
From: Rebecca Andrew
Sent: 20 November 2007 16:33
To: Alan Coyle
Subject: FW: Fixed Price Contract

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From: Duncan Fraser
Sent: 20 November 2007 16:28
To: Andrew Holmes
Cc: Andy Conway; Rebecca Andrew
Subject: Fixed Price Contract

Tie have agreed to a fixed price contract for Infraco on the original basis that :

- the detailed design would be completed by SDS
- that all the designs are technically approved by the road authority
- that all design have prior approvals granted by planning

The current situation is that only some of the designs have been completed in detail and none of the designs are technically approved and only 4 out of the 61 packages for prior approvals have been agreed. Consequently there is a reasonable case for arguing that there should be a "risk premium" established to enable changes to be made post financial close with BBS. Importantly this must be presented in a manner that minimising the risk of members believing that this is an increase in the cost. Rather that it is the normal process for completion of the design process. The design process can be broken down onto three elements roads, drainage and structures. In the absence of information from tie I suggest that we should make an allowance of £25m for this, in the expectation that the cost falls below this, thus avoiding any suggestion that the costs are not in control "Holyrood on Wheels".

At the last IPG I raised this topic however there was a concern about such a statement being minted. I suggest that this demonstrated a lack of understanding of how technical issues can translate into increase on costs through changes to time as well as money, especially for a fixed price contract.

To move from where we are we need an understanding of what SDS can deliver in terms of the technical approvals cross reference this to Mudfa and Infraco programmes then arrive at what is a deliverable programme. This should be done before financial close so that CEC are assured of value for money/cost and also can advise members of this in the report on the 20 December 2007.