

**Background**

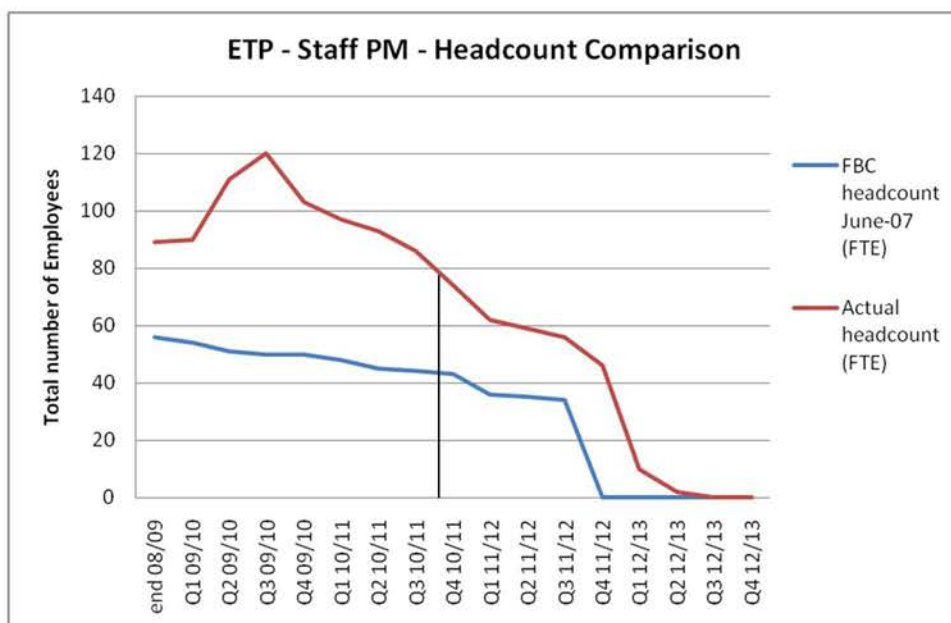
**tie** now have a requirement to drawdown an increase in budget against the PM staff costs. To explain why there is a requirement for additional Budget approval it is important to understand what was assumed in the Final Business Case (FBC) staff Plan and what has differed during the delivery stage of the Tram Project. Furthermore, it is also imperative to understand how **tie** management have mitigated against increasing PM staff costs, and how this has materialised in actual headcount figures.

**Headcount Comparison**

Staff PM Cost budgets for the Edinburgh Tram Project were set in June-07. At this point in time **tie** were also Project Managing the Edinburgh Airport Rail Link (EARL) Project. EARL was approved by the Scottish Parliament in early 2007, but following a change of government, was cancelled in September 2007 on grounds of cost. The Cancellation of EARL immediately put additional pressure on the Tram PM budget because support staff and some PM staff had previously been budgeted to share resource across the two Projects. The cancellation of EARL effectively passed previously shared Communications and PM costs to Tram, this increasing headcount. This is despite a reduction in **tie** headcount from April-07 to March-08 (of -26 employees).

In June-07 the MUDFA works were expected to be completed by the end of Q3 - 2008/09, with a number of PM and Commercial staff due to migrate over to the Construction Phase of the Project, and others forecast to leave **tie**. At FBC it was anticipated that diversionary works for utilities would cover 27,000lm of utilities. As works progressed it became apparent that the volume and complexity of the MUDFA works exceeded significantly exceeded expectations: the final estimate is now circa 50,000lm of Diverted Utilities.

**Table 1**



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Communications and stakeholder management on the ETP has also been far more intensive than was originally anticipated. Throughout the project (since EARL) there have been around 16 Communications/Stakeholder heads against an FBC headcount of 6.

Per **Table 1** (above) it can be seen that as at the end of 2008/09 **tie** had 89 employees against an FBC forecast of 56. The difference in headcount was mainly attributable to the lack of a shared support and synergies available from being a multi-project delivery organisation (EARL cancellation); the requirement for additional PM and Commercial resource to manage an increasingly complex Multi Utilities Diversion Framework Agreement contract; and a more pro-active Communications/Stakeholder management strategy.

In February 2009 the Infracore refused to begin works on Princes Street, and during the first quarter of 2009/10 through to Q3-2009/10 headcount increased from 89 employees to 120. The 120 employee headcount figure can be correlated to the period of completing works on Princes Street in Nov-2009. From Q3 – 2009/10 (Dec-09) through to Q3 – 2010/11 (Dec-10) **tie** headcount has been managed down to 86 employees through reductions (-34) in the size of the PM team and the Stakeholder management teams.

**tie** management have a detailed Staff headcount profile which is being managed by the HR function with input for the responsible managers. The profile of headcount and cost forecast are regularly circulated and challenged by the **tie** executive team.

#### **Budget Impacts**

There is now a requirement to drawdown additional budget to cover costs which have been driven by increased headcount. The graph below shows that actual costs exceeded the Current Agreed Budget (CAB) as at the end of Q2 - 2010/11. It was decided that **tie** management would wrap-up an all encompassing change request as and when Carlisle was completed, but as we move towards mediation it is felt that time will drive Cost further over budget if a drawdown is not approved.

The CAB is £27,418k. Our Staff PM forecast to the end of P12 (mid-Q4) is £30,440k. We are therefore requesting to drawdown cost of £3,022k to cover all Staff costs forecast up to the end of February 2011. Following mediation at the start of March it is proposed that **tie** present a fully updated Staff Plan for TPB approval further budget.

PM Staff Costs – Period 10 – 2010/11

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Table 2

