
From: Matthew Crosse
Sent: 17 September 2007 19:30
To: Pat Diamond; Jim McEwan
Cc: Miriam Thorne; Willie Gallagher; Geoff Gilbert
Subject: RE: Stretch Target Discussion

Pat/Jim

I have a huge concern about arbitrarily cutting risk (and MUDFA) budget without knowing why we are able to release such amounts. Starting a project account on this basis is imprudent and it could well come back and bite us. We spent a long, laborious time justifying our position to TS first time round. They and CEC will want to be sure that there have been no cavalier approaches to setting the budget just in order to get the scheme under the £ wire.

When we have time, happy to go through big items in risk with a view to releasing sums as long we are also prepared to put in more if other risks come to light as a result as indeed they might. The CEC risk matrix may result in seeking other coverage and headroom.

Matthew

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From: Pat Diamond
Sent: 17 September 2007 11:32
To: Jim McEwan; Matthew Crosse
Cc: Miriam Thorne
Subject: Stretch Target Discussion

Jim,

Attached is the summary of the discussions we had last week, which now need to be agreed and adopted by the project team, presumably Mathew has a forum for feeding this in for debate and subsequent adoption, either way there needs to be an agreed position on what number goes into the FBC, this week at the latest.

The general themes are:

1. Once the organisation moves to a single entity structure there are substantial savings to be had on staff and overheads, what is reflected is an estimate but this could be surpassed dependant on the final structure of the deals with the bidders.
2. Once MUDFA has settled down and we have some 'Trading History' there could be substantial savings, I have reflected an estimate in line with our discussions. It will however need to be kept on a watching brief until we know what the reality of the on the ground is telling us.
3. The main contracts have been reflected at the latest costs as I understand them, this will clearly change (hopefully down, but may well be up) as they get to the final throws.
4. Risk is in my view where there is scope for taking the 'low hanging fruit' to borrow a consulting term! It is however linked in with the need to reflect the final contractual position and risk allocations that are being closed out under Geoff's Leadership. My view is that at contract signature there will need to be a revision and that this will be downwards as we will have a much clearer understanding of the cost and risk position on all the areas. Having said that there will be scope, there is clearly a mood in the camp not to revise the risk down, one major area of concern is that of approvals and the council view that the £51m left should actually now be £60m – this is not however my view.

I have not reflected substantial further challenge on DPOF as my view is that these costs have been substantially reduced through a full contract (re) negotiation by Alistair Richards, and that any radical treatment going forward would be prejudicial to the effective commissioning of the system, is likely to invite an legal challenge form the current (proposed) operator and from the wider bidding community who may see a procurement challenge.

Regards

Pat

Pat Diamond

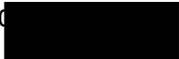
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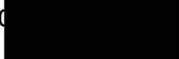
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