

**From:** Stewart McGarrity [Stewart.McGarrity@tie.ltd.uk]  
**Sent:** 10 December 2009 14:19  
**To:** Alan Coyle  
**Subject:** FW: Project Costs v Original Budget  
**Attachments:** TPBtieBoardDec09 Costs - Project Costs.ppt

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**From:** Stewart McGarrity  
**Sent:** 10 December 2009 09:08  
**To:** Richard Jeffrey; Steven Bell; Susan Clark; Mandy Haeburn-Little; Claire Logan; Alastair Richards  
**Cc:** Gregor Roberts  
**Subject:** Project Costs v Original Budget

All,

Attached is a draft slide for presentation to CEC, Board members and whoever else over the next week or so on what has happened to our **Project Cost** forecasts since the original (£512m) budget.

In a nutshell our forecast has gone up by £19.2m (£16.9m excluding Tax Planning/Governance and DRP related costs which were not included in previous forecasts). In aggregate we reflected £8.3m (about 50%) of the increase in our June 09 review (£524+X) and the simple fact is that far from identifying significant resource efficiencies our costs have gone up quite considerably.

All cost heads are predicated on a Feb 2012 OFRS date. Incremental costs of a delay to OFERS date would of course be subject to mitigation in advance but as an order of magnitude estimate of the unmitigated cost it would be c£1.5m per 4 week period comprising £0.5m project staff costs (assuming full project team is prolonged) £0.7m operations team and £0.3m overheads.

Specifically on our own Staff/Contractors costs – please consider the following explanatory analysis:

£000s	<u>Current Forecast</u>	<u>Original Budget</u>	<u>Increase</u>	<u>Infraco Prolong</u>	<u>MUDFA Prolong</u>	<u>Numbers &amp; Durations</u>	<u>Note</u>
Corporate Mgt	2,270	1,175	1,094	266	0	828	1
Tram Mgt	1,159	1,118	41	161	0	(120)	
Construction	6,987	4,185	2,803	500	687	1,615	2
Engineering	2,629	1,700	929	307	0	621	3
Commercial	3,719	2,010	1,708	454	131	1,124	4
Programme	1,893	2,226	(333)	191	0	(524)	5
Proj Interface	829	520	310	18	0	292	
Comms	2,473	931	1,541	443	0	1,098	6
Fin & ICT	2,343	2,157	186	307	0	(121)	7
Operations	398	0	398	71	0	327	8
Other & Pre Mar 08	12,502	11,637	865	0	0	865	9
Existing difference at FBC		-765	765	0	0	765	10
	<b>37,202</b>	<b>26,894</b>	<b>10,307</b>	<b>2,719</b>	<b>818</b>	<b>6,770</b>	

The total forecast of £37.2m includes provision for future bonus awards at £2.1m in aggregate (50% payout). Outturn costs over £600m would reduce bonus payout to zero. The above is also before reflecting the outputs from Snowdrop which will take £500k to £700k off the total.

The impact of **Infraco Prolongation** is taken as 100% of all staff costs between July 2011 (original finish date) and Feb 2012. **MUDFA Prolongation** is taken as all utilities staff costs from April 2009 to December 2009. **Numbers and duration** is the balancing figure – its overwhelmingly due to additional people.

Notes on dominant cause of changes

- 1 **Corporate Mgt** – The net increase is attributable to Richard and David Mackay. Prior to Mar 08 the assumption was that Willie G as tie Executive Chairman would be going to part time and both TEL CEO and Chairman costs were coming through the TEL/LB Recharges line. We need to revisit the former to see if there are savings to be banked in light of the above and the fact Alasdair Richards is now included in our Staff Costs – see 8 below. Alasdair to advise.
- 2 **Construction** (ie PMs)– Much bigger team for both MUDFA and Infraco phase than anticipated at FBC. Steven is producing an important paper which explains why this is necessary.
- 3 **Engineering** (includes HSQE) – Reflects turnover and supplementary resources in the HSQE team and retention of Engineering staff who were previously anticipated to be gone by now.
- 4 **Commercial** – Bigger team for longer to manage MUDFA and Infraco engagement as it has emerged – eg Dunn, Patterson, Bartynek and McGinty not included in original budget. Maybe still don't have enough bods in this function.
- 5 **Programme** – Elliot Scott and Tracey Kinloch left and their duties were absorbed elsewhere in the Programme, Proj Interface team or Finance teams.
- 6 **Comms** – Bigger team – posts of Mandy and Gordon Christie not anticipated in original budget. Note we did have Colin McLauchlan as combined Comms/HR Director but he was anticipated to be a part timer by now in the original budget. I know, I know – but the fact is that was the assumption made. Argument is that Comms/Stakeholder mgt is a bigger job than anyone anticipated. Total cost is net of a £500k recovery from BSC for stakeholder mgt costs.
- 7 **Fin/ICT** – Would have been £400k less if my own cost was getting funded by new projects by now as anticipated in the original budget.
- 8 **Ops** – Cost of AR and consultants not in the original budget. Alasdair to tell me if this is a contra off the TEL/LB Recharges line.
- 9 **Other** – Of this amount £560k is bonus accrued in the current year (0910) but not attributed in the analysis to individuals. An imperfection we need to live with for now.
- 10 **Existing diff at FBC** - Our manpower cost forecast in Mar 08 added up to c£800k more than we had in the budget – but we rationalised it by saying we'd find efficiencies to make up the difference.

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