

EDINBURGH TRAMS

MULTI UTILITY DIVERSION COMPLETION WORKS – SECTIONS 1C & 1D

MONTHLY PROJECT COST REPORT – May 2010

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Section 1 – Executive Summary

1.1.1 Commercial review

1.1.2 General

The current Clancy Docwra forecast Cost for the Main Contract is £3,299,132.94 this is an increase of £1,177,617.13 on the Target cost in the contract awarded. The primary drivers of this increase in cost is

- There is an estimated increase of program duration of 15 weeks, which comes with the associated cost.
- The expenditure of contingency not included within the target cost, as there have been a number of Compensation Events since the last period increasing the scope and target cost accordingly.
- Additional scope out with the original areas have been instructed through the Main contract
- The works are still not complete and costs are being incurred due keeping the main contractor here finalising other works, coupled with our ability to confirm and exact work scope and access availability.
- Access has and is being restricted due to stakeholder requirements and third party interfaces.
- And for costs associated with the wider area traffic management currently being paid through Clancy Docwra

The **above figure is exclusive of a £300,000.00** allowance for works to cover Wider Area Traffic management inclusive of the supply of the MASS barrier, whilst the MASS barrier is not directly associated with this section of the works, it is currently being paid for and managed by Clancy Docwra subcontractor Class One on our behalf.

Other associated costs are Turriff for gas service transfers, Siemens and Peek for traffic signal reconfigurations to facilitate the required Traffic Management, and SDS design and construction support costs.

1.1.2 Critical Issues.

As has been previously reported, the program has now extended by approx 15 weeks as a result of various stakeholder restraints, third party interfaces, technical restraints associated with both buildability and traffic management restrictions. This has inevitably lead to the project being over the original budget as a result of the overrun expending additional resource than that allowed within the target cost, as such by the very nature of a target cost **tie** will be liable for 50% up to a maximum of 125% of the final target cost.

1.2 Defined Cost

1.2.1 Forecast

The current forecast cost (PWDD) from the contract is £3,433,392.12 as per summary contained within Appendix B, note this figure is inclusive of any contingency expenditure. However it should be noted as detailed within section 3 that this figure is subject to a Pain share of 50% on the premise the assessed Compensation event estimates are £3,164,873.75 which is less than the Cost incurred.

The primary reasons for the increase from previously reported position are

- The Contractor revising previous cost incurred figure, after carrying out what the contractor claims is account reconciliation.
- Works not being completed
- Continue to add additional works

It is also highly relevant to note that the Current Forecast from the Contractor in respect of the Cost **incurred to date** is £3,481,090.42, some £471,369.41 higher than the ***tie*** assessment. This is primarily made up of

- Clancy Have increased all of the figures previously claimed without explanation, as such ***tie*** has assessed as previously certified, as these were discussed and agreed with Clancy.
- Clancy Docwra has taken no cognisance of previous comment in relation to staff claimed within the prelims and items of plant within the prelims. Namely in respect of not being on site, yet despite numerous requests to either substantiated or withdrawn, Clancy have maintained the costs.
- Large amounts of accruals without any explanation or rationale to support them.

All of the above figures will have to subject to a full audit, in respect of spurious nature in which the figures fluctuate, and in respect the figures bear no resemblance to previously forecast.

It should be noted that at the time of writing this report the contractor has just submitted an application for the above works, based on the purported cost incurred to date as the above, **some £389,704.93 higher than the above reported figure of £3,481,090.42**, despite it covering the same period. The format in which this has been submitted is vastly different in both content and context from previous submitted claims, until this submission has been reviewed and we are unable to comment any further.

The above figure excludes any ***tie*** managed third party costs and wider area traffic management costs. It is envisaged that these costs will be as per the original forecast detailed in Section 2 Commercial Summary.

1.2.2 Disallowed Costs

The NEC contract allows certain costs to be disallowed under the contract. However the full detail and quantum of these have still to be agreed between parties. As the requested details on disallowed cost have not been forthcoming in spite of our requests, ***tie*** has issued to Clancy a list of the items and events we believe are attributable to disallowed costs, these will have to be investigated, discussed and agreed with the contractor.

1.3 Compensation Events.

There have been 233 number compensation events to date, 62 Project manager's instructions and 171 early warnings becoming compensation events, which will result in the target cost being adjusted.

tie has now received the all of the compensation event estimates (*as detailed within appendix C*), which we are still in discussion to resolve.

The Haymarket area CEEs have been agreed with the exception of 4 number that we await details from the contractor on.

The process of agreeing York Place CEE is still ongoing, the status of which is detailed within appendix C. It is targeted that all of the Compensation events are discussed and reviewed by week ending 9th July and the CEEs that can't be agreed a position is stated in order the appropriate action can be implement to resolve.

1.4 Early Warnings

There has been 171 number early warning raised by Clancy Docwra to date as stated within section 5 of this report. The majority of these have been discussed and actions issued accordingly, the remaining and any new ones arising will require further meetings and actions accordingly

1.5 Current Contingency Position

To date the forecast expenditure of the contingency is £430,009.00 comprising of £106,520.00 in PMIs and £323,489 from early warning being realised as a compensation event and inclusive of the main contract over run costs for 4 weeks. The contingency recommended was £212,151.58, which was 10% of the contract award value.

It should be noted that the contingency amount was not included in the Main Contract; this was considered prudent due to the contract conditions issued. The contract was awarded as previously stated under NEC 3 Option C Target Cost, as such if the contingency is not expended then the contractor would be potentially be eligible for 50% of the contingency not expended.

Over and above the contingency there has been expenditure to cover works for that do not form the core works or indeed are within the work areas contained within the main contract , these amount to £321,120.00 this is to cover works not complete by others i.e. London Road Works or remedial on behalf of others.

There is also an estimated cost over and above the figure stated above of £360,000.00 to cover other utility works within section 1B and 1C that we have instructed Clancy Docwra to carry out. Part of the cost are also to cover the prolongation of the main works as a result of **tie** restricting access in response to stakeholder requirements i.e. York Place. The apportionment of these cost will have to be split accordingly once apparent.

1.6 Level of Cost certainty

The type of contract places a relatively high degree of risk with the client and as a result the reported forecast is likely to show month on month movement. Note this however is only in respect of the scope known to date, should the scope increase then this will have to be investigated and reported on accordingly.

At present the Level of Cost Certainty is **LOW**; this is primarily driven by the current fluctuations that are being notified by Clancy with regards to costs they have incurred, when taking in context of Forecast spend and resource profiles issued by the contractor. The previous reported and claimed cost and resource do not reflect the cost now being reported by Clancy Docwra. Until a full cost audit is done, the status of certainty will remain LOW.

It should also be noted that the lack of commercial and contract administration deliverables offered by Clancy, also reduces the level of cost certainty as much of the figure produced are best estimates on the information available being made by **tie** on the contractor behalf. This is further compounded by the contractor constantly adjusting figures previously submitted

Due to the way the pain gain is structured on the contract, Clancy Docwra will not recover any funds above 112.5% of the target cost.

1.7 Paid to Date

To date Clancy Docwra has submitted 5 number valuations to the value of £3,629,479.51, this should of been £3,481,090.42 of which **tie** has certified to date £3,009,692.12 which is the PWDD to End of April 2010 under the NEC 3. Refer to Appendix A for summary breakdown to differences and reason for differences.

It should be noted that the above certified figure also **includes for the hire of MASS Barrier** and wider area Traffic management by Class One currently at circa £230,000.

1.8 Cash flow

The current anticipate spend for Clancy in respect of the Utility works is Circa £160,000.00 per month for the months of May , June & July, this is over and above the figure state above, giving a total of £480,000.00 for the three month period.

It is also anticipated a potential expenditure of £213,700.00 to cover under certification at risk as detailed within the Appendix B forecast.

In respect of Non Main contractor costs it is anticipated that the expenditure

Design Cost (SDS design) £95,000.00 gross to date

Design Costs – Onsite Support £20,000.00 gross to date

Statutory Undertakers – These costs are currently being administered as part of the MUDFA costs, as the C4s for this work were issued as part of the Carillion works.

Signalling Costs -	£30,000.00 gross to date
Turriff Gas Transfers -	£50,000.00 gross to date
Babcock Rail -	£35,000.00 gross to date (complete)

1.9 Final Account (Main Contract)

Normally burden of commercial management associated with an NEC contract falls during the construction period and the final account is simply the summation of the contract sum and agreed compensation events less any pain / gain adjustments.

However as previously reported the contractor has re-submitted costs incurred in a completely different format and value from all the costs previously submitted, checked, agreed and reported. This has resulted in uncertainty and confidence in the actual cost incurred to date. It is required that a full detailed audit of the contractors costs is under took to establish if the cost are over stated or if the contract has been under reporting the costs incurred.

In respect to Non Main Contractor Costs, The final accounts are anticipated to be as per budgets, the accounting is done in real time in respect of the these cost administered via the invoicing process drawing down the orders in place

1.10 Key Risks & Opportunities / Cause for Concern

Key Risks are

- Works still being carried out in a sporadic nature based on what access we can afford
- CUS installed apparatus fail necessary test then re tested by CD
- Additional Diversion required due to inadequate design.
- Still no defined plan of to complete the works resulting in unproductive cost and the contractor unable to demobilise awaiting instruction how to proceed

Opportunities

- All as previously report
- Thorough investigation into accounts for disallowed costs

Note the opportunities will namely be accounted for within the Final Account process by a serious of adjustments to provisional sum forming part of the final account already accounted for.

Section 2 – Commercial Summary

Budget Heading	Original Budget Forecast	Previous Anticipated Final	Current Anticipated Final	Gross Movement	Movement in Period
Main Contract Award Value	£2,121,515.81	£2,778,274.21	£3,299,132.94	£1,177,617.13	£520,858.73
Contingency allowance at 10% contract Value	£212,151.58	£0.00 <small>(included in above final cost)</small>	£0.00	-£212,151.58	£0.00
Design Costs @ 5%	£116,683.36	£116,683.36	£116,683.36	£0.00	£0.00
Statutory Undertakers Costs (Covered under MUDFA)	£0.00	£0.00	£0.00	£0.00	£0.00
Signalling Costs	£51,400.00	£51,400.00	£51,400.00	£0.00	£0.00
Gas Transfers (Turriff) Costs	£51,050.00	£51,050.00	£51,050.00	£0.00	£0.00
Third Parties Costs (Network Rail/Haymarket Station	£35,000.00	£35,000.00	£35,000.00	£0.00	£0.00
MASS Barrier Costs (6 months @ £50,000.00 per month)	£300,000.00	£300,000.00	£300,000.00	£0.00	£0.00
Traffic Modelling by AECOM (covered elsewhere)	£0.00	£0.00	£0.00	£0.00	£0.00
Other Recoveries (OCIP)	0	-£52,000.00	-£52,000.00	-£52,000.00	£0.00
Total Reportable Costs	£2,887,800.75	£3,280,407.57	£3,801,266.30	£913,465.55	£520,858.73

Notes

1. MASS barrier cost are for the whole of the Tram Project and only include for forecast from Dec 09 – May 10 as per contract period, further costs will be incurred after this period until such time as all MASS barrier is removed from the Tram Project. A further contractual arrangement will have to be made to cover the period from June 10 onwards; this will be confirmed when apparent.
2. SUC cost deemed covered elsewhere under MUDFA as all the required C4s for this works were raised under the CUS works, the current works are the finalisation of the works already covered in the previous C4s issued.
3. Credit for Insurable events added, as this works has already been confirmed as an insurable event under OCIP
4. The above cost do not include for the newly instructed MASS barrier replacement costs.

Section 3 – Forecast of Price of Work Done to Date

Main Contract Expenditure – Clancy Docwra

Total of the prices (as detailed in appendix C)	£ 3,164,873.75
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Forecast of the Final Price of Works done to date (<i>refer to appendix B</i>)	£ 3,433,392.12
Add/Deduct Contractors share (Forecast)	-£ 134,259.19
Add/Deduct other (Bonus/Damages)	£ -
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Forecast of amount due	£ 3,299,132.94
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Original Budget	£ 2,121,515.81
Add Contingency	£ 212,151.51
Add Forecast cost of Works Out with Base Scope (<i>as detailed in PMI & CEE breakdowns in appendix C</i>)	£ 679,137.93
Add MASS Barrier	
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Total Revised Client Budget	£ 3,012,805.25

Notes

1. the above is based on the tender Award Summary as we still await the breakdown for People, Equipment, materials and others from the contractor this will be updated as an when this information becomes available.
2. The above Forecast figures are based on the anticipated Final PWDD received from the contractor adjusted and altered accordingly, this includes all cost associated with the Extended program and Contingency.
3. The contractor has not split or apportioned the PWDD forecast figure above to Original Scope and Contingency Expenditure inclusive of Compensation Event estimate for the extended period, upon receipt of these figure and formal review and acceptance the above will be amended.
5. In the absence of the full detailed particulars from the contract refer to section 6 for tie internal assessment of culpability of the extended period and resultant contingency expenditure generating an adjustment to the target cost

Section 4 – Project Managers Instructions

Refer to appendix C- Project Managers Instructions

Section 5 – Early Warnings

Refer to appendix C – Early Warnings

Section 6 – Provisional Sum Expenditure

Refer to appendix C Provisional Sum Summaries

Section 7 –Target Cost Adjustment

Refer to appendix C – Forecast Final Total of the Prices

Section 8 – third party cost breakdowns

Refer to appendix D – third Party Costs Breakdowns

APPENDIX A – CLANCY DOCWRA APRIL 2010 APPLICATION

**APPENDIX B – FORECAST PRICE OF WORKS DONE DATE (FINAL FORECAST
COST) – AND FORECAST CERTIFICATION**

**APPENDIX C – FORECAST TOTAL OF THE PRICES (ADJUSTED FINAL TARGET
COST)**

APPENDIX C.1 - PROJECT MANAGERS INSTRUCTION REGISTER

APPENDIX C.2 – EARLY WARNING REGISTER

APPENDIX C.3 – PROVISIONAL SUM EXPENDITURE