recommendations, and they are very clear that it is very usual for buildings of this sort to take a while to settle down. I do not have the actual figures with me, but I can give those to you.

[94] **Irene James:** In that case, I ask that those figures be made available to us. If you know and have those figures, does that mean that you are aware of the whole-life cost of the building?

[95] **Ms Bevan:** Yes, we have whole-life costings on the basis of the ideal running scenario of the building. We can probably establish them on the basis of the running costs at present, although we are bringing those down every year. I would add to that that we are doing some work with the Carbon Trust, looking at more sophisticated energy management right across the Assembly estate, and not just for this building. We have appointed an energy manager on a contract basis who will be helping us with that, to bring in the sort of technological expertise that we need to improve.

[96] **Darren Millar:** May I ask for clarification? You said that the energy costs had fallen in this year. Did you mean energy consumption, or the actual costs? That would be quite impressive given the increase in energy prices.

10.30 a.m.

[97] **Ms Bevan:** Consumption has fallen. We will check about the cost, but I believe that costs have come down as well. They have certainly come down in relation to the Assembly estate as a whole, because we have been working quite hard on that.

[98] **Huw Lewis:** I think that it has been mentioned, but paragraph 2.2 states that the Assembly Government was 'correct and brave' in stopping the project in 2001—would that politicians were always described thus. [*Laughter.*] Lessons had clearly been learned in the second phase, given how things were rolled out. However, in broad-brush terms, what were

the top three lessons about how things needed to be corrected?

[99] **Mr Richards:** The first thing to say is that, at the time we took the decision, we felt that it was the correct one, but we were not sure, and so it certainly felt ‘brave’ at the time. May I have a few more than three lessons, please, because, for me, there were a number of strategic lessons? The first is that, if you are in a hole, stop digging—quite literally, in this case. It was not easy at that time, in the full glare of publicity, to announce that we would stop and start again. However, it was the right decision in the long term, and sometimes you have to say ‘We are going the wrong way’, and go into reverse. That was important.

[100] The second lesson for me was that, sometimes, the longest way around is the shortest way home, because the procurement process that we then chose was not quick. We looked at ways of accelerating it, cutting corners, or just speeding it up, because we knew that there would be a long period during which nothing was happening on site—apart from the weeds growing gradually. Our strong advice was that the right way to do this was to start again with a full procurement process and accept that, while it would take time to negotiate, it would produce the best result in the end. The then Finance Minister, Mrs Hart, backed that judgment, and we appreciate that, because it was a strong view from us. It turned out that it was the right thing to do. Sometimes, you have to take a lot of time. So, those were two lessons that came out of the first phase of the project.

[101] Moving on to the restart, there were a number of other lessons. A key lesson was to get the right people in the right place. I do not want to embarrass Richard, who is sitting next to me, but it is generally acknowledged—and it has been publicly—that his personal contribution to the success of that project was huge. Given that I brought him in, I will take the full credit for that. [*Laughter.*] However, getting the right people is vital—as with Dianne, who was an important member of the project board. So, getting crystal-clear, diamond-sharp lines of accountability—knowing exactly who does what and why, to use one of the Government’s principles—was also important. We did not have that the first time. It was like a bowl of spaghetti when we needed a clear, straight line of accountability; eventually, we got that.

[102] However, that was not enough. Getting the processes right and establishing clarity is essential but it is not sufficient, as the soft side of all this is the working relationship. Everyone who was involved in this project—from Members, the project team, APS, the contractors, to Siemens, who managed well in difficult circumstances—really worked together. Everyone went that extra mile to pull together, and there was an atmosphere of trust and integrity around the table, which helped the project to succeed.

[103] Finally, another lesson was that, when you have nailed something like this down, nail it down really tight and do not lift it up again. We managed these changes in that way, and, had we not, we would have come a cropper.

[104] **Huw Lewis:** To follow that through, has anything constructive been done to disseminate those lessons across the wider activities of the Assembly Government or the public sector in Wales generally? I know that some of those issues, like getting the right people in the right place, are issues of managerial chemistry, if you like, but there are also structural lessons that could be learned for the future. Has that been done?

[105] **Mr Richards:** Absolutely. First of all, Richard and many of the team who worked on the new building have moved on to work on other Assembly projects, which is not a coincidence; it is because we wanted to use the experience that they gained from this project to move further on. Richard is also now chairman of Constructing Excellence, which seeks to promote good construction practices across the public sector. So, we have tried to bring the learning in in a way that is leadership-based as opposed to document-based. So, we have

brought those people in. Value Wales is putting together a construction initiative for Wales, which seeks to use the lessons learned here as well as similar lessons that have come out of other reports from the auditor general across the public sector as a whole. So, we are seeking to demonstrate by using those lessons. In my new job, I am developing a set of governance principles for public services, which also draws on the lessons learned from the new building. So, those lessons have not been forgotten; they are still being worked through. As I go around Wales talking about the public services improvement agenda, I regularly refer back to this project.

[106] **David Melding:** Once you knew the leadership and technical skills that were required, it sounds as though you found the people. Were there any other personality issues in the development of the team? How was that managed? It seems to have worked very well, but did things gel in addition to this collection of talent and expertise?

[107] **Mr Richards:** I think that everyone wanted to make this building work. Given the dark days before 2001, we wanted to come through, turn this project around and make it a success, so there was a huge level of commitment from everyone involved. We reached out and made the kinds of networks and relationships that we needed to make. So, our relationship with Lord Rogers at the time of the termination of the first phase of this project was a little difficult. However, he really wanted to make the project work, too, and so when he came back on board with Taylor Woodrow we worked with them very amicably and efficiently. In the project board meeting every month, everyone around the table wanted to make it work and pulled together. We nailed Taylor Woodrow down to a very tight and hard contract, but Richard and I said to ourselves that, if we ever had to dig that contract out to look at it, we would have failed, because we wanted a relationship with our contractor that was based on trust, respect and working together.

[108] **Mr Wilson:** Before you continue, Chair, may I make one correction? Regrettably, I am not chairman of Constructing Excellence; I am chairman of Constructing Excellence in Wales.

[109] **David Melding:** You may find that you have a more general role after this experience. [*Laughter.*]

[110] **Eleanor Burnham:** This discussion is quite interesting in the context of what was going on in the Scottish Parliament at the time, which some of us visited from time to time on committee matters. It was quite different.

[111] I am looking particularly at paragraph 2.3 and 2.4, which talk about the fact that the fixed-price, lump-sum contract was chosen as the most appropriate procurement route for phase 2—presumably for cost-certainty purposes, mainly. You have probably answered this question already in many respects, but on the priority change from getting the building completed quickly to ensuring the fixed price, the ultimate question is why was priority not given to cost certainty from the outset?

[112] **Mr Richards:** The answer is that it was felt at the time, when it first started, that speed was a very important consideration, to get the Assembly up and running with its new building as quickly as we could. I suspect that those involved at that time did not really appreciate the complexity of quite how different this building was and therefore the complications that we would hit or the way in which it unravelled. We gradually felt that we did not have control over the building. If we had not stopped at the time, we would have been in a similar situation to that of the Scottish Parliament: not only would we have paid a lot of money, we would also take a huge and consistent reputational hit, because, blow by blow, your estimated costs keep going up gradually. This building was sending a signal to everyone about how we do business in Wales.

[113] **Eleanor Burnham:** To what extent was a private finance initiative procurement option considered, and why was it rejected?

10.40 a.m.

[114] **Mr Richards:** It was rejected largely because it was simply not a route that the Welsh Assembly Government and Members felt that they wanted to take at the time with their building. I think that it was felt to be a building that Members wanted to feel they owned, ran, and had control of.

[115] **Eleanor Burnham:** Are fixed-price design and build contracts now being used for the new proposals in Methyr, Llandudno Junction, and Aberystwyth?

[116] **Mr Richards:** I will defer to the chair of Constructing Excellence Wales, if I may.

[117] **Mr Wilson:** All three are slightly different. The Merthyr project was effectively a lease purchase with an option to purchase the building for £1 at the end of 15 years. The Aberystwyth project is being procured through a new, very collaborative form of contract called a new engineering contract. This is a target-price contract, where both parties jointly agree what they think the target price of the building will be. There is a formula to share pain and gain in the—

[118] **Eleanor Burnham:** It sounds painful.

[119] **Mr Wilson:** It can be. I negotiated a cap on our pain with the Aberystwyth project. However, if we work collaboratively and we drive out risk—and the question was asked earlier about the level of risk—and inefficiencies, we will both share in significant savings on that. The Llandudno contract will be a more traditional Joint Contracts Tribunal design and build stage 1 contract with a lump sum. What we are looking for there is a lump-sum contract, not entirely dissimilar to this project here. The reason that we went for a JCT contract in Llandudno was simply that the design work that we had done and developed was significantly more advanced than it was with Aberystwyth.

[120] **Eleanor Burnham:** There seems to be slippage on that and local concern about it.

[121] **Mr Wilson:** The tenders come back on 14 July. David talked about brave decisions to stop contracts; that was one of the first jobs that I had to do with Llandudno for very much the same reasons. We have gone back through that re-procurement process. We have developed the design and the tender documents, which are substantial; we have issued the tender documents; we have shortlisted the bidders; and we expect the formal bids back on 14 July with a view to cancelling all summer holidays to work on those over July and August in order to be in a position to sign a contract early in September. We can then get on and build it. (1)

[122] **Bethan Jenkins:** I will concentrate on paragraphs 2.9 and 2.10. As you have recognised, fewer companies fell into the mix for providing contracts than was hoped for. I think it is no bad thing that we reject PFI projects in Wales, but that is my own opinion. The report says that there were fewer competing for the design and build than was originally hoped. Why do you believe so few companies were interested in tendering for such a prestigious building? What steps did you take to try to encourage more companies to take part in this competition—if you can call it that?

[123] **Mr Wilson:** We were disappointed, but not surprised. David referred to credibility earlier. If you think about credibility in the wider public sector sense, at the time, there had been a number of high-profile issues in south Wales: the Wales Millennium Centre was a

classic example, and then there was the demise of John Laing, with the contract—effectively a lump-sum contract—for the Millennium Stadium, both of which did not make the public sector particularly appealing.

[124] In addition, this was the restart of a project, which again was not appealing to the commercial world when there was work to do outside. One of the things that I keep saying to people when I go around is that we in the public sector always think that we are good clients and that the commercial world is queuing up to work with us, but that is not necessarily the case. We, in the global sense, have a particular trait, namely that we sometimes cannot not make up our minds about what we want, and we sometimes take an awful long time to make up our minds, and then we change our minds and there is always acrimony. So, there was a sense that people were getting a little jaded with the Senedd project mark 2 and the possible Senedd project mark 3, and that was one of the reasons why—as you may be coming on to ask about this—we felt that we needed to stick with a quality, proven and mainstream contractor, rather than throw the baby out with the bathwater and then find that no-one was expressing much interest when it came to the Senedd mark 3 project. It is the same the world over: if you stop projects and then restart them, people begin to get jumpy. Submitting a tender bid for a project costs a substantial amount of money. I have four or five contractors at the moment that are spending at least £0.25 million each of their own money to bid for the Llandudno project. Some of them are doing it for the second time, but they would not want to do it a third time—they lose the appetite for it.

[125] **Bethan Jenkins:** You mentioned that Taylor Woodrow was a company on which you could rely but, when you were going forward with the plan, did you factor in the risk element and take into account the fact that other companies had not put ideas forward?

[126] **Mr Wilson:** It was at the forefront of our minds—because as the report says, we had a list of six initial bidders, which we whittled down and people withdrew and the like—that we had on board a contractor that we were confident could build this bespoke building. This is not a Tŷ Hywel or an industrial shed, and it was a hard building to build. So, we had a contractor with a design team that we were confident could deliver the building, and our concern was that it kept its prices and pencils sharp and that we did not give it the sense that it had it in the bag and that it could add another £1 million or £2 million to the price. That is the reason why we had Northcroft go through all of the tenders in its supply chain to look at the prices and to validate them through absolute transparency. We had that transparency not only at the bid stage but throughout the project, so we saw all the bills all the way through. It was not ideal that we had only one real bidder at the final furlong, but that is the way of the world; I could not change that fact.

[127] **Bethan Jenkins:** I want to probe further as to the reason why you had one bidder at the end. Paragraph 2.13 talks about that and the fact that David McLean's bid was not technically compliant. David McLean was seeking full reimbursement of £750,000 for its design costs rather than the £100,000 limit specified by the Assembly Government. Why was the reimbursement limit set at £100,000, so much lower than the costs likely to be incurred by the relevant bidder?

10.50 a.m.

[128] **Mr Wilson:** It was a professional judgment, taken in conjunction with our professional advisers, but, at the end of the day, David and I took that decision. It was intended to reflect the fact that there would be substantial costs in developing the design bid. You can see that David McLean thought that it would cost £0.75 million to get to the design level necessary. We did not know that at the time, but we did not feel that spending £750,000—the advice that we had received was that if we offered that to the company, we would need to go back to the other bidders who had fallen out of the process—was a sensible

way of using public money. The £100,000 had been offered as a recognition that there was work to be done. We wanted contractors to do that work as part of their risk because that is where their expertise lies, and we did not want to underwrite their costs entirely. It could have been £150,000; it could have been £80,000—

[129] **Bethan Jenkins:** Do you believe that that is the reason why other companies did not get involved in the first place? Did they not know about the reimbursement package or the amount by which you were going to reimburse them at the outset?

[130] **Mr Wilson:** I am sorry to interrupt you. They did know about the reimbursement package. I believe that that—

[131] **Mr Richards:** It was a clear part of the specification that we went out to the market with, so we were upfront about it.

[132] **Bethan Jenkins:** Do you have any evidence that they may have been put off and so did not put in a bid?

[133] **Mr Richards:** The answer to that is ‘no’. We had a very respectable shortlist initially, when we had made clear how much of these costs we were going to reimburse. It was clear from the outset. The initial expressions of interest were very satisfying. There were a number of big hitters on the list that you would have been very happy to let do the building. The worrying thing was people dropping out subsequently. The impression that we got was that they did not fancy it. Given the rigour with which you have to hold these competitions, we had to be very careful about saying to any of those people on the potential shortlists, ‘It is all going to be different; it is really going to work’. If it looked as if we were trying to favour any particular body on the shortlist, the whole thing could have blown apart.

[134] **Eleanor Burnham:** There is a huge difference between the McLean expectation and the limit that you set—it is £650,000, in fact. That could make or break a company. That must have been a difficult issue. McLean is a Welsh company from Flint; Taylor Woodrow is from the UK. I will leave it at that.

[135] **Mr Wilson:** I will answer that in two ways. First, at the time when we set the £100,000 limit, we were not aware of what the costs would be. Secondly, at the time that it submitted the bid, it had not incurred that cost of £750,000. McLean had incurred some costs, but it had not incurred that full cost. While I have no reason to doubt the figures, we did not verify whether those costs were accurate or not. Those costs would have been incurred to develop the design to the point, in July 2003, when Taylor Woodrow said to us, ‘It is going to be £40,997,000 excluding VAT’.

[136] **Eleanor Burnham:** It would have been wonderful, would it not, to have had a Welsh company do this? That would have been the icing on the cake in many respects. It is not a criticism; I am just saying that.

[137] **David Melding:** [*Inaudible.*] We will move on.

[138] **Janice Gregory:** It may have been desirable, but no-one who comes here asks me, ‘Was it built by a Welsh builder?’. They just see the building.

[139] I will move on to paragraphs 2.13 to 2.19, which go into some detail about the difficult set of circumstances that the project team faced at that time. Remaining competitive or maintaining competitive pressure on costs must have been difficult with only one compliant bid. The report is complimentary in saying that the project team handled that whole issue well. Although we recognise that there was a very unusual set of circumstances, as you

have said throughout this morning, do you want to expand on what you have learned from your efforts to retain a competitive process with regards to this major public sector procurement, given the comment in paragraph 2.19 of the then auditor general's report that the situation was not ideal and that the competitive pressure that the Government wished to maintain at that time was diluted, to some extent?

[140] **Mr Wilson:** It was extraordinarily difficult to try to maintain that balance. There was, of course, a temptation to say, 'Oh well, we will stop and start again'. Had we done that, I do not think that we would be sitting in this building; we would still be sitting in Tŷ Hywel, frankly, which would probably not be the desired outcome. We never actually said to Taylor Woodrow, 'You're the only game in town'; we made it very clear that David McLean was the reserve bidder. We had contact with David McLean, and it was comfortable with that position. So, to the extent that we were able to maintain competitive pressure from that direction, we did as much as we could. Taylor Woodrow, of course, had a lot to lose as well; it was looking for a very prestigious project, and what better project than to build a parliament building?

[141] On the other side of the coin, we maintained competitive pressure on prices through the involvement of Northcroft and Schal and me in looking at the tender prices that came back through the strategic alliance partnership's sub-contractor supply chain. That was unusual. It is more usual now but, back in 2001-02, we were reaching right into the supply chain and looking at the competitive bids to Taylor Woodrow and taking a view on those. I believe that we did as much as we could in difficult and challenging circumstances. It would have been much better to have had three major plc companies engaged, all with compliant bids, but the reality of life is different. I think that the auditor general recognised what the Permanent Secretary said, which was something like, 'We are where we are; it is not where we want to be. We could sit and agonise about not liking the situation, but we are where we are and we must get out of this predicament'.

[142] **Mr Richards:** Since we are on paragraph 2.19 and the comments of the Wales Audit Office, and we talked earlier about how everyone involved in this project wanted to make it a success, I wish to take this opportunity to thank the Wales Audit Office. Throughout this project, it always behaved perfectly appropriately and preserved its independence and its right to report independently, but, within those constraints, it was helpful and supportive in providing as much informal guidance and advice that it felt that it could, and that contributed to the success of the project and we are very grateful for that.

[143] **Janice Gregory:** We can see the four options that were available to you at that particular time. Were the first two—aborting the project or starting the competition again—genuine alternatives to proceeding with Taylor Woodrow?

[144] **Mr Wilson:** What paragraph are you referring to?

[145] **David Melding:** Is it 2.14?

[146] **Janice Gregory:** Yes, but I was looking at the box.

11.00 a.m.

[147] **Mr Wilson:** The boxes are in a slightly different order. Do you want me to refer to figure 10 or 2.14?

[148] **Janice Gregory:** Whichever. Appendix 2 on page 45 goes into a huge amount of detail. That is what must have been presented to you as a project team. Given your earlier comments and the comments here about Taylor Woodrow being a quality programme

contractor, the first two must—

[149] **Mr Wilson:** Just to clarify that, those options were presented by us to the Ministers and the policy steering group, so they were developed by my project team. You have to think of the unthinkable. We have talked on a number of occasions about reputation. This was the first major public sector construction procurement process for the new National Assembly for Wales, and it needed to go well. At the time, we had the issue of Holyrood swirling around in the background, and Assembly Members mentioned that to me from time to time. We had to set out the options that were there for consideration and pass them on to the Minister to make the final decision. We tried to develop sensible options, but I think that, because of where we were, the route that we advised the Minister to take, which she selected, was the appropriate route to take.

[150] **Huw Lewis:** I have quite a specific question on paragraph 2.23, which reports that the project board accepted £763,000 in savings from value engineering, but that £1.4 million was actually presented to it. Why did the project board turn down £637,000 in savings?

[151] **Mr Wilson:** I suppose that the short answer is that we did not feel that they were appropriate. A good example of a very significant saving that we were offered was to change the specification of the granite road on Pierhead Street and around the front of the building to a resin-based gravel surface. We thought very long and hard about that; I cannot remember exactly how much money was involved, but it was several hundred thousand pounds. We concluded that if the building were not in an appropriate setting—it was going to be a light, sandy-coloured surface—we would dilute what we were still trying to achieve, which was an iconic, landmark status for the building. I felt that £230,000 was not a saving that we should take if we were trying to deliver that status for the building. So, it looks as if we have lost half of the money, but decisions were made on each possible saving. Some were simply not appropriate. The resin-based surface was an option—traffic could run across it and people could walk up and down it—but I did not think that it would have given this building the presence it deserved and required.

[152] **Chris Franks:** On paragraph 2.31, the report indicates that there are very complex lines of accountability. How did everyone cope with this and with the associated risks of such a complex system?

[153] **Mr Richards:** Within those complexities, as I said earlier, we tried to make the chains and accountabilities as clear as we could. We worked very hard to build relationships with everyone involved, and I think that Richard and I felt that it was our particular responsibility. So, we had very clear, informal lines of communication. We had a project board, which met monthly, and everybody who could conceivably have an interest in this project was on it, including the Welsh Assembly Government's head of procurement, a lawyer, an internal auditor and representatives from APS. We used that project board to make sure that we were exposing all of the issues, thinking about all the things that we should be doing, and discussing them—some of the discussions went on for a long time, and they would get quite technical—and we used it to resolve the issues. However, our approach was always to pick up the phone and talk to somebody as the first way of resolving things. Given the commitment across the board to get this work, the approach worked.

[154] **Chris Franks:** The message that I am getting is that human relationships were absolutely key to the success.

[155] **Mr Richards:** That was my take on it. Small things happened. They will not like me saying this, but I used to start every project board meeting with a stupid trivia question, and that broke the ice with a whole group of people who actually were bringing a lot of goodwill but quite different perspectives to the meeting. So, we would start off with a silly trivia

question such as, ‘Can you name all five Marx Brothers?’ or something like that.

[156] **Chris Franks:** Can you name them? [*Laughter.*]

[157] **Mr Richards:** Oh, yes, I can. Never ask a trivia question to which you do not know the answer. Hardly anybody gets the fifth one, because he only appeared in one film.

[158] That approach worked, because, by the third meeting, everybody trooped in saying, ‘Oh no; David’s going to ask us another stupid trivia question’, and the fact that they would all say it meant that people started to work together. Little things like that help.

[159] **Chris Franks:** Thank you.

[160] **Ms Bevan:** I will just add to that, if I may, from a slightly different perspective. Obviously, the building was being built for Members and for those of us who work here, and the meetings were very constructive, but they were also challenging at times. We did not agree on everything, but it was the sort of environment in which you could have a robust challenge and people did not go away feeling sore or negative about it. That is largely due to David’s personal skills and his skills in chairing the meetings.

[161] **Chris Franks:** Well, as you have popped your head above the parapet, I will direct my next question to you, perhaps. The Assembly Government had no responsibility for managing Taylor Woodrow or any of the contractors. Was this good or bad?

[162] **Mr Wilson:** That is probably a question for me to answer.

[163] **Chris Franks:** Okay.

[164] **Mr Wilson:** Technically, that is correct, in that we had a GC/Works/1 contract, and we appointed a project manager to manage that contract on behalf of the National Assembly for Wales. The project manager’s role was to administer the contract, not to act on our behalf—there is an important distinction there. I was very comfortable with that arrangement, because he was interpreting the contract fairly and in an open and collaborative way.

11.10 a.m.

[165] Much of my current work with Constructing Excellence in Wales is about collaborative rather than confrontational forms of engagement. From that point of view, it is strictly correct that we had no direct legal, contractual relationship on a day-to-day basis—sorry, I withdraw that. We had no management arrangements with Taylor Woodrow; we had a contractual relationship with it. However, in practice, I had an office on site and the three or four years that I was with the project were spent entirely with Taylor Woodrow, Siemens, which also worked in a very collaborative way on the project, Schal as our project manager with Northcroft, and, of course, Dianne’s team as well. It was not that I saw Taylor Woodrow once a month on the project boards: I worked with it, as did my project team, all the time. We did nothing else. It was through the total integration of those teams that we managed to create those relationships not only with Taylor Woodrow but also with its design team and its supply chain—we got down into its supply chain as well.

[166] **David Melding:** I have the final question. We have heard no evidence whatsoever that the competition for this contract was not run with all proper attention to due diligence. However, the outcome is that you only had one bidder that could progress. How would you respond to a tabloid journalist who said, ‘The original estimate in 2001 was on a range between £37 million and £47 million; you ended up paying £70 million, because you had a Hobson’s choice, effectively, in the end?’ How would you convince that journalist that we did

not end up paying more for the same thing, as you so eloquently put it about IT?

[167] **Mr Wilson:** I will start, and I am sure that David will pick up on that. With respect, may I correct you, Chair?

[168] **David Melding:** You can try. [*Laughter.*]

[169] **Mr Wilson:** Yes, I know, I am brave. We had one bidder, but we had a reserve bidder, and it is important not to lose sight of that. If I was trying to convince a fair and open-minded journalist of the merits, I would again refer back to our scrutiny of the tender bids through the company supply chain, and the total visibility that my professional advisers, my cost consultants, and my project team had in the development of the bid. Therefore, it was not that one day it was £37 million, and then Taylor Woodrow pitched up in the middle of June and said, ‘Ah, it is £41 million’; we had tracked those bids down to figures of £500 or less.

[170] Therefore, there was total visibility on the development of that bid, and, to the extent that we could, we believe that we got value for money. We developed the design and the requirement for that building quite significantly over the period of time, and, as I alluded to earlier, there were issues about security, and the costs of security, which were not originally a part of the cost plan. Therefore, from that point of view, we are able to convince the tabloid journalist that what we got was value for money.

[171] In the early days, when I was still down here, after the building opened, I used to host a large range of journalists—architectural journalists, people from Europe, and so on—who would come to look at the building. Every now and then, someone would say, ‘This is a very expensive building; this contract was £41 million’—excluding VAT, and so on. However, if you put it in context, the Wembley Stadium arch alone cost £52 million. Therefore, we sometimes beat ourselves up too much. What I believe we have here—and Claire referred to it at the outset—is an elegant but not extravagant building. We have an iconic, landmark building, and my project team and I can say, ‘We believe that we have delivered value for money, we believe that we delivered it on time, and we believe that we have the quality that is appropriate to the National Assembly for Wales’.

[172] **David Melding:** That concludes this morning’s evidence session. On behalf of the committee, I thank you all for spending time with us this morning, and for answering our questions at length, and accurately, I am sure. We will await your note, Mr Wilson, on the estimate, headline costs of the sustainability aspects of the building, and the additional costs that that brought. I am grateful to you all. We will send you a transcript of these proceedings; should there be any inaccuracies in how things have been transcribed, you will be able to correct them—it is not a matter of changing things that you have said, which will be duly recorded.

[173] **Eleanor Burnham:** Maybe we can have the names of the Marx brothers. [*Laughter.*]

[174] **David Melding:** I am sure that people can follow up the trivia questions unofficially at some point. I thank our witnesses again—you were all very well prepared, and we have had a good evidence session. It is now for us to reach our conclusions on what we have heard.

11.15 a.m.

Cynnig Trefniadol Procedural Motion

[175] **David Melding:** I propose that:

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 10.37(vi).

[176] I see that the committee is in agreement.

Derbyniwyd y cynnig.

Motion carried.

Daeth rhan gyhoeddus y cyfarfod i ben am 11.15 a.m.

The public part of the meeting ended at 11.15 a.m.

(1) The witnesses would like to clarify that, following the meeting, a decision, approved by Ministers, was taken to extend the tender period to 11 August.

Annex B

Annex B

BRIEFING NOTE TO AUDIT COMMITTEE

In December 2007, the Senedd environmental systems designers, BDSP produced an annual energy prediction benchmark to demonstrate:

- How the Senedd should be capable of being operated in energy terms;
- How the Senedd could be operated to further improve its environmental performance based on a pragmatic series of improvements.

The benchmark and baseline has provided the Assembly Commission with invaluable information and advice. This can be taken forward as part of its energy management reduction project, in conjunction with the Carbon Trust and an energy management specialist.

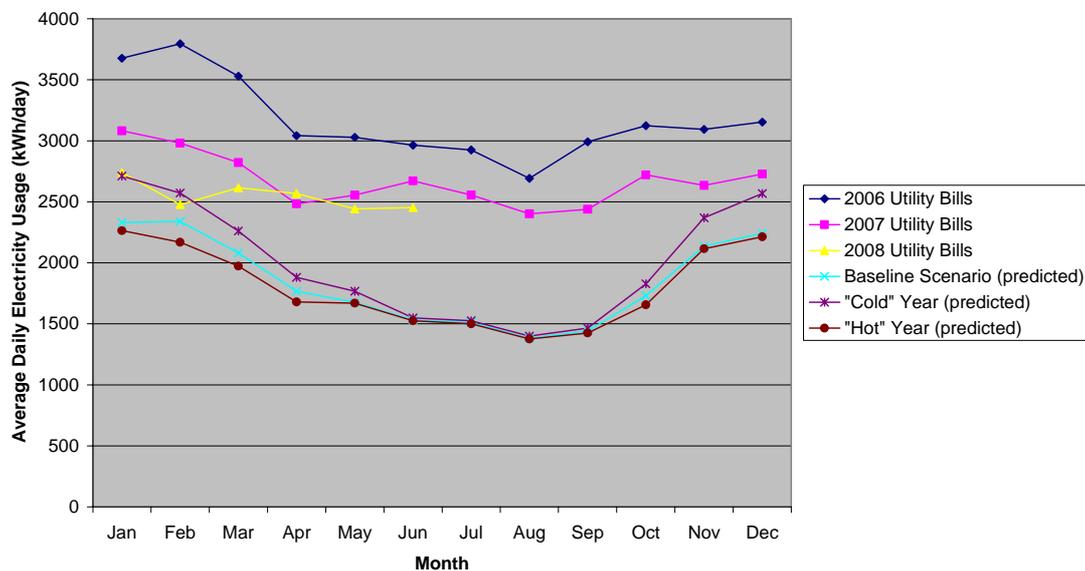
The graph attached at Annex 1 shows the baseline electricity prediction for the Senedd and the actual electricity usage to date. The graph illustrates that electricity usage is reducing over time in line with the implementation of improvements recommended by BDSP to review the building lighting strategy and settings.

As part of our energy management project we regularly monitor electricity usage and will strive to further reduce consumption in line with the benchmark.

Members of the Committee also asked to be provided with the amount and costs of electricity used each year since the Senedd opened. The costs are reducing. A table illustrating this information is attached at Annex 2.

Annex 1

Senedd Monthly Variation of Electricity Consumption



Annex 2

Senedd Monthly Electricity Consumption

	2006	kWh	2007	kWh	2008	kWh
Jan	£ 9,983.00	113,975	£ 9,766.00	95,265	£ 6,006.00	82,177
Feb	£ 10,127.00	106,287	£ 8,671.00	83,498	£ 5,460.00	74,310
March	£ 9,559.00	109,422	£ 9,047.00	87,449	£ 5,726.00	78,441
April	£ 8,008.00	91,280	£ 5,476.00	74,498	£ 6,896.00	77,052
May	£ 8,246.00	93,881	£ 5,731.00	79,201	£ 6,577.00	73,239
June	£ 8,330.00	94,858	£ 5,820.00	80,141	£ 6,609.00	73,565
July	£ 8,680.00	84,813	£ 5,810.00	79,984		
Aug	£ 8,588.00	83,845	£ 5,491.00	75,223		
Sept	£ 9,182.00	89,772	£ 5,653.00	77,753		
Oct	£ 9,859.00	96,819	£ 5,905.00	81,613		
Nov	£ 9,511.00	92,831	£ 5,796.00	79,055		
Dec	£ 9,991.00	97,764	£ 5,971.00	81,830		
Totals	£ 110,064.00	1,155,547	£ 79,137.00	975,510	£ 37,274.00	458,784

Annex C



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

David Melding Esq AM
Chair Audit Committee
National Assembly for Wales
Cardiff Bay
CARDIFF
CF99 1NA

6 October 2008

Dear Mr Melding

WAO Report: The Senedd

At the Senedd Audit Committee in July you asked “what were the additional costs of reaching the BREEAM Excellent standards for the Senedd Building?”

We have tried very hard to formulate a response to this question hence the delay in replying and I have consulted with the wider project team, our professional advisors, Taylor Woodrow's Project Director and our Cost Consultant.

BREEAM Excellent was a key requirement within the brief. The design team was tasked with delivering a low energy, sustainably sourced (as far as practical), 100 year life building, with a key emphasis on life cycle cost rather than capital cost.

With these all forming part of the brief the result was a high BREEAM score without having to "buy" credits. The decisions around the ground source cooling, woodchip boilers, etc were all taken based on life cycle costs and benefit, not just in consideration of BREEAM.

Given that sustainability was integral to the design and the way in which it was developed it is virtually impossible to unravel the specific costs associated with achieving BREEAM Excellent.

The professional advice is that it is very difficult to give an extra over-cost since the Senedd is a bespoke building and there is no other similar building against which to benchmark.



BUDDSODDWR MEWN POBL
INVESTOR IN PEOPLE

Any additional cost would have also been minimised since the requirement was set at the outset. It would have been a greater impact on cost if the requirement had been bolted on at a later stage.

I am sorry if this response does not provide the Committee with a precise definitive answer, and I do accept that they indicated that they would be content with an approximate % uplift, however, as I said at the time, the design was a holistic one utilising and integrating sustainable elements and features from the outset.

Yours sincerely,

Richard Wilson
Construction Director
Welsh Assembly Government