
From: Stewart McGarrity
Sent: 02 May 2010 12:01
To: Steven Bell
Cc: Gregor Roberts
Subject: FW: Utilites Total Final Costs
Attachments: FW: ; Utilites TFC P13 0910.xlsx

Steve,

We have discussed this on and off over the past weeks – and I know you and everyone else is snowed under with other things – but the statements being made to the Board and the draft of the drafting in the Council report for end of May about utilities costs are making this an increasing worry. Surely we need to get the story straight and others briefed (particularly Richard) soon? My interest is solely in supporting the team and the integrity of our reporting. Myself and Gregor are here to help in any way we can but this has got to start with the PM/Commercial teams reporting the numbers. If all of this is in hand then great – can we talk please.

Some bullet points to highlight the history and challenge:

- In the last TPB minutes I am attributed as reporting that “the final cost outturn for the utilities works is expected to fall within the current AFC forecast ranges and in line with the figures previously reported to the Board”.
- The “figures previously reported to the Board” are I believe the budget of £60.1m we established and reported to Council last August. That was the total for all costs under the T18 codes, net of betterment but excluding the £5.3m of work done by CUS on the depot excavation which was budgeted under an Infracore code.
- By P7, the MUDFA team were reporting a budget of £56.3m after deducting approved budget transfers. This included an amount of £3.1m for works outside CUS scope – see email from JC to Gregor at the time attached.
- By P12 the budget for T18 codes had been further reduced to £56.1m by budget transfers – the reported AFC was £59.3m (see Gregors ‘Utilities TFC’ spreadsheet attached which he provided on 13th April). On the basis of these numbers I provided for an additional £3.5m over and above the approved budget in the Pitchfork estimates – ie a total of £59.7m giving £0.4m of headroom over the T18 AFC of £59.3m. After adding back the £5.3m depot excavation costs this means the Pitchfork cost estimates allowed for a CUS final account of £59.9m based upon the reported AFC at P12 (again see Gregors spreadsheet which is a helpful tabulation of numbers being reported in the PM reports. Gregor himself did not create any of these numbers).
- By P13 the T18 total budget had been reduced again by budget transfers to £54.1m and the AFC was reported as £57.7m – allowing on the face of it for a CUS final account of £58.5m. At this point Gregor flagged up the emerging problem by totting up all Utilities costs in T18 or T19 codes to get to a total budget of £62.1m and a reported AFC of £70.6m an apparent shortfall of £8.5m. Crucially, the AFC of £70.6m provides for a CUS final account of £58.5m so anything above that (eg settlement at the £62m mark which has been talked about) makes the gap wider.
- In the draft Council report for late May circulated by Graeme it says at para 3.39 “The original budget for this part of the project was £48.5m. This budget was increased to take account of the additional project scope to £56.1m. This increase was funded from the project risk allowance. The anticipated final cost for utilities is **£62m**, which includes a substantial credit from the Statutory Utilities Companies for betterment of their assets”. I presume that the £62m survives from previous drafting by Alan and is intended to mean the CUS final account estimate.

- Before we get committed to any further statements about utilities costs we obviously need to validate all figures with the Commercial team. Areas which require looking at are:
 - Costs which may be double counted between Gregors schedule and what has been allowed for in the Infraco risk allowances as part of the Pitchfork estimates (eg against individual items in the change register and the £2.5m provision for unforeseen utilities MP has included in the change register).
 - Recognising that some of the “utilities costs” were always under Infraco – even though all previous reporting has focussed on the main Utilities (T18) codes.
 - The story of why things have changed including but not limited to the most recent reported AFCs for Farrans and Clancy Docwra which are higher than previously anticipated, the works at Baltic St which are a new item and clarity on where we are with betterment.

Stewart

Stewart McGarrity

Finance Director

Etdinburgh Trams

Mobile: [REDACTED]

From: Gregor Roberts

Sent: 13 April 2010 18:56

To: Stewart McGarrity; Steven Bell; Dennis Murray; Fiona Dunn

Subject: Utilites Total Final Costs

All,

Attached is a quick update to the view that Stewart had collated relating to all ‘utilities’ costs last period for discussion at tomorrow mornings meeting.

Please note that the information comes from various sources, but mainly lines from the consolidated PD review report (what has actually been reported against MUDFA and Infraco), the non-Infraco part of the PD report, and the Infraco change schedule.

If you have any queries I should be able to chat through with you.

Regards,

Gregor