

CITY OF EDINBURGH COUNCIL  
 Post Settlement Agreement Budget  
 Budget Report  
 19th August 2011

Activity / Contractor	Value	Notes
Overall project management	£1,493,375.86	
Track work – sub-system extended PM	£286,232.45	
BAM	£4,266,656.57	A
Core HVLV	£157,950.00	B
Infrastructure	£316,119.90	
Insurance, bonds, guarantees	£22,931.03	
Risk (extended warranty)	£345,881.38	
Risk (implementation risk)	£907,684.91	C
Sub-contracts:		
Rail Automation UK	£565,536.31	
Electrification UK	£1,464,671.50	
Traffic Solutions UK	£453,045.19	
Siemens AG (Germany)	£2,731,057.46	
Changes	£2,006,650.00	D
<b>Total</b>	<b>£14,480,150.03</b>	

Notes:

- A: Siemens have intimated that they expect to negotiate with BAM. They have highlighted that the programme has extended by 8 weeks since BAM submitted their quotation and that would add 8 weeks prelims at a cost of £71,000 per week (£568,000). However, the £4,266,656.57 amount is for the laying only (materials are paid separately) of 1.6km of track. In comparison, the original 18.5km route length which amounted to approximately £11,000,000 (again for lay only) equates to a cost per kilometre of approximately £600,000. Based on this, the value for the track element included in the works to complete, would be £960,000. BAM have included in the £4.26m an amount for EOT which should be an internal matter between Siemens and BAM, their sub contractor. The BAM element should be reduced by approximately £3,306,000.
- B: No breakdown has been provided for this element. However Siemens have advised that the current quotation amounted to £35,000 with the remainder comprising a contingency of £100,000 and mark up.
- C: Siemens have advised that this represents 5% of the original quotation. This is excessive. Siemens have been requested by tie to review the sum and highlight the risks that they require to cover.
- D: The changes have been itemised by Siemens and include £961,612 for the York Place New Turnback Strategy and £597,120 for Floating Slab.

General observations are that there is an excessive resource provision quoted for what is 1.5km of track. In addition, Siemens have included project functions in Germany which require clarification. Included in the Siemens costs is an amount of £247,000 for material storage costs. Again this seems excessive and requires further investigation and clarification.

In our view, a further reduction in the region of £1m - £1.5m could be realised following completion of the negotiations.

4.2.4 Summary

4.2.4.1 There are a number of areas where savings can be introduced from the £53,483,265 total value of Bilfinger Berger and Siemens element. The table below details the tender totals and areas of adjustment:

Description	Adjustments	Tender
Civil work value (from report dated 20 June 2011)		£33,332,586
Civil work value (Tender received 22 July 2011)		£3,433,628
Siemens		£20,160,679
Total		£56,916,893
Adjustments:		
Use value for lowest tender for civil works in lieu of average	-£1,922,014	
Resource reconciliation	-£769,903	
Street lighting uplift reduction (15% to 5%)	-£26,077	
Reduction to Traffic & Pedestrian Management	-£3,490,098	
Siemens revised target price saving	-£5,680,198	
Siemens further reduction	-£3,306,000	
Total	-£15,194,290	-£15,194,290
<b>Revised On Street works total</b>		<b>£41,722,603</b>

4.2.4.2 Further to the adjustments noted above, there remain a number of sections where further adjustments may be realised. These are as follows:

Description	Comment
2.03 Site investigation Works (£400,000)	Further investigation required
2.03 Indirect costs, (£5,025,356)	Further investigation required

4.2.4.3 In addition to the revisions noted above, the works associated with the additional capping layer, kerbing and paving should be considered as provisional and subject to remeasurement based upon actual works carried out and valued at the rates contained in the bills of quantities received in competition.

4.2.4.4 In conclusion we are of the opinion that the Contractor has priced for the worst case scenario and that certain items are overpriced.

- The use of the Contractor of reporting an average price from his sub-contractors is unusual and immediately adds nearly £2.0M to the project.
- His response with regard to the capping layer, "to remove the item and have the council take the risk as another Pricing Assumption" is hardly in the spirit of the project going forward. In fact, this hard negotiating stance reflects the very tight timescale that the CEC has set to agree this works.
- When comparing various elements of work with previous items of work the prices submitted appear to be extremely inflated. In fact the resourcing by Siemens would suggest that they have priced the works on the assumption that it will be a contentious contract to run (6nr Surveyors on the On-Street Works). If this is the case savings may be achieved by changing certain personnel within the organisations both on the Contracting side and the Clients side. This may not be an insignificant sum.

**4.3 Utilities**

**4.3.1 Utilities**

4.3.1.1 The Utilities have had a significant effect on the project, both in terms of programme delay and direct costs. Our initial review of this area was to consider what had occurred in the past and to see if these same difficulties may arise in the future.

4.3.1.2 Known and identified clashes between the tram structure and utilities were identified and quantified in the base cost.

**4.3.2 Contractual Issues**

4.3.2.1 The first thing noted was the separation of the Utilities contract (MUDFA) from the Edinburgh Tram delivery contract. With no apparent linkage between these two contracts, neither contract had the ability to influence the other. The effect was that with a prolongation of the utilities work the tram delivery project went into delay with the inevitable cost implications.

4.3.2.2 Faithful+Gould consider this as one of the fundamental risks to the project. Ideally both contracts would be carried out by the same contractor under one contract. This would have the effect of passing the responsibility of the delivery of the utilities to that Contractor and so minimise the risk of delay, to the Client.

4.3.2.3 Other considerations discussed, were the ability to hand over the On-Street Works in sections as and when they became available, with no right to possession on a certain date. This would again minimise the opportunity of the delivery contractor to claim delay in relation to the ongoing utilities works.

**4.3.3 Design**

4.3.3.1 A number of design areas were discussed, in particular the bases for the overhead lines. These were considered to be extensive and a piled solution was suggested. Faithful+Gould were then informed that this area had been explored but the Contractor's designers were unwilling to change their design and would not accept design liability should the base design be altered.

4.3.3.2 Therefore a risk allowance has been included to cover for clashes between utilities and the bases.

**4.3.4 Delay**

4.3.4.1 The most significant risk from the utilities remains the delay to the On-Street works that could arise. This has been assessed and is included in the risk profile.

**4.4 CAF**

4.4.1 The CAF Base cost had been agreed at £62.4M prior to the Faithful+Gould review. This value represented circa £58M from the original contract plus a further £4.4M as an agreed settlement for variations and delay to the contract.

4.4.2 This agreed sum is a 100% confirmed and so sits quite firmly as a Base Cost

4.4.3 The agreed sum also included for the separation of CAF from the Infraco contract. The interface risk resulting from this is seen as a 'black flag' risk in terms of interface between the parties. See section 5.3.3. for explanation.

**4.5 Project Management Costs**

4.5.1 The Project Management costs have been provided by the City of Edinburgh Council directly from their project data source. There is a high degree of clarity in the figures which relies on actual expenditure and residual monies left in those individual budgets. Here again these values have been reviewed and adjusted accordingly.

4.5.2 As this element represents a significant number of individual items, it was reviewed in detail to check for duplicated items

4.5.3 Other risks that have been identified during the process have been highlighted and evaluated.

**4.6 Discrete Risks**

4.6.1 Risks for each of the areas of Base Costs had risks identified individually and listed against those areas (see Appendix C Risk model). Discrete Risks i.e. risks of either a general nature or those that affected the whole of the project, were also listed but in a separate section at the end of the model spread sheet. The method of how the risk items were handled is contained in the next section (Section 5.0).

## 5.0 RISK ALLOCATION

### 5.1 General

5.1.1 A workshop was held on Wednesday 3<sup>rd</sup> August 2011, involving key personnel from both City of Edinburgh Council and tie Ltd to identify, quantify and record potential risks to the project and provide the base information for the budget review and the subsequent risk analysis. The workshop drew upon previous risk work undertaken by the project team including the ETN risk register.

5.1.2 Following the workshop, a new budget summary was created and this incorporated the discrete risks identified and was also used to build the risk model (see Appendix B). The model addressed both estimate (forecast) uncertainty and discrete risks generally using a 3 point methodology.

### 5.2 Risk Analysis Methodology

5.2.1 The objective of the workshop and subsequent meetings / correspondence with CEC and tie Ltd was to identify risks associated with the project at this stage, and assess those risks in terms of impact on the project. The information captured during the workshop provided the data for subsequent analysis.

The workshop incorporated the following sessions:

- High level review of budget
- Settlement Agreement
- Main Body of Workshop
  - On Street Works - Haymarket to York Place
    - Haymarket to West End
    - Princes Street
    - St Andrews Square
    - York Place
  - Utilities
  - Lump Sum / Off Street Works – Airport to Haymarket
    - Works to date (including Prioritised Works / Works to the North)
    - Works to go
    - Depot
  - CAF works
  - Non BSC Costs to go
  - Non BSC Costs to date
  - Contingency & Specified Risks

### 5.3 Quantative Cost Risk Analysis

#### 5.3.1 Developing the QRA model

The layout of the risk model follows the arrangement of the cost forecast / budget. Faithful+Gould's due diligence team examined the basis of the forecast and developed three point estimates (optimistic, most likely and pessimistic) ranges against each line item in the forecast estimate. These line items were then incorporated into a risk model to represent the view of uncertainty and confidence.

Against each line item in the risk model the most appropriate input distribution has been selected. A triangular distribution has been selected to represent the distribution of the uncertainty for each of the forecast line items.

A common cause of risk estimating bias is the default use of the project plan forecast to anchor the centre point. Faithful+Gould's approach avoids this by structuring our questions as follows: "What is the maximum practical cost impact? What is the minimum practical cost impact? What is the expected cost impact?"

#### 5.3.2 Method for developing cost ranges for the QRA

The cost risk models for the project are developed in accordance with best practice. The modelling process itself commenced with receipt of the cost plan or base estimate forecast from the City of Edinburgh Council.

Individual risks were identified from the existing risk register and from the workshop held 3<sup>rd</sup> August 2011. The results of the workshop combined with the assessment of the existing risk register were ratified at a review meeting with Alan Coyle on 9<sup>th</sup> August 2011 and again with representatives of CEC on 11<sup>th</sup> August 2011. During these meetings the validity of the risks were reviewed and a range of possible outcomes in terms of value and a probability of occurrence were assigned. The project team also considered the implications of the settlement agreement as drafted and the specific exclusions identified. These are set out in the budget / model in Appendix XX.

#### 5.3.3 Interpreting the results from the cost analysis

The cumulative frequency distribution allows you to determine the probability of obtaining an outturn cost below a chosen value. It also allows the team to determine the probability of the project cost falling within a specified range. Often, clients will choose the 50% confidence level as the project management contingency sum, and the 80% confidence level as the project funding level.

Given the uncertainties as to whether risks will occur or not, it is impossible to predict the out-turn cost with absolute certainty. So a graph which shows confidence limits of a cost not being exceeded is produced. For example reading across the graph at 50% confidence limit, identifies the cost which has a 50% chance of being exceeded (and in this situation a 50% chance of not being exceeded). The 50th percentile is the point at which many clients decide to identify the contingency sum for project management purposes.

Nevertheless, the 50/50 chance of completing a project for a particular sum is not a very practical confidence level with respect to the provision of overall project funding. Clients may therefore decide to use the 80th percentile – the 80% confidence level – for project funding or budget purposes.

It should be noted that the following risks have specifically been excluded from the analysis as they are considered 'Black Flag' items. Should they occur, then the entire project would require re-baselining.

1. CAF breaking away from the Infraco consortium:

- It is considered that it is imperative that the contractual interface between the parties, BB, Siemens and CAF, is maintained and that the redrafting of the contracts will need to be tight enough to nullify any risk to the Client.
- The quantum of this risk is considerable and would skew the risk profile unnaturally. But the Parties consulted, agree that the likelihood of it happening is relatively small. Therefore it is considered as a 'black flag' item.

2. The following Agreements

- Tram Supply Agreement
- Interface Agreement
- Maintenance Agreement

In summary the separation of CAF from the Infraco contract and the other agreements listed represent the contractual 'interface' between the delivery parties. Should these integrate liabilities, for the delivery of the scheme, become decoupled from one another, there is a severe risk that one party to the original contract would fail to deliver its element of work, thus putting the whole project at risk

**5.4 Results from the Quantitative cost risk analysis**

**5.4.1 Cost forecast uncertainty ranges**

The review of the forecast budget resulted in the following cost ranges being applied to the base forecast.

See Appendix A for supporting information to these amounts.

## 6.0 APPENDICIES

The following appendices are included in the report.

- Appendix A - Budget Summary & Risk Model
- Appendix B - QRA Summary
- Appendix C - Risk Graph



**Appendix A  
Budget Summary & Risk Model**

CITY OF EDINBURGH COUNCIL  
EDINBURGH TRAMS  
POST SETTLEMENT AGREEMENT BUDGET

Level 1	Level 2	COV1	TO GO	BUDGET	Notes
		EM	EM	EM	
Off Street Works Airport to Haymarket (Infraco)	<b>Base Cost</b>				
	Payments to App 43 + Hg Certs 1, 2 & 3a	£ 178.93			
	Apps 44 & 45 + Hg Certs 3b & 3c	£ 16.06			
	Prioritised Works	£ 19.68			
	Costs 'to go' to BBS		£ 147.83		
Deduction for Forth Ports		-£ 2.44			Colin Smith
<b>Base Cost Total</b>		£ 214.67	£ 145.39	£ 360.06	
Risks	R041				
	Approval of plans for Gogar interchange				
	FG Risk 35				
	Retaining wall (treatment of unstable wall or special construction measures)				
	FG Risk 36				
Edinburgh Gateway - Power Cable					Price given at Workshop
FG Risk 47					AC confirmed estimate from previous meeting
Scottish Rugby Union appeasement costs					now in R041
FG Risk 49					Allowance
Blockades and possessions not included in Lump sum					
<b>Risk Cost Total</b>		£ -	£ -	£ -	
<b>Sub Total</b>		£ 214.67	£ 145.39	£ 360.06	

Probability %	Optimistic Cost Assume only 5% chance it will be lower than this	Most Likely	Pessimistic Assume only 5% chance it will be higher than this
100%	£ 178,930,000.00	£ 178,930,000.00	£ 178,930,000.00
100%	£ 16,060,000.00	£ 16,060,000.00	£ 16,060,000.00
100%	£ 19,680,000.00	£ 19,680,000.00	£ 19,680,000.00
100%	£ 147,830,000.00	£ 147,830,000.00	£ 147,830,000.00
100%	£ 3,600,000.00	£ 2,443,000.00	£ 1,000,000.00
50%	£ 150,000.00	£ 350,000.00	£ 500,000.00
60%	£ 50,000.00	£ 100,000.00	£ 200,000.00
90%	£ 350,000.00	£ 400,000.00	£ 400,000.00
50%	£ 125,000.00	£ 250,000.00	£ 250,000.00

Level 1	Level 2	COV1	TO GO	BUDGET	Notes	
		EM	EM	EM		
On Street Works Haymarket to York Place (Infraco)	<b>Base Cost</b>					
	On-street contract price - Bilfinger Berger		£ 36.76			
	On-street contract price - Siemens		£ 12.50			
<b>Base Cost Total</b>		£ -	£ 49.26	£ 49.26		
Risks	Pricing Assumptions					
	6.4.2.1 Floating Track Slab					
	6.4.2.3 York Place Terminal Point					
	6.4.2.4 Cathedral Lane Substation					
	6.4.2.5 Elder Street					
	6.4.2.6 Dublin Street					
	6.4.2.7 Cycleway at Mound					
	6.4.2.8 St Andrews Square					
			OUT			Advised at Zero Cost Andy Conway 09-08-11
	R049	Additional land required to allow construction				Steps - Advised at £75k Cost Andy Conway 09-08-11
R057	Unknown or abandoned chambers', cellars, voids etc.				base costs in budget - street scape uplift separate budget - therefore risk allowance zero	
FG Risk 8	Sub-suppliers warranties expire during the maintenance period and Siemens may have legitimate claim due to delays				figure supplied by Third party manager	
FG Risk 15	Multiple road closures proposed / agreed may not work with traffic despite being acceptable in principle (via the model results)				NOT a Risk	
FG Risk 17	OLE may not work - design costs to determine a solution and the consequential costs (Design, Construction, Quant's and delay)				Colin Smith - see e-mail 11/8/11	
FG Risk 23	Demolition of building could impact on Infraco				Shouldn't be our issue	
<b>Risk Cost Total</b>		£ -	£ -	£ -		
<b>Sub Total</b>		£ -	£ 49.26	£ 49.26		

Probability %	Optimistic Cost	Most Likely	Pessimistic
100%	£ 29,000,000.00	£ 31,548,122.00	£ 33,000,000.00
100%	£ 11,875,000.00	£ 12,500,000.00	£ 12,000,000.00
100%	£ 800,000.00	£ 1,000,000.00	£ 1,200,000.00
100%	£ 800,000.00	£ 1,000,000.00	£ 1,200,000.00
100%	£ 800,000.00	£ 1,000,000.00	£ 1,200,000.00
100%	£ -	£ -	£ -
100%	£ 60,000.00	£ 75,000.00	£ 90,000.00
100%	£ 800,000.00	£ 1,000,000.00	£ 1,200,000.00
90%	£ 130,000.00	£ 150,000.00	£ 180,000.00
50%	£ -	£ 250,000.00	£ 300,000.00
80%	£ 180,000.00	£ 200,000.00	£ 250,000.00
90%	£ 850,000.00	£ 1,000,000.00	£ 1,500,000.00

CITY OF EDINBURGH COUNCIL  
 EDINBURGH TRAMS  
 POST SETTLEMENT AGREEMENT BUDGET

Level 1	Level 2	CO/WO	TD/GO	BUDGET	Notes	Probability	Optimistic Cost	Most Likely	Pessimistic	
		£M	£M	£M						
Utilities	<b>Base Cost</b>				Master schedule showing £1.253M; See Contingency and Specified risks. Steven Bell to confirm; 700nr now the figure of conflicts £1.25M was on 550nr; say ave. cost of £20k ea x 200nr problems					
	Identifiable items on Register									
	Trial Holes (140nr x £3k)		£ 1.25				100%	£ 400,000.00	£ 1,250,000.00	£ 2,000,000.00
	Leith Walk Utilities		£ 0.42				100%	£ 399,000.00	£ 420,000.00	£ 504,000.00
			£ 1.10				100%	£ 1,045,000.00	£ 1,100,000.00	£ 1,155,000.00
	<b>Base Cost Total</b>	£ -	£ 2.77	£ 2.77						
Risks	R004	Damage to Utility Apparatus	OUT		Discussion with CS; designer cost £5k; delay 1 on programme 5 days £10/ec all in £110k/ea x 200nr  Opex cost for council Allowance OK Relates to South St Andrews Sq; York Place; Shandwick Place; Michael Blake - CS pursue this; Delay included in overall delay costs Included in £300k/week					
	R032	Utilities works, failure of MUDFA to deliver against programme	OUT							
	R038	Utility Consents	OUT							
	FG Risk 1	Utilities Risk - Utility diversions, clashes, design solutions, delay, construction					90%	£ 250,000.00	£ 1,800,000.00	£ 2,200,000.00
	FG Risk 5	Mitigation costs to avoid known and onerous utility clashes in the track formation - derogation for track formation levels to avoid utilities	OUT							
	FG Risk 29	Drainage connections (20% of above FG Risk 28)					80%	£ 100,000.00	£ 200,000.00	£ 300,000.00
	FG Risk 31	Road level lowering and utility issues as a result					90%	£ 2,000,000.00	£ 3,000,000.00	£ 5,000,000.00
	FG Risk 59	Delay to delivery of items on the Identified Utilities Register	OUT							
	FG Risk 60	Loss and Expense Claims as a result of any delay	OUT							
	<b>Risk Cost Total</b>	£ -	£ -	£ -						
	<b>Sub Total</b>	£ -	£ 2.77	£ 2.77						
CAF	<b>Base Cost</b>									
		£ 48.00	£ 14.40			100%	£ 48,000,000.00	£ 48,000,000.00	£ 48,000,000.00	
						100%	£ 14,400,000.00	£ 14,400,000.00	£ 14,400,000.00	
	<b>Base Cost Total</b>	£ 48.00	£ 14.40	£ 62.40						
Risks	R024	Power not available to re-commission first tram	OUT		Discussed at meeting 11-08-11; considered not a risk  From Sept 2013 9months Allowance only £1000/per tram SHOW stopper can not be quantified; It is a contractual issue.					
	FG Risk 29	Test track - single or 2 lines? £62.4m is up to Sept 2013 - £170k per month. Delay to Jan 14 anticipated - Risk that it could be beyond Jan 14	OUT							
	FG Risk 50	Breaking the CAF away from consortium could give unexpected results £250k					95%	£ 900,000.00	£ 1,350,000.00	£ 1,800,000.00
	FG Risk 51		OUT							
	<b>Risk Cost Total</b>	£ -	£ -	£ -						
	<b>Sub Total</b>	£ 48.00	£ 14.40	£ 62.40						

CITY OF EDINBURGH COUNCIL  
 EDINBURGH TRAMS  
 POST SETTLEMENT AGREEMENT BUDGET

Level 1	Level 2	COWD	TO GD	BUDGET	Notes	Probability	Optimistic Cost	Most Likely	Pessimistic	
		£M	£M	£M						
Project Management	Base Cost									
	To Date	£	248.50							
	Project Management Costs									
	Third Party									
	CAAD - CALA	£		20.50						
	CAAD - Tesco	£		1.30						
	Network Rail - APA	£		0.10						
	Network Rail - Bridge & Operating Agreements	£		1.70		Pessimistic view				
	Edinburgh Airport Ltd	£		0.10						
	New Ingleston Ltd	£		0.80						
	Forth ports	£		0.75						
	Accommodation	£		1.00		Reinstatement view				
	Preparing for Operations	OUT				Covered by PM Costs Line	100%	£	£	£
	Insurance & Extensions	OUT				Covered by PM Costs Line	100%	£	£	£
	Warranty Extensions	OUT				Covered by PM Costs Line	100%	£	£	£
	Legal	£		1.30		Included in Risk 8	100%	£	£	£
	Land & property	£		1.30		Provided by McGrigors	100%	£	£	£
	Traffic Modelling Costs	OUT				Included in Risk R049	100%	£	£	£
	Comms and Marketing	£		0.10		provided by AC	100%	£	£	£
	Comms Link to CEC	£		1.10			100%	£	£	£
Reinstatement of Public Art	OUT				Covered by ER	100%	£	£	£	
Materials Storage Cost	£		0.30			100%	£	£	£	
Design Completion	£		1.50			100%	£	£	£	
Register of Design Disputes	OUT				Balance of Design issues to be included in General Design Risk Item at end	100%	£	£	£	
<b>Base Cost Total</b>		£	248.50	£	30.55	£	279.05			
Risks	Event Delay Risk									
	FG Risk 11	Compensation budget - Extension to programme may incur additional compensation				Moved from Base to Risk	100%	£	£	
	FG Risk 53	Early Rate liabilities	OUT			Figure derived from 'Open for Business' yearly cost of £210k/yr Inc. in Pm costs above	90%	£	£	
<b>Risk Cost Total</b>		£	-	£	-	£	-			
<b>Sub Total</b>		£	248.50	£	30.55	£	279.05			



**Appendix B**  
**QRA Summary**

# ETN Infrastructure QRA Summary

Model Date: 12 August 2011

Modelling output is based upon the Monte Carlo Analysis, with 10,000 iterations.

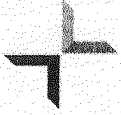
## PROJECT STATISTICS

Percentile	Project Cost Estimate (including risk contingency, £)
pmean	£781,027,412
P0	£761,829,696
P50	£781,834,816
P80	£784,614,144
P90	£785,956,288
P100	£792,537,856

CEC Contingency (based on P50):	£31,314,816
CEC Contingency (based on P80):	£34,094,144

## WORKSTREAM STATISTICS

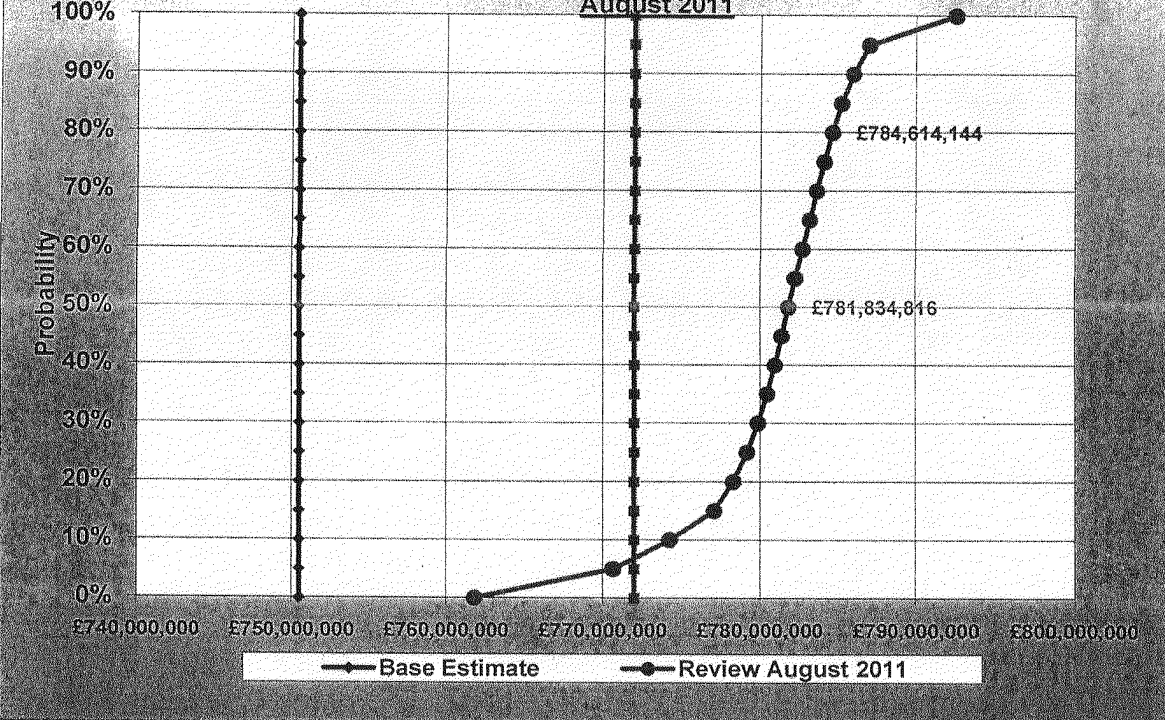
	BASE ESTIMATE	RISK	pmean	Total
Off Street Works Airport to Haymarket	£360,500,000	Base Uncertainty	£360,166,700	£360,852,228
		Discrete Risk	£685,528	
On Street Works Haymarket to York Place	£45,800,000	Base Uncertainty	£43,158,330	£48,635,848
		Discrete Risk	£5,477,518	
Utilities	£2,770,000	Base Uncertainty	£2,757,666	£7,192,134
		Discrete Risk	£4,434,468	
CAF	£62,400,000	Base Uncertainty	£62,400,000	£63,682,404
		Discrete Risk	£1,282,404	
Project Management	£279,050,000	Base Uncertainty	£278,731,700	£280,407,449
		Discrete Risk	£1,675,749	
Discrete Risks	£0	Base Uncertainty	£0	£20,257,410
		Discrete Risk	£20,257,410	
<b>Total Base Estimate</b>	<b>£750,520,000</b>			
		<b>Project Base Uncertainty</b>	<b>£747,214,396</b>	
		<b>Project Discrete Risk</b>	<b>£33,813,077</b>	
		<b>Project Base Estimate including pmean QRA Risk</b>	<b>£ 781,027,473</b>	
		<b>Percentage Risk/Base Estimate</b>	<b>4.1%</b>	



**Appendix C**  
**Risk Graph**



**City of Edinburgh Council**  
**ETN Infrastructure**  
**August 2011**



**CITY OF EDINBURGH COUNCIL**  
**Post Settlement Agreement Budget**  
**Budget Report**  
**19th August 2011**

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**CONSTRUCTIVE EXPERTISE**

**FGOULD.COM**

CITY OF EDINBURGH COUNCIL  
 EDINBURGH TRAMS  
 POST SETTLEMENT AGREEMENT BUDGET

Level 1	Level 2	COWD	TO GO	BUDGET	Notes
		£M	£M	£M	
Off Street Works Airport to Haymarket (Infraco)	<b>Base Cost</b>				
	Payments to App 43 + Hg Certs 1, 2 & 3a	£ 179.20			
	Apps 44, 45, 46 & 47 + Hg Certs 3b & 3c	£ 23.54			
	Prioritised Works	£ 18.01			
	Costs 'to go' to BBS		£ 141.75		
	Deduction for Forth Ports		£ 2.44		
	<b>Base Cost Total</b>	£ 220.75	£ 139.31	£ 360.06	Colin Smith
	<b>Risks</b>				
	R041				
	FG Risk 35				
	FG Risk 36				
	FG Risk 47				
	FG Risk 49				
	<b>Risk Cost Total</b>	£ -	£ -	£ -	Price given at Workshop AC confirmed estimate from previous meeting now in R041 Allowance
	<b>Sub Total</b>	£ 220.75	£ 139.31	£ 360.06	

Probability %	Optimistic Cost Assume only 5% chance it will be lower than this	Most Likely	Pessimistic Assume only 5% chance it will be higher than this
100%	£ 179,199,000.00	£ 179,199,000.00	£ 179,199,000.00
100%	£ 23,544,000.00	£ 23,544,000.00	£ 23,544,000.00
100%	£ 18,010,000.00	£ 18,010,000.00	£ 18,010,000.00
100%	£ 141,750,000.00	£ 141,750,000.00	£ 141,750,000.00
100%	£ 4,000,000.00	£ 2,440,000.00	£ 1,000,000.00
50%	£ 150,000.00	£ 350,000.00	£ 500,000.00
60%	£ 50,000.00	£ 100,000.00	£ 200,000.00
90%	£ 350,000.00	£ 400,000.00	£ 400,000.00
50%	£ 125,000.00	£ 250,000.00	£ 250,000.00

Level 2	Level 2	COWD	TO GO	BUDGET	Notes
		£M	£M	£M	
On Street Works Haymarket to York Place (Infraco)	<b>Base Cost</b>				
	On-street contract price - Bilfinger Berger		£ 33.30		
	On-street contract price - Siemens		£ 12.50		
	Value Engineering Opportunity		£ 7.00		
	<b>Base Cost Total</b>	£ -	£ 38.80	£ 38.80	Discussion on Pricing ; CS to go back to Contractor; view to be taken on holding contingency As above
	<b>Risks</b>				
	Pricing Assumptions				
	6.4.2.1 Floating Track Slab				
	6.4.2.3 York Place Terminal Point				
	6.4.2.4 Cathedral Lane Substation				
	6.4.2.5 Elder Street				
	6.4.2.6 Dublin Street				
	6.4.2.7 Cycleway at Mound				
	6.4.2.8 St Andrews Square				
	R049				
	R057				
	FG Risk 8				
	FG Risk 15				
	FG Risk 17				
	FG Risk 23				
	<b>Risk Cost Total</b>	£ -	£ -	£ -	base costs in budget - street scape uplift separate budget - therefore risk allowance zero figure supplied by Third party manager NOT a Risk Shouldn't be our issue discussion with CS This will not happen
	<b>Sub Total</b>	£ -	£ 38.80	£ 38.80	

Probability	Optimistic Cost	Most Likely	Pessimistic
100%	£ 28,000,000.00	£ 31,300,000.00	£ 33,300,000.00
100%	£ 11,875,000.00	£ 12,500,000.00	£ 12,500,000.00
100%	£ 7,000,000.00	£ 7,000,000.00	£ 7,000,000.00
100%	£ 477,600.00	£ 597,000.00	£ 716,400.00
100%	£ 800,000.00	£ 1,000,000.00	£ 1,200,000.00
100%	£ 800,000.00	£ 1,000,000.00	£ 1,200,000.00
100%	£ -	£ -	£ -
100%	£ 60,000.00	£ 75,000.00	£ 90,000.00
100%	£ 80,000.00	£ 100,000.00	£ 120,000.00
90%	£ 130,000.00	£ 150,000.00	£ 180,000.00
50%	£ -	£ -	£ -
80%	£ 180,000.00	£ 200,000.00	£ 250,000.00
90%	£ 850,000.00	£ 1,000,000.00	£ 1,500,000.00

CITY OF EDINBURGH COUNCIL  
EDINBURGH TRAMS  
POST SETTLEMENT AGREEMENT BUDGET

Level 1	Level 2	COWD £M	TO GO £M	BUDGET £M	Notes	Probability	Optimistic Cost	Most Likely	Pessimistic
Utilities	<b>Base Cost</b>								
	Identifiable items on Register				Master schedule showing £1.253M; See Contingency and Specified risks. Steven Bell to confirm; 700nr now the figure of conflicts £1.25M was on 550nr; say ave. cost of £20k ea x 200nr problems	100%	£ 400,000.00	£ 1,812,000.00	£ 2,000,000.00
	Trial Holes (140nr x £3k)	£	1.81			100%	£ -	£ -	£ -
	Leith Walk Utilities	£	1.10			100%	£ 1,045,000.00	£ 1,100,000.00	£ 1,155,000.00
	<b>Base Cost Total</b>	£	2.91	£ 2.91					
Risks	R004		OUT						
	R032		OUT						
	R038		OUT						
	FG Risk 1				Discussion with CS; designer cost £5k; delay 1 on programme 5 days £10/ec all in £110k/ea x 200nr	90%	£ 250,000.00	£ 1,800,000.00	£ 2,200,000.00
	FG Risk 5		OUT			80%	£ 100,000.00	£ 200,000.00	£ 300,000.00
	FG Risk 29				Opex cost for council Allowance OK				
	FG Risk 31				Relates to South St Andrews Sq; York Place; Shandwick Place; Michael Blake - CS pursue this;	90%	£ 2,000,000.00	£ 3,000,000.00	£ 5,000,000.00
	FG Risk 59 FG Risk 60		OUT OUT		Delay included in overall delay costs included in £300k/week		£ - £ -	£ - £ -	£ - £ -
	<b>Risk Cost Total</b>	£	-	£ -					
	<b>Sub Total</b>	£	2.91	£ 2.91					
CAF	<b>Base Cost</b>	£ 48.00	£ 14.40			100%	£ 48,000,000.00	£ 48,000,000.00	£ 48,000,000.00
	<b>Base Cost Total</b>	£ 48.00	£ 14.40	£ 62.40		100%	£ 14,400,000.00	£ 14,400,000.00	£ 14,400,000.00
Risks	R024		OUT						
	FG Risk 39		OUT		Discussed at meeting 11-08-11; considered not a risk				
	FG Risk 50				From Sept 2013 9months	95%	£ 900,000.00	£ 1,350,000.00	£ 1,800,000.00
FG Risk 51		OUT		Allowance only £1000/per tram SHOW stopper can not be quantified; It is a contractual issue					
	<b>Risk Cost Total</b>	£	-	£ -					
	<b>Sub Total</b>	£ 48.00	£ 14.40	£ 62.40					

CITY OF EDINBURGH COUNCIL  
 EDINBURGH TRAMS  
 POST SETTLEMENT AGREEMENT BUDGET

Level 1	Level 2	COWD £M	TO GO £M	BUDGET £M	Notes	Probability	Optimistic Cost	Most Likely	Pessimistic
Project Management	<b>Base Cost</b>								
	To Date	£ 248.50				100%	£ 248,500,000.00	£ 248,500,000.00	£ 248,500,000.00
	Project Management Costs					100%	£ 18,450,000.00	£ 20,500,000.00	£ 22,550,000.00
	Third Party					100%	£ 1,235,000.00	£ 1,300,000.00	£ 1,365,000.00
	CAAD - CALA		£ 20.50			100%	£ 95,000.00	£ 100,000.00	£ 105,000.00
	CAAD - Tesco		£ 1.30			100%	£ 1,000,000.00	£ 1,250,000.00	£ 1,700,000.00
	Network Rail - APA		£ 0.10			100%	£ 95,000.00	£ 100,000.00	£ 105,000.00
	Network Rail - Bridge & Operating Agreements		£ 1.70			100%	£ 760,000.00	£ 800,000.00	£ 840,000.00
	Edinburgh Airport Ltd		£ 0.10			100%	£ 712,500.00	£ 750,000.00	£ 787,500.00
	New Ingliston Ltd		£ 0.80			100%	£ 950,000.00	£ 1,000,000.00	£ 1,050,000.00
	Forth ports		£ 0.75			100%	£ -	£ -	£ -
	Accommodation		£ 1.00			100%	£ -	£ -	£ -
	Preparing for Operations		OUT			100%	£ -	£ -	£ -
	Insurance & Extensions		OUT			100%	£ -	£ -	£ -
	Warranty Extensions		OUT			100%	£ -	£ -	£ -
	Legal		£ 1.30			100%	£ -	£ -	£ -
	Land & property		OUT			100%	£ 1,235,000.00	£ 1,300,000.00	£ 1,560,000.00
	Traffic Modelling Costs		£ 0.10			100%	£ -	£ -	£ -
	Comms and Marketing		£ 1.10			100%	£ 95,000.00	£ 100,000.00	£ 105,000.00
	Comms Link to CEC		OUT			100%	£ 1,045,000.00	£ 1,100,000.00	£ 1,155,000.00
	Reinstatement of Public Art		£ 0.30			100%	£ -	£ -	£ -
	Materials Storage Cost		£ 1.20			100%	£ 285,000.00	£ 300,000.00	£ 315,000.00
	Design Completion	Register of Design Disputes		OUT			100%	£ 1,140,000.00	£ 1,200,000.00
<b>Base Cost Total</b>		£ 248.50	£ 30.25	£ 278.75					
Risks	Event Delay Risk				Moved from Base to Risk	100%	£ 1,000,000.00	£ 1,600,000.00	£ 2,000,000.00
	FG Risk 11	Compensation budget - Extension to programme may incur additional compensation				90%	£ 105,000.00	£ 160,000.00	£ 210,000.00
	FG Risk 53	Early Rate liabilities	OUT		Figure derived from 'Open for Business' yearly cost of £210k/yr Inc. in Pm costs above		£ -	£ -	£ -
<b>Risk Cost Total</b>		£ -	£ -	£ -					
<b>Sub Total</b>		£ 248.50	£ 30.25	£ 278.75					

CITY OF EDINBURGH COUNCIL  
EDINBURGH TRAMS  
POST SETTLEMENT AGREEMENT BUDGET

Level 1	Level 2	CO WD	TO GO	BUDGET	Notes	Probability	Optimistic Cost	Most Likely	Pessimistic
Discrete Risks		£M	£M	£M					
	<b>Base Cost Total</b>	£ -	£ -	£ -					
	<b>Risks</b>								
	<b>Settlement Agreement</b>								
	Colin Smiths Key areas								
	Impact on train Supply Agreement		OUT						
	Impact on Interface Agreement		OUT		All these are to do with legal's and are musts ; if wrong these are				
	Impact on maintenance Agreement		OUT		black flags				
	Warranties		OUT		As previous		£ -	£ -	£ -
	tram inspection Agreement		OUT		tied into interface items		£ -	£ -	£ -
	Traffic Modelling		OUT		OUT in PM above		£ -	£ -	£ -
	milestone payments		OUT		OUT		£ -	£ -	£ -
	LD's Capped		OUT		not a risk		£ -	£ -	£ -
	Delay to Off Street Works caused by On Street Works delay		OUT		in FG Risk 12		£ -	£ -	£ -
	Running Off Street Works only; maintenance liabilities		OUT		This is now not an option		£ -	£ -	£ -
	21 day notification - Major Risk - contract move to cost reimbursable				only effects Civils; Rates are to be ; probability is 20% of the £33M worst case	90%	£ 2,200,000.00	£ 3,300,000.00	£ 6,600,000.00
	<b>Pricing Assumptions</b>								
	FG Risk 40a 6.4.1 - Approval body		OUT		No Value				
	FG Risk 40b 6.4.2 - Design Approvals 8nr		OUT		see On Street Pricing Assumptions		£ -	£ -	£ -
	FG Risk 40c 6.4.3 - Urban Traffic Controls		OUT		No Value		£ -	£ -	£ -
	FG Risk 40d 6.4.4 - Excavation limits		OUT		Contractors Risk		£ -	£ -	£ -
	FG Risk 40e 6.4.4 - Excavation limits Temporary works by tie		OUT		Contractors Risk		£ -	£ -	£ -
	FG Risk 40f 6.4.5 - Utility free construction		OUT		Covered by Utility Items		£ -	£ -	£ -
	FG Risk 40g 6.4.6 - Unexploded ordinance		OUT		OUT in PM above		£ -	£ -	£ -
	FG Risk 40h 6.4.6 - Unexploded ordinance Contaminated material		OUT		Covered by Utility Items		£ -	£ -	£ -
	FG Risk 40j 6.4.7 - Routine maintenance					50%	£ 100,000.00	£ 500,000.00	£ 600,000.00
	FG Risk 40k 6.4.8 - Relaxation of time constraints					50%	£ 100,000.00	£ 300,000.00	£ 400,000.00
	FG Risk 40m 6.4.9 - Protection of trees						£ -	£ -	£ -
	FG Risk 40n 6.4.10 - Archaeological Finds		OUT		No Value		£ -	£ -	£ -
	FG Risk 40p 6.4.11 - Programme Narrative		OUT		Covered by other risks	50%	£ 10,000.00	£ 250,000.00	£ 500,000.00
	FG Risk 40q 6.4.12 - 20 Non controversial issues no risk		OUT		No Value		£ -	£ -	£ -
	FG Risk 40r 6.4.21 - Vandalism		OUT		Contractors Risk		£ -	£ -	£ -
	FG Risk 40s 6.2.22 - Material Free Issue				Ticket machines - AC to confirm item	50%	£ 225,000.00	£ 250,000.00	£ 275,000.00
	FG Risk 40t 6.4.24 - Clause too broad		OUT		No value		£ -	£ -	£ -
	<b>Other Risks</b>								
	R002 Death, injury or damage to third parties (people or property) during construction		OUT		Covered by Insurance Costs / Contractors Insurance				
	R011 Failure of Contractors / Sub-Contractors to self-certify completion, close out of NCRs and deliver construction quality					15%	£ 20,000.00	£ 40,000.00	£ 60,000.00
	R018 Security Incident					5%	£ 10,000.00	£ 50,000.00	£ 100,000.00
	R019 Archaeological or Human Remains		OUT		Covered in PM costs				
	R020 Exceptional adverse weather					5%	£ 120,000.00	£ 300,000.00	£ 420,000.00
	FG Risk 3 Road Maintenance adoption costs burden on project due to on-going works and delay of hand-back		OUT		Considered to be in FG Risk 040j				
	FG Risk 12 OVERALL time delay impact (assessment of cumulative effect of identified risks on this register)				Delay considered to be £300k/week;	90%	£ 7,800,000.00	£ 11,610,000.00	£ 15,600,000.00
	General Design Risk				This will be the balance figure of £10M on design items above	100%	£ 4,443,750.00	£ 5,925,000.00	£ 6,221,250.00
	<b>Risk Cost Total</b>	£ -	£ -	£ -					
	<b>Sub Total</b>								

Risk £ 34,507,000.00

# Pitchfork 2 - Project Costs

PM Costs  
cashflow

11.98 30.10 10.34 12.06 10.34 12.06 8.52 4.61

CAF P4	Latest Period	Cum COWB P4 11/12	
T01.01	Project management Staff Costs	380	32,332
T01.02	Recruitment Fees	(3)	467
T01.03	Travel & Subsistence / Conference	2	350
T01.04	Central Overheads	23	5,212
T01.05	IT & Software Costs / fitout	25	3,410
T01.06	Citypoint - rent,rates,s/c	32	2,996
T01.08	Short Term Contractors	0	197
T01.09	City Point Overheads	0	25
T01.10	Active Risk Manager	0	84
T01.11	Archaeological supervisor - Gogar works	22	174
T01.13	Archaeology - Non Gogar	0	374
T01.14	DRP Costs	10	6,153
T01.15	Tax Planning / Governance Costs (Non DLA)	0	22
<b>T01</b>	<b>Total PM costs</b>	<b>490</b>	<b>51,806</b>
T02	Total DPOF	34	2,635
T03.01-19	DLA	0	3,501
T03.20-36	Subtotal D&W	2	2,865
<b>T03</b>	<b>Total LEGALS</b>	<b>2</b>	<b>6,367</b>
T06.01-03	Subtotal TSS	11	10,878
T06.03a	Subtotal CEC	39	2,467
<b>T06</b>	<b>Total TSS and CEC</b>	<b>49</b>	<b>13,345</b>
T12.01-12	Subtotal Communications	32	2,200
T12.13-22	Subtotal Stakeholder	0	756
<b>T12</b>	<b>Total COMMS / MARKETING</b>	<b>32</b>	<b>2,956</b>
T13	Total TEL	12	2,582
<b>T06</b>	<b>Total</b>	<b>620</b>	<b>79,891</b>

	11.98	30.10	10.34	12.06	10.34	12.06	8.52	4.61
T01	51,806	1,526	4,191	1,281	1,476	1,293	1,489	1,121
T02	2,635							747
T03.01-19	3,501							
T03.20-36	2,865							
T03	6,367	0	136	0	0	0	0	0
T06.01-03	10,878							
T06.03a	2,467							
T06	13,345	90	280	273	319	276	322	279
T12.01-12	2,200							326
T12.13-22	756							
T12	2,956	20	80	0	0	0	0	200
T13	2,582							0
<b>T06</b>	<b>79,891</b>	<b>110</b>	<b>496</b>	<b>273</b>	<b>319</b>	<b>276</b>	<b>322</b>	<b>1,726</b>

Forecast	Notes
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102,443

**Forecast Assumptions:**

- (1) Staff PM forecast assumptions based upon Phased Employee forecast. Includes VR redundancy in 2011/12
- (2) No recruitment fees forecast - anticipated that recruitment will be dealt with by CEC HR at no incremental cost to CEC group companies
- (3) Travel & Subsistence - costs to reduce following completion of CAF delivery. Additional £50k allowed for CAF travel & DPOF staff
- (4) Overheads reduction due to move from Citypoint. Assumed £50k recharge for CEC internal audit function. See Oheads sheet
- (5) IT software costs prudent view of £20k per period from P8 2011/12 going forwards. Opportunity to reduce if upgrades minimised (SH to verify)
- (6) No more CP rent and rates, although charge forecast until March 2012, this includes £80k delapidations costs
- (7) Archaeological all forecast in 2011/12 for completion, although this is likely to be spread dependent upon timeline (Chris Bartynek - leaves 26/08)
- (8) DRP budget will not be required. Forecast cost for legal drafting/ tie handover included in P5/6 for £200k
- (9) This is an operational, not CAPEX cost of the build/ budget
- (10) DPOF forecast provided per period 4 PD review report. Original budget based upon full Phase 1a. Significant opportunity (AR to justify fct)
- (11) Legals forecast in-line with AFC reported Period 4 - assumed to be completed by the end of the year. CEC legal to cover turnkey legal costs
- (12) TSS support costs at £10k per period +5% uplift per annum
- (13) CEC assumed recharges of £35k pcm - flat rate for project. A Coyle to confirm figures
- (14) Comms budget to be covered by CEC. Opening costs covered by operating co. £100k costs to end 2011/12 + £200k safety campaign opening
- (15) Stakeholder management cost in-line with forecast P4 2011/12
- (16) No further TEL recharge costs to be accepted



Item No.	Description	Quantity	Unit	Price	Total
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## **Edinburgh Tram Project**

### **tie Ltd Close Out Report**

**October 2011**

#### **Purpose**

In advance of the TEL Board meeting of October 2011, CEC require a full close out report from tie Ltd before Turner and Townsend takes over full responsibility for the management of the Infraco contract on the Council's behalf. A list of the work streams with a template to be completed for each is set out below. Please note that the list is not exhaustive and other items should be added if required.

#### **Work Streams**

1. General Summary
2. Project Management Costs
3. DPOFA
4. Legal
5. SDS
6. JRC
7. TSS
8. Utilities
9. Utilities Betterment
10. CAF
11. Risk Management
12. EARL
13. Infraco
14. Insurance
15. Financial Advice (eg. PwC)
16. Comms, Marketing & FOISA
17. TEL
18. Third Party Agreements
19. ETL
20. Human Resource Files
21. HSQE
22. Land & GVD
23. Internal audit
24. One Ticket
25. Gullies
26. Redipave
27. ICT
28. Citypoint

## **Appendices**

1. Contract Matrix
2. P7 Transport Scotland Report
3. P7 PD reports
4. Infracore closeout analysis sheet
5. Utilities analysis sheet
6. Non-Infracore analysis sheets
7. Flash Reports –
8. Topics Registers –
9. 3PA closure tracker
10. Summary agreement matrix
11. One Ticket
12. Outstanding Correspondence
13. HSQE Report
14. ICT system architecture for information
15. Deloitte Report
16. Pitchfork Report
17. Resolution Report
18. MOV 4 comments

## 1. General Overview

### Background

The body of the report and the attached schedules detail the current status (as at October 2011) of a range of key areas which tie Ltd has been responsible for under the terms of its Operating Agreement with CEC and the delegated authorities and instruction from TEL and CEC.

These principally relate to activities associated with the Edinburgh Tram Project, save for minor work in relation to EARL Authorised Undertaker role and acting on behalf of "One Ticket".

In September 2011, CEC instructed a transfer of scope of services in relation to the Tram Project from tie Ltd to CEC and a new project management provider, Turner and Townsend. Subsequently work has been undertaken to progress a package of Voluntary Redundancies, TUPE transfer to CEC and TUPE transfer to Turner and Townsend (T&T) to facilitate a ceasing of operations by tie Ltd. and arrangements to put the company into a "dormant state".

These matters and decisions were discussed and ratified at the TEL & tie Boards on 27 September 2011 and this report will be presented to the next TEL Board (planned for 2<sup>nd</sup> November 2011) as part of that close down.

Subject to necessary ratification, formal responsibility for the range of services provided on all matters will transfer from tie to T&T or CEC as appropriate on 28 October 2011.

### Executive Summary

tie has been working closely with CEC and T&T to effect the required transition arrangements with a planned transfer of staff, novation of contracts to CEC and formal transfer of accountability and responsibility to services to T&T / CEC on or before the 28 October 2011.

Between 28 October and 30 December 2011, a small number (8) of staff will participate in transition arrangements to facilitate completion of the transfer of services before they leave the employment of tie Ltd. Necessary insurance and management arrangements are being put in place by CEC to ensure the company's obligations (including to those transition employees) are fully discharged.

Complete transparency of HR arrangements has been provided to CEC and all decisions relating to finalising Compromise Agreements with staff leaving under VR are being authorised by CEC officers as instructed by D Anderson.

Transfer of and responsibility for the finance functions of tie Ltd. to CEC took place on 30 September 2011 when all tie Finance staff left under VR arrangements. Delegated Authority Rules have been updated and implemented from 3 October 2011. Financial authorisations have been signed off in line with the revised DARs since then. Statutory audit arrangements are to be agreed for tie Ltd. 2011/12 financial year and it may be appropriate to utilise Geogheghans for this purpose.

A detailed section on Health, Safety, Quality and Environmental arrangements has been included, and incorporates the latest position up to Period 7 of 2011/12. A meeting of the TEL Safety Committee attendees (not quorate as directors had previously resigned) was held on 13<sup>th</sup> October 2011 and we closed off all previous actions and completed a report including preparation for operational testing at the Depot. ETL were represented by A Richards and L Parkes.

Independent Safety Validation of the organisational change has been undertaken and a draft report has been received. Recommendation 3 is the key item to close out in addition to previous recommendations. If there are any material changes to the recommendations of the original validation carried out in June 2011, these will be highlighted at the Board meeting and agreement reached with CEC and T&T on what actions need to be taken.

It remains a matter of increased risk that any integration issues between BBS and CAF will now import risk to CEC as CAF are contracted directly. Recent behaviours at integration meetings suggest there is still some work to do to minimise this risk affecting the client. The Depot completion and delivery of Trams is the first significant test for this and has received focused support from tie / T&T and CEC to maximise the efforts for successful delivery.

A breakdown of all relevant contracts and live issues has been incorporated in the schedules and appendices attached.

The Settlement Agreement for the Infraco Contract was executed on 15 September 2011. Since then tie (with seconded staff from T&T (including the new tie Representative Julian Weatherley)) have been administering the Contract based on the original contract as amended by MOV4 and emerging briefing on the Settlement Agreement changes. A briefing from Ashurst assisted in this matter.

Bridge and Operating agreements still need to be agreed between CEC and Network Rail. This has been with CEC to escalate for many months with the Office of Rail Regulation with the main stumbling block NR Insistence on unlimited liability regarding the Bridge Agreements. CEC should be aware that delaying this matter will only strengthen NR's negotiating position and it is important to address this now.

Currently work adjacent to the Network Rail infrastructure is carried out under a 3<sup>rd</sup> party arrangement. Network Rail has intimated that they are considering moving this to an Outside Party arrangement which is more expensive and this should be monitored. An additional risk to Network Rail costs lies in the level of direct resource they apply to the project and charge to the project. Finally, the current Asset Protection Agreement applies a 2.5 % industry risk fee as part of their charges. NR may try to increase this to reflect the higher capital costs of the project.

The Forth Ports agreement is still unresolved and CEC have been in the lead to try and resolve this difficult issue for many months. It has an impact on the final scope of utility diversions required to be completed and on the scope of any interim completion / reinstatement. The scope of any work needs to be determined by CEC to enable T&T / CEC to take the appropriate next steps.

Land compensation claims are being managed by Alasdair Sim supported by CEC and the District Valuer and there are a number of significant risks through CAAD claims. This had been explored previously with CEC and a substantial risk allowance made in the revised budget.

There remains a risk over the interpretation of the rateable value of the completed tram assets, a reasonable provision based on experience with other UK Light Rail schemes has been made in the TEL budget however this remains a risk until a final evaluation is made by the Rates Assessor.

Copies of the final tie Project Director reports (Period 7) and the last flash reports and topics register produced by tie are contained as appendices in this report. Additionally a copy of the final Transport Scotland report prepared for CEC to send to Transport Scotland is also included as an appendix.

A full copy of this report and Appendices can be found electronically on the tie Extranet at:

<http://wss/management/Shared%20Documents/Forms/AllItems.aspx?RootFolder=%2fmanagement%2fShared%20Documents%2fClose%20Out%20Report&FolderCTID=&View=%7bBA9BBA67%2d5443%2d4229%2dBBF4%2d3C6C5C17E972%7d>

#### Areas worthy of particular focus

The safety verification and assurance arrangements are extremely important, along with clarity on the CDM arrangements and keeping the appropriate regulatory authorities informed.

Completion of satisfactory design assurance statements and population of the body of evidence structure will require continued scrutiny, support and emphasis to give best chances for a positive outcome.

Integration is a significant risk area, despite interface agreements and will require detailed attention and active management.

The utilities mitigation and diversion work contract with McNicholas (and supported by the Statutory Utility Companies) is now in place and will be a key mitigation tool to manage the impact of utilities on Infracore construction.

Given our understanding of the changes in risk and responsibility under the Settlement Agreement it is extremely important to manage and record the contractor's resource and progress from commencement of the On-Street Works to optimise and mitigate costs.

All parties' behaviours need to focus on effective safety and project management leadership to achieve the revised Project Programme, budget and end product.

## 2. Project Management Costs

The original tie Ltd. / CEC reorganisation and associated cost profile was amended up to the end of Period 6 (September 2011) and has been incorporated in the cost of work done as part of the budget compilation process. Proposals and costs for the VR scheme (phase 1) were agreed and approved by the TEL Board and CEC officers incorporated such matters in their reports to Council.

Following CEC's August / September review and decision to transfer the scope of services of tie Ltd. to CEC and Turner and Townsend, tie has not amended any previous forecasts or incorporated any assessment of changes to project completion. The tie Finance team worked with CEC officers to confirm revised VR and TUPE costs and impacts and these were also reviewed and approved at TEL Board in September 2011.

In general tie has not identified any material variances from the forecast costs previously provided and the transition resources profiled to suit T&T requirements have been approved and shared with CEC. It is assumed that the final incorporation of such costs has been consolidated by CEC in their September 2011 Council report.

## 3. DPOFA

There are a number of small contracts being managed under the DPOFA umbrella by ETL. It is considered that for most of them that they should be novated only if necessary or terminated.

## 4. Legal

Legal advice at point of close was being provided in the following areas:

- D&W – TRO's and land/third party agreement matters
- DLA – HSQE/FOISA/Insurance
- McGrigors – SDS
- HBJ GW – Network Rail agreements

#### 5. SDS

SDS residual utilities work has had a number of attempts to close out a difference in value and a claim for incentivisation which tie consider has little entitlement (a position generally supported by McGrigors review). Colin Smith has visibility of final proposed positions with ~£400k between the parties.

#### 6. JRC

No issues associated with this contract with Steer Davies Gleave Ltd. Alasdair Sim who is being TUPE transferred to CEC will continue to manage this contract.

#### 7. TSS

It has been agreed that this contract will be handed over to Bob McCafferty in CEC. A handover meeting is taking place on 26<sup>th</sup> October 2011. There is one outstanding commercial issue (~£18k) on this contract which relates to an element of work carried out on trackform design. A proposal has been made to CEC about the way forward to close this issue if such a piece of work is every used.

#### 8. Utilities

Utilities agreements with the statutory utilities are subject to completion of final snagging / abandonments and agreements on betterment / deferment. This is being undertaken in conjunction with the T&T utilities team seconded into tie and members of the tie transition team.

In the short term, the utilities diversion contract to support the Infraco On-street Works from Haymarket to York Place has been awarded to McNicholas by tie and will be novated to CEC. The T&T utilities team (with SUC members as well as Infraco input) will manage this going forward after the end of October.

#### 9. Utilities Betterment

Completion of Betterment / deferment negotiations with the SUCs is financially material and merits retention of key transition staff until the substantial completion is achieved. It has been agreed to extend Fiona Dunn's



transition until 30<sup>th</sup> December 2011 to focus on completing the Scottish Water and BT betterment accounts.

#### 10. CAF

As part of the settlement agreement the Tram supply and maintenance agreements were separated from the main Infraco Contract. Trams started to arrive at the depot week commencing 17<sup>th</sup> October. The risks of integration have been identified elsewhere in this report.

#### 11. Risk Management

Risk management has been handed over to the T&T team – Peter Smith. A full copy of the risk register was provided in hard copy as well as an export to excel to allow ease of future manipulation by T&T into a new system. A decision was made not to continue with the use of ARM for risk management.

#### 12. EARL

TE currently fulfils the role of Authorised Undertaker for the EARL Act. This is in the process of Transfer to Transport Scotland EARL Authorised Undertaker work is being progressed for transfer to Transport Scotland but is likely to happen after 28 October as there has been slower than hoped for progress on diligence work by TS advisors. Alan Coyle in CEC is acting as the point of contact beyond 28<sup>th</sup> October with the key risk being VAT liabilities associated with the transfer of assets and IPR.

#### 13. Infraco

A copy of previous reports and commentaries on the commercial strategy up to and post mediation is attached as an appendix for completeness. An Internal Audit report from Deloitte bringing matters up to date pre mediation was tabled at the last TEL Board meeting and any comments invited (none received to date).

A copy of the Infraco correspondence tracker is attached for completeness. This identifies a number of letters which were on hold or not responded to due to the ongoing mediation process. It is recommended that T&T review these to ensure the issues are subsumed within the settlement agreement.

#### 14. Insurance

Ongoing insurance arrangements being negotiated by CEC beyond the current OCIP extension date of 25<sup>th</sup> October 2011 require to be clarified to ensure that they are adequate and compliant with the contractual obligations of the Infraco Agreement, the Tram Supply Agreement and the DPOFA. EARL

insurances to be extended for 12 months by CEC. tie corporate policies to be extended by CEC. An interim extension of OCIP has been secured to 25<sup>th</sup> November 2011 by CEC.

15. Financial Advice

There is no current financial advice being provided by any advisor to tie.

16. Comms Marketing & FOISA

Communications, marketing and FOISA was handed over to CEC at end of July and August when key members of staff departed from tie. A FOI(S)A strategy needs to be updated to reflect the revised role of T&T as a private company within the project. A MacLean is reviewing.

17. TEL

The quarterly invoices from LB continue to be presented for payment. Given the proposed "shutdown" of TEL this is not expected to continue.

18. Third Party Agreements

There are 2 appendices outlining firstly a summary of all the third party agreements and secondly the tracker showing progress with close out of 3<sup>rd</sup> party issues. The key risks associated with 3<sup>rd</sup> parties are identified in the executive summary.

19. ETL

ETL are counterparty to the DPOFA and providing preparing for operation services to the project. There are 3 permanent members of staff and 5 seconded members of staff (LB employees). These arrangements must be reviewed and amended along with the proposed transfer of ETL services to Lothian Buses.

20. Human Resources

The HR services provided by tie (Lynda McIlwraith) will be handed over to CEC for dealing with beyond 28<sup>th</sup> October 2011. A handover meeting with K Verth of CEC took place on 19<sup>th</sup> October 2011 and CEC HR will address any post October tie Ltd HR requirements (either related to transition staff or matters such as requests for references).

21. HSQE

On the matter of Assurance and changes in duty holder arrangements, a detailed review was held with T&T (including their Assurance manager and

Director of Project Delivery) and staff intending to transfer to CEC in this role. All necessary actions from tie have been undertaken and this is an area of particular focus in the safety validation exercise.

It remains a matter of increased risk that integration issues between BBS and CAF will now import risk to CEC as CAF are contracted directly. The Depot completion and delivery of Trams is the first significant test for this and has received focused support from tie / T&T and CEC to maximise the efforts for successful delivery.

It is envisaged that the Deliver a Safe Tram and Deliver a Tram Safely approach led by tie will be supported by the project going forward.

## 22. Land & GVD

The land and GVD process has been managed Alasdair Sim supported by CEC and the District Valuer. Alasdair is being TUPE transferred across to CEC and so there is continuity of management for this process.

The risk associated with potential CAAD claims have been identified in the Executive Summary of this report.

## 23. Internal Audit

An internal Audit report from Deloitte bringing matters up to date pre mediation was tabled at the last TEL Board meeting and any comments invited (none received to date).

## 24. One Ticket

One Ticket has had approval to transfer from their Board and SEsTran and we have confirmation that this transfer is complete. A letter is provided as an appendix outlining this completion.

## 25. Gullies

A survey was carried undertaken with any necessary remedial action set out by Duncan Fraser. Any further action by contractors to correct defects will be managed through T&T. Colin Neil will liaise with T&T week commencing 31<sup>st</sup> October 2011.

## 26. Redipave

Redipave inspection and maintenance arrangements need to be undertaken by CEC. Several meetings were convened to finalise this but cancelled at CEC request.

## 27. ICT

Following CEC's recent request, Seamus Healey is preparing a proposition paper to ensure the information and data is properly protected, including any relocation, and available for use by CEC/the project. This is likely to be essential for reference at any future inquiry or to address FOI(SA) requests and satisfy legal requirements. Alan Coyle has agreed to be the "owner" of this Sharepoint system post 28/10/11. "Ownership" of the other systems should be agreed in a similar way.

Additionally, staff TUPE transferring to T&T are not legally able to maintain access rights to their ICT data. It is understood that appropriate extraction requests are to be made to tie/CEC by T&T before 28/10/11 to enable suitable business information to be considered for extraction from tie systems. A separate extraction authority relating to staff TUPE transferring to CEC needs to be regularised.

## 28. Citypoint

The lease option for March 2012 has been exercised and management arrangements (for emergency evacuation/HSQE/welfare) need to be undertaken by CEC or their appointed agent from 28/10/11.

CEC's current target for relocation of transition project staff to Edinburgh Park is mid November and dilapidation and full ICT moves need to take place prior to lease surrender. A project manager will need to be appointed for this work. The Office Manager's file was handed over to CEC on 26<sup>th</sup> October 2011.

<b>Work Stream</b>	<b>2. Project Management Costs</b>							
<b>Responsible tie Officer</b>	<b>Steven Bell</b>							
List of All Contracts relating to this work stream	Status of Contracts for eg. Final Account/Settled/Live	Commercial Issues and risks outstanding e.g.(Disputed items/defects)	Potential Cost of Commercial Issues	Effect on AFC (eg. Are the commercial risks covered in the current forecasts, if not what is the exposure)	File Integrity Is the file complete? Is it fit for purpose? Has there been unauthorised access?	Declaration of known financials; Pending, Known or Unknown	Early Warnings	RAG Status
Addressed in contract schedule	Either closed or on list to be novated	Included in contract lists and schedules	Non apparent	Included in budget approved from CEC	Not aware of any issues	See P7 2011/12 report being prepared by C Arbuckle	NA	Green

Work Stream	3. DPOFA							
Responsible tie Officer	Alastair Richards							
List of All Contracts relating to this work stream	Status of Contracts for eg. Final Account/Settled/Live	Commercial Issues and risks outstanding e.g.(Disputed items/defects)	Potential Cost of Commercial Issues	Effect on AFC (eg. Are the commercial risks covered in the current forecasts, if not what is the exposure)	File Integrity Is the file complete? Is it fit for purpose? Has there been unauthorised access?	Declaration of known financials; Pending, Known or Unknown	Early Warnings	RAG Status
DPOFA	In December 2009, the DPOFA was assigned from Transdev plc to ETL, the final account with Transdev plc was settled in January 2010. The employees TUPE transferred to ETL and remain employees to date.	None known	Ongoing contractual obligations only	Covered in current forecast	To be completed	To be completed	None	Green although the slow progress with clarifying process going forward is now critical:
BSI ISO 9001/14000/18000 Certification Audits	Live to be transferred and administered by LB	None known	Ongoing contractual payment milestones only	Covered in current forecast	To be completed	To be completed	None	Green
Lloyds Register Rail Operational Readiness Peer	Live to be transferred and administered by LB	None known	Ongoing contractual payment	Covered in current forecast	To be completed	To be completed	None	Green

Review Audit			milestones only					
Procurement Scotland Supply of Gas	Live to be transferred and administered by LB (see note on qualification however)	Depot connected and drawing gas but no invoices received to date.  Qualification to participate was reliant upon CEC Directors being on the Board and 100% CEC ownership.		None, accrual made in relation to estimated gas usage to date.	To be completed	To be completed	Only regarding the actual costs and the qualification of use of the Procurement Scotland arrangement on an ongoing basis	Amber
Site Sharing Agreement Edinburgh castle	Live to be transferred to LB to administer	None known at present	None known at present	None known at present	To be completed	To be completed	None	Green
OFCOM Radio Licences	Live to be transferred to LB to administer	None known at present	None known at present	None known at present	To be completed	To be completed	None	Green

Work Stream	4. Legal Costs							
Responsible tie Officer	Steven Bell							
List of All Contracts relating to this work stream	Status of Contracts for eg. Final Account/Settled/Live	Commercial Issues and risks outstanding e.g.(Disputed items/defects)	Potential Cost of Commercial Issues	Effect on AFC (eg. Are the commercial risks covered in the current forecasts, if not what is the exposure)	File Integrity Is the file complete? Is it fit for purpose? Has there been unauthorised access?	Declaration of known financials; Pending, Known or Unknown	Early Warnings	RAG Status
DLA Piper	Ongoing work on FOISA – to be closed and transferred to CEC. Final invoice for work on EARL AU transfer to TS passed to CEC finance for payment	Any outstanding tie invoices to be cleared	None known					
Mcgrigors	Opinion on SDS account invoice outstanding – close account	Clear final invoice	None known					
D&W	Ongoing work on HR matters – should be closed Ongoing work on third party agreement and land matters	Clear any final invoices	None known					



Work Stream	5. SDS							
Responsible tie Officer	Steven Bell							
List of All Contracts relating to this work stream	Status of Contracts for eg. Final Account/Settled/Live	Commercial issues and risks outstanding e.g.(Disputed items/defects)	Potential Cost of Commercial Issues	Effect on AFC (eg. Are the commercial risks covered in the current forecasts, if not what is the exposure)	File Integrity Is the file complete? Is it fit for purpose? Has there been unauthorised access?	Declaration of known financials; Pending, Known or Unknown	Early Warnings	RAG Status
SDS (Novation Agreement)	Live account.	Outstanding issue regarding Incentivisation Payment due.	SDS Claim £ 1022k tie position is that no monies are due. At meeting of 10/10 SDS reduced claim to £300k to settle.	At meeting 10/10 tie offered to settle all outstanding matters for £873k which matches the AFC allowances				Amber
SDS Collateral Warranty (CW)	Live account.	Variation Account to agree	SDS initial Claim totals £991k and they reduced to £890k. tie has offered £820k as final settlement.					

Work Stream	6. JRC							
Responsible tie Officer	Alastair Sim							
List of All Contracts relating to this work stream	Status of Contracts for eg. Final Account/Settled/Live	Commercial Issues and risks outstanding e.g.(Disputed items/defects)	Potential Cost of Commercial Issues	Effect on AFC (eg. Are the commercial risks covered in the current forecasts, if not what is the exposure)	File Integrity Is the file complete? Is it fit for purpose? Has there been unauthorised access?	Declaration of known financials; Pending, Known or Unknown	Early Warnings	RAG Status
Existing contract between tie Ltd and Steer Davies Gleave Ltd.	Live until 2016	No outstanding disputes or risks	N/A	N/A	The JRC commercial file contains change items only and is complete and accessible.	Outstanding budget circa £100k	N/A	Green

Work Stream	7. TSS							
Responsible tie Officer	Steven Bell							
List of All Contracts relating to this work stream	Status of Contracts for eg. Final Account/Settled/Live	Commercial Issues and risks outstanding e.g.(Disputed items/defects)	Potential Cost of Commercial Issues	Effect on AFC (eg. Are the commercial risks covered in the current forecasts, if not what is the exposure)	File Integrity Is the file complete? Is it fit for purpose? Has there been unauthorised access?	Declaration of known financials; Pending, Known or Unknown	Early Warnings	RAG Status
TSS contract only – with Scott Wilson/URS	Live	Trackform review – TSS carried out a piece of work on trackform review. They carried on working without instruction from tie and so tie have not paid these costs. There is a completed trackform report but until the TSS account for this is settled TSS will not release the report. The	NA	No budget provision made by tie post September 2011. Not aware if CEC has made any budget provision in the revised figures.	Not aware of any issues	£18k trackform review	NA	Green

		<p>current status is that TSS has agreed not to seek this sum until and if CEC wish to use the report. There is no budget provision for any TSS works post September and tie is not aware of any budget provision made by CEC.</p> <p>URS submitted letter dated 5/10/11 with RPIX rate increase of 5.3%.</p>						
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Work Stream	8. Utilities							
Responsible tie Officer	Fiona Dunn							
List of All Contracts relating to this work stream	Status of Contracts for eg. Final Account/Settled/Live	Commercial Issues and risks outstanding e.g.(Disputed items/defects)	Potential Cost of Commercial Issues	Effect on AFC (eg. Are the commercial risks covered in the current forecasts, if not what is the exposure)	File Integrity Is the file complete? Is it fit for purpose? Has there been unauthorised access?	Declaration of known financials; Pending, Known or Unknown	Early Warnings	RAG Status
MUDFA - Carillion	Works complete Final Account settled	Defect Period ends 3 Dec 2011 - Carillion to be advised of defects after inspection.		Financial exposure if Carillion do not carry out defects. (No Retention held)				
Utilities - section 1A (part) Clancy Dowcra	Work complete Final account settled	Defects period ends 08/05/2015 Retention of 19K held Hire of mass barrier continuing.		AFC makes allowance for barrier to September 2011 – additional anticipated costs beyond this period requires to be added				
Utilities – section 1C-1D	Work complete. Final account settled	Defects period ends		AFC makes allowance for				

(part) Clancy Dowcra Utilities – section 1C-1D (part) Clancy Dowcra		30/06/2012 Retention of 136K held Hire of mass barrier (in Leith Walk) continuing.		barrier to September 2011 – additional anticipated costs beyond this period requires to be added				
Utilities –250 Watermain Clancy Dowcra	Work complete. Account live	Items of entitlement regarding delay disputed Additional items instructed - 1.investigating blaes backfill	20K Scope of work not established – investigations on going  3K	Likely to be agreed within AFC (4K maximum risk) Additional work quote received for 110K – not included in AFC				
Utilities – Abandonments Clancy Dowcra	Work due to be completed Oct 11 Final account live	Disputes re entitlement to delay and disruption	CD have made claim to date of approx 100K and indicated a possible additional claim	Risk to AFC figure of 110K				
General utilities section 1A – Farrans	Work complete. Final account settled	Documents to be retrieved from Archive						
General utilities section 7 – Farrans	Work complete. Final account settled	Documents to be retrieved from Archive						
General Utilities Burnside Road	Work complete. Final account settled	Documents to be retrieved						

- Farrans		from Archive						
South Gyle access bridge and Assembly St -Barhale	Work complete. Final account live	Defects period ends 30/05/13 Retention of 23K held Agreement required re entitlement to delay and disruption						
Utilities Side Entry manholes - Frontline	Work complete. Final account settled	Documents to be retrieved from Archive						
Utilities Bilburnie - Frontline	Work complete. Final account settled	Documents to be retrieved from Archive						
Utilities Side Entry manholes - Land Engineering	Work complete. Final account settled	Documents to be retrieved from Archive						
Utilities Murrayfield Sewer - Souters	Work complete. Final account settled	Documents to be retrieved from Archive						
Utilities -Coms at Ocean terminal - Fujitsu	1 <sup>st</sup> phase complete Account live	Contract let on 3 phases - 2 <sup>nd</sup> and 3 <sup>rd</sup> phase not now required. Scope of works to		Current AFC 170K scope of work completed £25K allow 5K to close ou and				

		'make safe' to be established and account closed out.		make safe AFC can be reduced by approx £140K				
Utilities – gas Section 7 - SGN	Work complete. Final account settled							
Utilities – gas Section 2A - SGN	Work complete. Final account settled							
Utilities – gas A8 underpass-SGN	Work now within Infraco's work scope?	Advanced payment invoice from SGN paid by tie Cost to be recovered from Infraco?		This period AFC - nil.				



<b>Work Stream</b>	<b>9. Utilities Betterment</b>							
<b>Responsible tie Officer</b>	Fiona Dunn							
<b>List of All Contracts relating to this work stream</b>	<b>Status of Contracts for eg. Final Account/Settled/Live</b>	<b>Commercial Issues and risks outstanding e.g.(Disputed items/defects)</b>	<b>Potential Cost of Commercial Issues</b>	<b>Effect on AFC (eg. Are the commercial risks covered in the current forecasts, if not what is the exposure)</b>	<b>File Integrity Is the file complete? Is it fit for purpose? Has there been unauthorised access?</b>	<b>Declaration of known financials; Pending, Known or Unknown</b>	<b>Early Warnings/Close out Process to recover monies</b>	<b>RAG Status</b>
Scottish Water	Refer to separate report which will be provided by F Dunn							Red
BT	Refer to separate report which will be provided by F Dunn							Red
Scottish Power	Refer to separate report which will be provided by F Dunn							Green
SGN	Refer to separate report which will be provided by F Dunn							Green
Sundry Utilities	No further betterment or deferment expected.							Green

Work Stream	10. CAF							
Responsible tie Officer	Alastair Richards							
List of All Contracts relating to this work stream	Status of Contracts for eg. Final Account/Settled/Live	Commercial Issues and risks outstanding e.g.(Disputed items/defects)	Potential Cost of Commercial Issues	Effect on AFC (eg. Are the commercial risks covered in the current forecasts, if not what is the exposure)	File Integrity Is the file complete? Is it fit for purpose? Has there been unauthorised access?	Declaration of known financials; Pending, Known or Unknown	Early Warnings/Close out Process to recover monies	RAG Status
Tram Supply Agreement	Live, contract has been novated to CEC as part of the Settlement Agreement	None crystallised at present time, all invoices have been paid up to date.  Risks that remain lie principally in the coordination of the BBS programme schedule with that of CAF. Key interface points are: Test Track available from 02/12/11 and Section A	c. £200k per month of delay	The risks of lack of coordination of key interface dates are NOT included in the current AFC forecast, but were estimated for the purposes of Project Contingency at the Risk Workshop on the 03/08/11 with Faithful and Gould.	To be completed	To be completed	N/A	Green

		handover 17/12/11 and start of Operations September 2013.						
Tram Maintenance Agreement	Live, contract has been novated to CEC as part of the Settlement Agreement	None known at present time, all invoices have been paid up to date.	None anticipated at present time	None anticipated at present time	To be completed	To be completed	N/A	Green
Scott Wilson (TSS) Tram Inspector Agreement	Has been undertaken under TSS, in process of trying to reach agreement on a separate standalone agreement.	Risk if separate agreement is not reached then potentially in breach of Infraco Agreement	Unknown	None anticipated included in TSS. (c.£100k to go)	To be completed	Unknown	Risk if separate agreement is not reached then potentially in breach of Infraco Agreement	Amber
CDL Ltd Quality inspection and audit during manufacture	Final account in the process of being concluded,	None known at present time	None anticipated at present time	None anticipated included in T.01.	To be completed	Known	N/A	Green

<b>Work Stream</b>	<b>11. Risk Management</b>							
<b>Responsible tie Officer</b>	<b>Susan Clark</b>							
List of All Contracts relating to this work stream	Status of Contracts for eg. Final Account/Settled/Live	Commercial Issues and risks outstanding e.g.(Disputed items/defects)	Potential Cost of Commercial Issues	Effect on AFC (eg. Are the commercial risks covered in the current forecasts, if not what is the exposure)	File Integrity Is the file complete? Is it fit for purpose? Has there been unauthorised access?	Declaration of known financials; Pending, Known or Unknown	Early Warnings/Close out Process to recover monies	RAG Status
None – the ARM contract has lapsed	To be completed	We have not paid the fee for 2011 as ARM were working on providing a link between ARM and Primavera which did not work. ARM were advised that we would not pay this fee until the link was working. tie spent considerable time assisting ARM to get it working – which	If chased for payment this is £12k	NA	No known issues	None	None	Green

		is still doesn't. We have not been chased for any payment. Documents passed to Alan Coyle.						
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<b>Work Stream</b>	<b>12. EARL</b>							
<b>Responsible tie Officer</b>	<b>Susan Clark</b>							
List of All Contracts relating to this work stream	Status of Contracts for eg. Final Account/Settled/Live	Commercial Issues and risks outstanding e.g.(Disputed items/defects)	Potential Cost of Commercial Issues	Effect on AFC (eg. Are the commercial risks covered in the current forecasts, if not what is the exposure)	File Integrity Is the file complete? Is it fit for purpose? Has there been unauthorised access?	Declaration of known financials; Pending, Known or Unknown	Early Warnings/Close out Process to recover monies	RAG Status
All main contracts were terminated at the time EARL was cancelled. Transfer of the authorised undertaker role is underway to Transport Scotland but is not likely to be completed until December 2011. EARL being handed over to Alan Coyle in CEC and a meeting will be held on 27 <sup>th</sup> October to	All third party agreements remain live. DLA account will be settled after AU is transferred to Transport Scotland. Estimate this to be in range of £5-10k  24-7 final account will need to be settled along with recent repair bill – circa £3k in total.	Transfer of authorised undertaker to Transport Scotland. VAT issues relating to EARL.	None	None to tram as Transport Scotland fund this separately.	No	None	None	Green

finalise this handover. There are a range of third party agreements still live. These are all contained on the EARL website. McGrigors currently supporting the transfer to Transport Scotland 24-7 letting currently look after the Wheatlands property.								
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<b>Work Stream</b>	<b>13. Infraco</b>							
<b>Responsible tie Officer</b>	<b>Steven Bell</b>							
List of All Contracts relating to this work stream	Status of Contracts for eg. Final Account/Settled/Live	Commercial Issues and risks outstanding e.g.(Disputed items/defects)	Potential Cost of Commercial Issues	Effect on AFC (eg. Are the commercial risks covered in the current forecasts, if not what is the exposure)	File Integrity Is the file complete? Is it fit for purpose? Has there been unauthorised access?	Declaration of known financials; Pending, Known or Unknown	Early Warnings/Close out Process to recover monies	RAG Status
See attached Analysis Sheet								



Work Stream	14. Insurance							
Responsible tie Officer	Susan Clark							
List of All Contracts relating to this work stream	Status of Contracts for eg. Final Account/Settled/Live	Commercial Issues and risks outstanding e.g.(Disputed items/defects)	Potential Cost of Commercial Issues	Effect on AFC (eg. Are the commercial risks covered in the current forecasts, if not what is the exposure)	File Integrity Is the file complete? Is it fit for purpose? Has there been unauthorised access?	Declaration of known financials; Pending, Known or Unknown	Early Warnings/Close out Process to recover monies	RAG Status
Gallacher Heath Garwyn Cunningham Lindsay OCIP	Live	OCIP extension – CEC are negotiating and extension until end November but at time of writing no insurance in place beyond 25/10. Decision needs to be made on extension after this until the end of construction and into operations. Ongoing claims issues – Colin Strugnell has all these details	To be completed	To be completed  OCIP – CEC to confirm. Claims covered in insurance budget allowances	No known issues	Additional funding to extend OCIP	None	Amber

		and insurance was handed over the Colin Strugnell in CEC. Transport Scotland have requested that EARL insurances are put in place for another 12months. CEC are putting in place extended tie corporate policies to cover the existence of tie Directors and transitional staff until the end of the year(2011).						
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<b>Work Stream</b>	<b>15. Financial Advice (eg PWC)</b>							
<b>Responsible tie Officer</b>	<b>Steven Bell</b>							
<b>List of All Contracts relating to this work stream</b>	<b>Status of Contracts for eg. Final Account/Settled/Live</b>	<b>Commercial Issues and risks outstanding e.g.(Disputed items/defects)</b>	<b>Potential Cost of Commercial Issues</b>	<b>Effect on AFC (eg. Are the commercial risks covered in the current forecasts, if not what is the exposure)</b>	<b>File integrity Is the file complete? Is it fit for purpose? Has there been unauthorised access?</b>	<b>Declaration of known financials;  Pending, Known or Unknown</b>	<b>Early Warnings/Close out Process to recover monies</b>	<b>RAG Status</b>
	See separate contract sheet	None	None	None	No known issues	NA	NA	Green

<b>Work Stream</b>	<b>16. Comms and Marketing</b>							
<b>Responsible tie Officer</b>	<b>Lynn McMath</b>							
List of All Contracts relating to this work stream	Status of Contracts for eg. Final Account/Settled/Live	Commercial Issues and risks outstanding e.g.(Disputed items/defects)	Potential Cost of Commercial Issues	Effect on AFC (eg. Are the commercial risks covered in the current forecasts, if not what is the exposure)	File Integrity Is the file complete? Is it fit for purpose? Has there been unauthorised access?	Declaration of known financials; Pending, Known or Unknown	Early Warnings/Close out Process to recover monies.	RAG Status
Binary Vein	Live – due for renewal	none	none	n/a	n/a	Unknown	n/a	n/a
Newslink Scotland	Rolling contract	none	none	n/a	n/a	Unknown	n/a	n/a

Work Stream	17. TEL							
Responsible tie Officer	Alastair Richards							
List of All Contracts relating to this work stream	Status of Contracts for eg. Final Account/Settled/Live	Commercial Issues and risks outstanding e.g.(Disputed items/defects)	Potential Cost of Commercial Issues	Effect on AFC (eg. Are the commercial risks covered in the current forecasts, if not what is the exposure)	File Integrity Is the file complete? Is it fit for purpose? Has there been unauthorised access?	Declaration of known financials; Pending, Known or Unknown	Early Warnings/Close out Process to recover monies	RAG Status
Lothian Buses Project Support	LB continue to invoice for £30k per quarter for none specific support on the project.  Unclear whether this is appropriate under the new Governance Arrangements	To be completed	To be completed	To be completed	To be completed	To be completed	To be completed	To be completed
Commissioning Power  Meter Operator Agreement with SP Dataserve  Connection Agreements with SP for each	Live to be transferred and administered by LB (Note qualification regarding Procurement Scotland)	None  None	None known at present  None known at present	None known at present  None known at present	To be completed	To be completed	To be completed	To be completed

of the Substations								
Procurement Scotland Supply of Electricity for Depot Substation		Issue with invoicing of unused supplies under discussion. Qualification to participate was reliant upon CEC Directors being on the Board and 100% CEC ownership.	c. £10k	Negligible				
Rates for the tram assets	No assessment has been received from the Assessor, work to inform CEC of the norm with other UK schemes was performed some time ago.	Uncertain until an Assessment is confirmed	c. £400k p.a. if Assessor uses rateable value of the land area of the track.	A reasonable provision based on that experienced at other UK Tram Schemes is included in the AFC.	To be completed	To be completed	To be completed	To be completed

Work Stream	18. Third Party Issues							
Responsible tie Officer	Steven Bell							
List of All Contracts relating to this work	Status of Contracts for eg. Final Account/Settled/Live	Commercial Issues and risks outstanding	Potential Cost of Commercial Issues	Effect on AFC (eg. Are the commercial	File Integrity Is the file complete?	Declaration of known financials;	Early Warnings/Close out Process to	RAG Status
65 no. Third Party Agreements between CEC and various parties. These agreements entered into during Private Bill Process	All Live and legally binding.  Note. Refer to 3PAs Closure Tracker.xls & SummaryAgreement Matrix_Oct_2011_Obligations.xls for reference	See detail in subsequent sections below	See detail in subsequent sections below	See detail in subsequent sections below	Yes	See detail in subsequent sections below	See detail in subsequent sections below	See detail in subsequent sections below
Network Rail : Asset Protection Agreement	Executed document, but requires extension to end date.	Failure to achieve consent from NR on extending end date (not to be unreasonably withheld) exposes the project to delay risk as BBS would not be permitted to work on NR land.	Not known at this point.	Additional £1.7m for NR costs has been allowed for in revised project budget.	Yes	N/A	CEC/T&T and NR to press matters to conclusion.	Red
Network Rail:	A request has been	Without a	Unknown	If successfully	Yes	CEC have	Suggest the	Red

Substation Lease at Haymarket Viaduct	made to NR for CEC to draw down part of the tram lease now, to allow CEC and Scottish Power to enter into a substation lease. This being required prior to energisation of the substation. NR have not fully engaged in the process despite repeated CEC/tie attempts to move the matter to a conclusion.	substation lease in place, a construction delay risk exists. Time and cost exposure to CEC		concluded, then no AFC impact.		consented to cover NR's legal and staff costs on this matter.	issue is elevated to Senior CEC level to raise with NR	
Network Rail: Bridge Agreement	This document has not been executed, and is required prior to commencement of passenger services. CEC and NR not in agreement regarding indemnities liabilities clause.	Failure to conclude matters could delay commencement of passenger services and loss of CEC negotiating position.	Unknown	If concluded, then no impact on AFC, if not the delay cost exposure.	Yes	N/A	CEC Legal and NR to recommence engagement on resolving matters. ORR input most likely required.	Amber
Network Rail: Operating Agreement	This document has not been executed, and is required prior to commencement of passenger services. CEC and	Failure to conclude matters could delay commencement of passenger	Unknown	If concluded, then no impact on AFC, if not the delay cost exposure.	Yes	N/A	CEC Legal and NR to recommence engagement on resolving matters. ORR	Amber



	NR not in agreement regarding indemnities liabilities clause.	services and loss of CEC negotiating position.					input most likely required.	
Verity House Trustees/CEC Side Agreement	Executed Agreement. Verity House Access Road has been constructed to a non approved design which does not comply with side agreement obligations	Potential dispute with BBS over this issue	Unknown, but matter should be raised with BBS when works on Haymarket Yards are completed.	Should be BBS liability, therefore should not impact upon AFC	Yes	N/A	T&T have been made aware of the matter to be raised commercially with BBS	Amber
Forth Ports/CEC Side Agreement	Original agreement executed, but subsequent amendment not agreed between the parties. A Licence from FP will be required for any works in the Leith Docks area, this includes completing works already started or removal of incomplete infrastructure.	Long term and wider disagreement between CEC and Forth Ports. Under the terms of the existing Licence, CEC have obligations to fulfil and require FP's consent to do so.	Potential litigation risk to CEC from Forth Ports, and contractor costs to either complete works started or removal of partially completed works.	Are works in Section 1A part of the settlement agreement with BBS?	Yes	N/A	CEC and Forth Ports have had several high level discussions. On the basis of this it is recommended that the detail of what is required be worked up at the practical/legal level. CEC to lead.	Amber
Royal Bank of Scotland: S75 Agreement	RBS have an outstanding obligation from the	The matter has been noted to remind CEC that	AFC upside. Design and construction	AFC impact will be driven by final	Yes	N/A	T&T/BBS to prepare an open book	Amber

	Gogarburn S75 to pay for the Gogarburn Tram Stop, this includes design and construction costs.	there are recoverable monies to be secured in this instance.	costs to be prepared and submitted for review by RBS. Potential for RBS not agreeing to breakdown and rates.	settlement with RBS			breakdown of design and construction costs for the tramstop construction.	
SGN Wayleave at Ingliston	A wayleave is required outside the LOD to facilitate a modification to an existing gas main at Ingliston. Tie has facilitated discussions between the landowner and SGN, but to date the parties have not agreed the matter.	Whilst CEC/tie have no direct input in the matter, which is between the landowner and an SUC; failure to deliver a wayleave exposes CEC to risk of BBS delay.	Unknown, but likely to be substantial if an alternative design is considered.	Unknown	Yes	N/A	T&T and Section 7 PM to continue to facilitate between the parties.	Red
New Ingliston Ltd/CEC Side Agreement	The side agreement see NIL paying for the design and construction of two future tram crossings and a future tram stop in Section 7. Likely to be a commercial debate on agreeing this cost.	NIL have already rejected BBS's initial estimate on the basis that the rates used in the calculation are not commercially competitive.	NIL are very commercially astute, and will be looking to minimise their cash flow position and as a result are seeking to wrap up their costs with settlement of	This is potential AFC upside, the extent of which to be realised on conclusion of the costs with NIL.	Yes	N/A	T&T/BBS to develop a full open book cost proposal to NIL for review.	Amber

			the land valuation for CPO land in Section7.					

<b>Work Stream</b>	<b>19. ETL</b>							
<b>Responsible tie Officer</b>	<b>Alastair Richards</b>							
List of All Contracts relating to this work stream	Status of Contracts for eg. Final Account/Settled/Live	Commercial issues and risks outstanding e.g.(Disputed items/defects)	Potential Cost of Commercial Issues	Effect on AFC (eg. Are the commercial risks covered in the current forecasts, if not what is the exposure)	File Integrity Is the file complete? Is it fit for purpose? Has there been unauthorised access?	Declaration of known financials; Pending, Known or Unknown	Early Warnings/Close out Process to recover monies	RAG Status
See under DPOFA above and TEL	See details in relevant sections above. ETL has 3 employees and 5 seconded members of staff.	As detailed in sections above plus employee responsibilities	Not known	None anticipated at present	To be completed	To be completed	None anticipated	Green, however consultation process overdue to resolve future arrangements.

<b>Work Stream</b>	<b>20. Human Resource Files</b>	
<b>Responsible tie Officer</b>	<b>Steven Bell</b>	
List of All Contractors relating to this work stream	Status of Contracts	Handover of tie employee files to CEC  Do CEC have access to all HR files and know the location of files, if not this is required
See separate schedule	See schedule	Handover undertaken to CEC 19/10-27/10/11

**General Undertaking**

The information contained in this report represents and takes into accounts all issues of which the Ltd is aware.

For the Ltd



28<sup>th</sup> October 2011

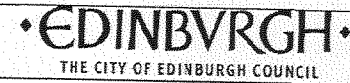
April 2012

**Edinburgh Tram Project- Strategic financial look ahead**

	<b>P13</b> £'000	<b>P1</b> £'000	<b>Movement</b> £'000
Original contract amount	755,196	755,196	0
Add: Approved changes (excl secured opportunities)	4,172	7,648	3,476
Add: Changes in progress	9,602	9,462	-140
Add: Anticipated changes	18,066	16,571	-1,495
Less: Secured opportunities	-4,100	-4,103	-3
Less: Opportunities to secure	-12,310	-11,752	558
Less: Funding contributions	-8,699	-8,716	-17
<b>TOTAL: Forecast cost</b>	<b>761,927</b>	<b>764,306</b>	<b>2,379</b>
Original budget	742,943	742,943	0
<b>Variance</b>	<b>18,984</b>	<b>21,363</b>	<b>2,379</b>
Original risk allowance	33,057	33,057	0
Less: Variance (from above)	-18,984	-21,363	-2,379
<b>Balance of risk allowance remaining</b>	<b>14,073</b>	<b>11,694</b>	<b>-2,379</b>

Reporting Period: April 2012

Edinburgh Trams  
City of Edinburgh Council



Section 1 - Project Summary

	Budget Information			Committed			Forecast					Third Party Contributions		Variance		Actuals	
	A	B	C=A+B	D	E	F=D+E	G	H	I	J	K=F+G+H+I+J	L	M=K+L	N=M-C	O	P	Q
	Original Budget	Budget Variation	Current Budget	Original Contract Value	Approved Changes	Current Contract Value	Changes in Progress	Anticipated Change	Opportunities	Risk / Mitigated	Anticipated Final Cost	Estimated Contribution Value	Anticipated Final Project Cost	Budget Variance (Value)	Budget Variance (%)	COWD to Date	Outstanding Amount
<b>Edinburgh Tram Programme</b>	742,943	1,245	744,188	755,196	3,545	758,741	9,462	16,571	-11,752	0	773,022	-8,716	764,306	20,118	3.97%	604,629	159,677
1 Infraco- off street	360,060	0	360,060	362,501	-263	362,238	4,899	30	0	0	367,167	-6,865	360,302	242	2%	276,938	83,364
2 Infraco- on street	38,817	0	38,817	47,384	-1,345	46,039	22	3,048	-6,752	0	42,357	-1,851	40,506	1,689	9%	8,757	31,749
3 Infraco- other	3,218	0	3,218	3,218	287	3,505	4,541	0	0	0	8,046	0	8,046	4,828	150%	663	7,383
4 Utilities (post mediation and legacy)	2,912	0	2,912	2,912	4,861	7,773	0	10,839	0	0	18,612	0	18,612	15,700	539%	5,390	13,222
5 Tram vehicles	62,400	1,245	63,645	63,645	5	63,650	0	0	0	0	63,650	0	63,650	5	0%	56,920	6,730
6 Project Management	263,466	0	263,466	263,466		263,466	0	2,654	-5,000	0	261,120	0	261,120	-2,346	-1%	249,654	11,466
7 Preparing for Operations	12,070	0	12,070	12,070	0	12,070	0	0	0	0	12,070	0	12,070	0	0%	6,307	5,763
<b>Risk Allowance</b>																	
Specified Risk Allowance	33,057	-1,245	31,812														
Less: Required to address forecast variance																	
<b>Balance of risk allowance remaining</b>																	11,694

Highlighted items are managed and reported by Turner and Townsend  
All figures £'000



Edinburgh Tram Project- Summary of items from cost engineering exercise

April 2012

	Original estimated value	Current estimated change value and reporting point					Notes
		Opportunities to be secured	Approved Change	Changes in progress	Contributions	Total	
1 Relaxation of embargoes	-6.46						
3 Granite setts de-scoping	-1.00	-5.90				-5.90	
De-scoping of Public Realm improvements on West Side of St					-1.00	-1.00	To clarify if there is any VE element for this item
4 Andrew Sq	-0.70			-0.70		-0.70	
5 Financial recovery from Third Party Agreements	-2.50				-2.87	-2.87	
5a Descope works around Forth Ports	-2.45		-2.44			-2.44	
5b Deletion of Airport Kiosk	-0.15		-0.15			-0.15	
6 De-scoping of Temp Tram stop at York Place	-0.15	-0.15				-0.15	
7 Sale of tram vehicles	-5.00	-5.00				-5.00	Not reported by T&T
8 Track materials- cancel order	-1.10		-1.10			-1.10	
9 Omit Siemens works at Tower Place, Victoria Docks	-0.10		-0.10			-0.10	
10 Turner and Townsend capped fee						0.00	Factored into Project Management AFC
11 Shared recovery vehicle						0.00	Not being progressed
12 Road reconstruction depth	-0.70	-0.70				-0.70	
13 Postponement of detailed design to Newhaven	-0.25					0.00	
14 Reduction in track storage requirement	-1.00					0.00	Potential track storage cost identified as a risk
15 TM savings @ Forth Ports	-0.18					0.00	TM costs identified as a risk
16 Roseburn viaduct cladding	-0.30		-0.31			-0.31	
Delete crew relief facility				-0.07		-0.07	
	<b>-22.04</b>	<b>-11.75</b>	<b>-4.10</b>	<b>-0.77</b>	<b>-3.87</b>	<b>-20.49</b>	

Edinburgh Tram Project- Summary of credits and contributions

April 2012

Ref	Description of work	Funding Party	Total estimated cost of funded work £'000	Actual funding received to date £'000	Balance of funding outstanding £'000	Notes
1	Edinburgh Gateway- feasibility/design	Transport Scotland	940	-528	-412	Awaiting payment of P12 claim (£389k) from TS Contribution may be offset against land compensation payment to NIL  Further discussions required to finalise amount and timing of funding  Exact cost of setts tbc. CEC budget holder to be updated once exact costs are known  Exact cost of slope option tbc
2	New Ingliston Ltd- future-proofing measures	New Ingliston Ltd	540	0	-540	
3	Cathedral Lane substation design	Henderson Global	400	0	-400	
4	RBS tramstop	RBS	500	0	-500	
5	St Andrew Square public realm design	CEC- public realm	133	-133	0	
6	Miscellaneous items- mainly George Street	CEC	318	-318	0	
7	Haymarket station refurbishment	Network Rail	13	0	-13	
8	St Andrew Square/Princes Street- granite setts	CEC- public realm	1,000	0	-1,000	
9	Haymarket station- power cable diversion	Network Rail	22	0	-22	
10	Edinburgh Gateway- slope option construction	Transport Scotland	4,850	0	-4,850	
			<b>8,716</b>	<b>-979</b>	<b>-7,737</b>	