

Tram Project Board: January 2006

Project Director – Trams (TPD) Executive Summary

1. TEL and TPB Project Governance:

TPB is to note that Governance issues regarding the tram project are to be resolved with and by the TEL Chairman elect David Mackay.

TPD advises that for continued clarity on critical decision making the resolution of governance issues and re-confirmation of the TEL strategy as it relates to particularly the scale of the project and the internal versus outsourced services requires resolution in the short term.

2. Project Funding:

TPB is to note that the funding agreements and commitments for the tram project from the CEC and the SE are being progressed. Development and agreement on the relevant papers has proven problematic. Completion of the renewed funding commitments is anticipated on 7th February 2006 when the Minister attends the Line 1 Parliamentary Committee hearing.

No final determination regarding financing has been made by the FPU and Transport Agency to re-direct the TPD from developing documentation with a £100m construction bridge facility.

Re-confirmed:

TPD held the Tramco PQQ conference on Wednesday 11th January, 2006.

TPB is to note that the availability and certainty of funding were uppermost in potential bidders questions.

TPB may wish to request additional details of progress made by the SE/CEC.

3. Project Master Programme:

TPB to confirm that the MUDFA tender release is to follow the Minister's statement on the 7th February, 2006.

Approved: _____

TPB to confirm approval of master programme:

- a. Start date to undertake MUDFA in-street works date; and
- b. Purchase of land interests

Both to be co-incident with submission of the Draft FBC, currently programmed end-September, 2006.

Re-confirmed: _____

The SDS design contract Requirements Definition phase is reaching completion and tie has provided comments to SDS to enable completion of the phase by the end of January, 2006. SDS have advised that they will undertake at risk preliminary design works and these have now commenced.

TPD recommends that the following decisions are made and re-confirmed:

- a. Remove Newbridge
- b. Undertake complete Site Investigation works
- c. Undertake complete preliminary design Line 1 and Line 2

Approved: _____

Detailed design will be undertaken for Leith/Ocean Terminal to Airport only plus appropriate future proofing measures. This decision to allow an Indicative Change Order to be negotiated with SDS and budgets re-set.

Approved: _____

The Design Working Group is now actively involved in the development of the design with SDS. The definition of the tram project and its interaction with the surrounding streetscene is being worked up. Sir Terry Farrell the CEC's design champion is working together with Ricardo Marini to develop a design brief for the parallel public realm project and the critical section of the tram project between Haymarket and Picardy Place.

TPD recommends that elements of critical streetscene design need to be properly considered to achieve a satisfactory solution. There is agreement between tie and the

CEC regarding the tram project not funding additional streetscene works but the design should be done to enable the tram project design to be fully accurate.

TPD recommends a design budget allocation of £250,000 towards this activity.

Approved: _____

4. OJEU for Infraco:

TPB did not authorise the release of the Infraco OJEU in December 2005.

SE has instructed the TPD not to issue the OJEU for Infraco until after the CEC meeting on 26th January, 2006. TPD advises the TPB that the OJEU release is on the critical path to achieving the Draft Final Business Case at the end of September. This is now a delay event to that critical milestone.

Non-release of the OJEU in December has pushed back the tender release date to 25th April, 2006 and advice is given that a delay to 8th February, 2006, that is, after the Minister briefs the Parliamentary Committee, will delay tender release from 25th April to the 8th May, 2006.

TPD advises that with the minimum tender period of five months the issue of the business case at the end of September, 2006 is severely threatened.

TPD requests confirmation of instruction.

Action: _____

5. JRC and Financial Modelling:

JRC modelling is a critical path item – it remains on programme.

6. Safety Plan & Issues:

TSS has been appointed as Planning Supervisor under CDM.

TPD has approved SDS method statements for site investigation in accordance with procedures.

Development of the tie Corporate Safety System utilising TSS resource continues.

TPB is advised that there have been no LTI's on the tram project in the last month.

TPB is advised that tie will engage David Thornton of HMRI to provide Director input regarding safety matters.

7. Tram Project Accommodation

TPD recommends that the office co-location for the tram project is to City Point and the attached report outlines the analysis conducted.

Approval from the TPB is requested for £2m (all in costs) to require SDS to enter into a 5 year lease for space for up to 90 staff including TEL with tie to act as surety for the lease.

SDS contract requires PB to mitigate demobilisation costs and this is the best risk managed position for tie to adopt.

Alternatively the office space could be TEL branded and the lease entered into by tie on behalf of TEL.

Option Approved: _____

TPD's expectation of the entry date to the project office at City Point is end-March 2006.

TPD advises that co-location of the teams is now considered to be critical in achieving complete tender document preparation to enable release on 25th April, 2006.

TPB is advised that material improvements in delivery certainty will be achieved if SDS is immediately co-located within tie offices and tie non-tram team and executive management decanted to serviced office accommodation until the City point transition has been achieved.

Approved: _____

tie Ltd
Office Expansion Jan 2006



tie Limited
Office Expansion Paper Jan 2006



Index

- 1. Current and Future Issues.**
- 2. Options Examined.**
- 3. Preferred Solution.**
- 4. Cost Comparison.**
- 5. Recommendation.**

1. Current and Future Issues

1.1 Resource Planning

As part of the process to agree the business plan for 2006/7 a review of the staffing needs for all projects was conducted. From this exercise, it was agreed that there were sound reasons for co-locating the SDS subcontract works on Tram with their respective counterparts on the **tie** and TSS side, additionally a more detailed review of the project team resource to manage the design and construction resulted in a view that increased resource was required to effectively manage the process.

A meeting was held on the 24th November 2005 to go through the forecast staffing numbers. The meeting was attended by Ian Kendall (Trams), Susan Clark (EARL), Alex Macaulay (Central Services and Other Projects), Stewart McGarrity (Finance), Heather Manson (Office Manager) and Pat Diamond (Finance).

The net effect of this is that there was an additional requirement for circa 75 desks an summary spread sheet is supplied at Annex A, which would be a combination of permanent **tie**, SDS, and TSS desks, supplemented with Hot Desks to manage peaks with accompanying meeting rooms. For the purpose of the assessment, I have taken the current space allocation of 85ft per person, which has been derived using Verity House floor plate and staffing levels and set the maximum floor space requirement for 8,000 Sq Ft or 90 additional staff. It is however recognised that the configuration of any building and the need for breakout space will reduce the usable space.

There would be a requirement for a proportion of this space as early as January 2006 and as the project progressed to heavier design and construction phases in late 2006 the bulk of this additional space could be utilised. Given the time constraints to locate a suitable site and complete and ICT fit out it was viewed that the beginning of April 2006 was a robust target for co-locating the respective elements of Tram team and the sub-contractors.

Other short term measures would need to be deployed to meet the short term requirements through the first quarter of 2006.

2. Options Examined

2.1 Potential Office Space

Following on from discussions on the Business plan (detailed in Section 2 of this paper) a meeting was set up with Mathew Edgar and Andrew Veitch of Colliers CRE with a view to assessing what options were available to tie. The final list of options are outlined below with some commentary where colliers had managed to discuss with the landlords (other details are at Annex B).

- **Apex 3, Haymarket** – Whilst we did request terms several times for the building, it now appears likely that the Landlord is willing to proceed with lettings of such a short guaranteed term. We have had three conversations to this end, and the Landlord is willing to treat, but tie will have to disclose terms ASAP.
- **Rosebery House, Haymarket** – The Lower Ground Floor is available by way of taking an assignation or sub-lease from Halifax PLC. Their lease expires in 2014. Whilst the premises extend to 6,777 sq ft, should tie require additional space, this in conjunction with some hot desking perhaps at Conference House, may be able to satisfy the requirement. Alternatively, there may also be circa 1,600 sq ft available on the Second Floor of Rosebery House by separate negotiation.
- **Enterprise House, Earl Grey Street** – The Landlord is currently interested in selling the building with the benefit of vacant possession and thus is not willing to discuss potential lettings of the building.
- **The Forum, Bankhead Crossway North** – See Annex B.
- **14-16 Walker Street** – It is still to be confirmed whether the Landlord would agree to a short-term let. Further details of Tenant and interest level would have to be confirmed.
- **38 Gardners Crescent** – See Annex B.
- **Regus, Conference House, Morrison Street** – Serviced office accommodation.
- **City Point, Haymarket Terrace** – The Landlords are not willing to discuss lease terms for anything less than 5 years.
- **Stevenson House, Gorgie Road** – There is a floor currently available of circa 8,000 sq ft, and whilst the premises are not within your preferred location, the quoting rent is £14.00 per sq ft and may have been of interest. That said, the Landlord does not wish to proceed with any negotiations for a term shorter than a 5 year lease.
- **London House, East London Street** – There are currently two potential occupiers interested in this building and thus the Landlord is not willing to discuss lettings of less than 5 years. The current quoting rent is £20.00 per sq ft with rates payable estimated at £6.75 per sq ft and service charge at £4.00 per sq ft.
- **Fountain House, Dundee Street** – The building has recently been purchased by Halladale who are currently planning to undertake an extensive refurbishment of the whole building. Their agents have intimated that they do not wish to consider short term lettings with the

tie Ltd
Office Expansion Jan 2006

strong preference to proceed with the refurbishment and secure long term lettings thereafter.

2.2 Assessment of available Options

The options available were:

- i) Serviced Office Accommodation;
- ii) Rent Space near Haymarket Yards on a short term lease (1 to 2 Years);
- iii) Rent Space near Haymarket Yards on a long term lease (5 Years);
- iv) Options ii) and iii) but looking at options further afield.

Option i)

Following a visit to potential serviced accommodation and discussions with Seamus Healy (**tie** ICT) it was agreed that this was not workable from a corporate perspective as the bulk of the accommodation tended to be broken over several floors and as ICT was provided it was not feasible to map our ICT aspirations effectively. It was however seen as a potential short term solution to manage constraints up to the point where we have additional permanent accommodation.

Option ii)

Colliers have identified several potential offices that could meet our requirements locally, however very few of the landlords were willing to consider a lease of shorter than 5 years and where they were, the costs were prohibitive. This was not seen as a potential option.

Option iii)

Colliers have had detailed discussions with various landlords in the Haymarket Yards area and a 5 year lease option is proving to be the most popular and would generate pricing competition between landlords. **This is seen as a viable option and should be taken forward for more detailed investigation.**

Option iv)

Colliers have identified various properties out with the confines of the Haymarket Yards area, as in Option ii) the short lease period is not really feasible for similar reasons. There is Office space available on longer lease, however having discussed with the Project Director it is not seen as practical to operate 2 geographically separate offices, or indeed increase the commuting times for staff. Whilst this was a credible option the loss of Corporate Control, **tie** Branding and travelling time was seen as severely detrimental to its viability, and therefore overall not feasible.

3. Preferred Solution

3.1 Option iii) Rent Space near Haymarket Yards on a long term lease (5 Years)

Of the potential space available locally there are 3 Options for a long term lease - Apex House, City Point and Rosebury House (Details of the type of accommodation are at Annex B).

Colliers have been discussing terms and costs with all 3 landlords, however Rosebury House is seen as the fall back option as the available space is not ideal and the overall quality of the accommodation whilst acceptable is the lesser of the 3 potential locations.

Both City point and Apex provide high quality, local accommodation and either can meet the criteria for staff numbers and ICT requirements, each clearly have their own unique selling points and cost options which are discussed in Section 4 below.

4. Cost Comparison

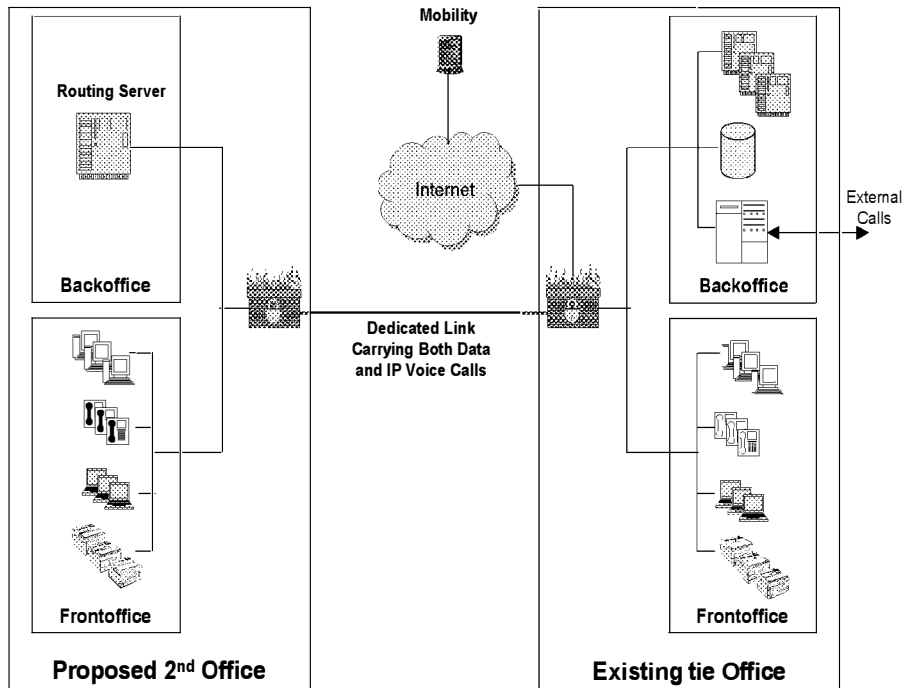
4.1 **Costs Summary (Based on 8,039 Sq ft which could hold a max of 90 staff dependent on space configuration)**

	Apex 2 Floors	City Point 1 Floor
Rent (Per Annum)	169k	201k
Rates (Per Annum)	56k	56k
Rent Free Period Savings	(71k)	(151k)
Car Parking (8 Spaces)	14k	16k
Office Fit Out – Internal	100k	50k
Office Fit Out - Furniture	180k	180k
ICT - Fit Out	193k	193k
ICT - Running (Per Annum)	86k	86k
5 Year Costs	1,972k	2,005k

There is as demonstrated above very little difference in terms of cash for the 2 options over the 5 year period in question. However, the benefits of having all sides co-located on 1 floor would be attractive.

4.2 **Office Expansion – ICT Office Fit-out and Support**

The Tram team are currently planning to setup an office location that would be inhabited by the specification and design consultant teams, together with the tie staff who are leading up these work packages. Current estimates predict that a 75 desk office location is required. As this team will work with the tie's business applications, collaboration tools, and Exchange facilities, the ICT infrastructure that will be deployed in this office will act as a logical extension of the tie network. A simplified diagram is shown below that outlines the required architecture.



tie Ltd
Office Expansion Jan 2006

A dedicated link is used between the offices so that the 2nd office acts simply like an extension of the existing Local Area Network (LAN) within the tie office. This means that the extensive back office within **tie** can be used by both offices removing the need to replicate the same architecture in the 2nd building. To remove the need for a separate phone setup and to remove the cost of making calls between the buildings an IP voice network will be put in place and the dedicated link between the buildings will also carry all inbound and outbound calls from the 2nd office. The phone system in the existing office will control all voice traffic and operator services will be consolidated within the existing **tie** building.

A summary of costs for setup and running of ICT services is shown on the next page.

tie Ltd
Office Expansion Jan 2006

One Off Cost Items	Amount (£)
Hardware	
Consolidated IP Voice System	55,000
IP Handsets	14,000
IP Operator Console	1,000
Uninterruptible Power Supply (UPS) Unit for New Office	800
Firewall for New Office	5,500
Routing Server for New Office (with capacity for local file storage)	7,000
Backup Drive Unit for New Office	5,000
Backup Tapes	2,000
Data-safe (firesafe for storage of backup media)	1,000
Hardware Rack for New Office	1,500
Network Switches for New Office	6,900
Patch Panels and Wire Management for New Office	1,300
Projectors x2 (for use in meeting rooms)	4,000
Plotters x2 (large design team will require plotting facilities)	7,000
Notebooks x20 (for migrated users across to new building)	40,000
Software	
Backup Software	5,300
Antivirus	40
Installation	
External Telephone Call Upgrade (to handle extra outgoing calls)	1,000
Dedicated Line Connection Setup Between Buildings	10,000
Internet Line Upgrade in tie Office (to handle extra Internet bound traffic)	4,000
Comms Room Alterations in New Office	5,500
Cabling alterations in New Office	5,000
Hardware Installation Costs	10,000
Sub-total	192,840
Operational Expenditure Items	Amount (£)
Hardware	
Telephony Support	2,500
High Volume Printers Rental	9,000
Software	
Microsoft Windows Server OSL Licence	500
Microsoft ISA Server OSL Licence	1,080
Network	
Internet Line Upgrade Rental	7,000
Dedicated Building Link Rental	5,000
External Telephone Calls	8,000
Telephone Lines Rental (incl number string)	3,000
Management and Support	
Remote Managed Services (network, servers, switches, firewall, helpdesk)	50,083
Sub-total	86,163
Grand Total	279,003

5. Recommendation

City Point is approached for final agreements on terms and conditions and that a reconfirmation of the staffing requirement is finalised and agreed to by the respective work stream managers.

Further to the final negotiations mentioned above colliers again met with the landlords for City Point and have secured an additional 2.5 Months rent free period taking the total rent free period to 11.5 Months. The landlords are keen to get tie into the property and have therefore stipulated that the additional 2.5 Months is contingent on taking occupation on the 1st **March 2006**, whilst it is not felt that there can be a workable IT solution for that date we can however make use of the space.

The revised 5 year estimates for City Point are detailed below:

	City Point 1 Floor
Rent (Per Annum)	201k
Rates (Per Annum)	56k
Rent Free Period Savings	(193k)
Car Parking (8 Spaces)	16k
Office Fit Out – Internal	50k
Office Fit Out - Furniture	180k
ICT - Fit Out	193k
ICT - Running (Per Annum)	86k
5 Year Costs	1,963k

The final recommendation of **City Point** should now be ratified and a change request raised.

Annex A

Staff Loading for
Verity House and
Potential New Office



Annex B
Colliers CRE Report

Your Ref
 Our Ref [REDACTED]
 Date 9 December 2005

39 George Street
 Edinburgh EH2 2HN

[REDACTED]
 www.collierscre.co.uk

[REDACTED]
 Stewart McGarrity & Pat Diamond
 TIE Limited
 Verity House
 19 Haymarket Yards
 Edinburgh

Direct Line [REDACTED]
 Direct Fax [REDACTED]
 Mobile [REDACTED]
 andrew.veitch@collierscre.co.uk

Dear Stewart / Pat

**TIE LIMITED
 EDINBURGH OFFICE AVAILABILITY**

Further to our recent meeting and subsequent correspondence regarding tie's current Edinburgh Office Requirement, please find below feedback for various opportunities currently available in the Edinburgh market.

I note that your preference has been to remain in the Haymarket area. That considered, due to the lack of willingness from a number of Landlord's to provide terms on a flexible annual basis, we have widened the search accordingly.

- **Apex 3, Haymarket** – Whilst we did request terms several times for the building, it now appears likely that the Landlord is willing to proceed with lettings of such a short guaranteed term. We have had three conversations to this end, and the Landlord is willing to treat, but tie will have to disclose terms ASAP.
- **Rosebery House, Haymarket** – Please see attached schedule. The Lower Ground Floor is available by way of taking an assignation or sub-lease from Halifax PLC. Their lease expires in 2014. Whilst the premises extend to 6,777 sq ft, should tie require additional space, this in conjunction with some hot desking perhaps at Conference House, may be able to satisfy the requirement. Alternatively, there may also be circa 1,600 sq ft available on the Second Floor of Rosebery House by separate negotiation.

At the time of writing, it is still to be established whether Halifax or the Landlord would permit a sub-letting for such a short guaranteed period. Additionally, it has not been confirmed whether the suite on the second floor would be available on these flexible terms. Halifax have intimated that their preference is to be assign the lease and any break options would be required to be **mutual** between Landlord and Tenant.

- **Enterprise House, Earl Grey Street** – The Landlord is currently interested in selling the building with the benefit of vacant possession and thus is not willing to discuss potential lettings of the building.

That said, a dialogue has taken place with the Agent whose client is attempting to purchase the building who has intimated they may be amenable to discussing a potential letting. Timescales may be problematic for this option.

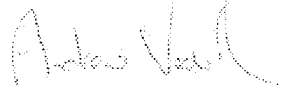
- **The Forum, Bankhead Crossway North** – Please see attached schedule
- **14-16 Walker Street** – Please see attached schedule. It is still to be confirmed whether the Landlord would agree to a short-term let. Further details of Tenant and interest level would have to be confirmed.
- **38 Gardners Crescent** – Please see attached schedule
- **Regus, Conference House, Morrison Street** – I understand you have researched and have been provided with all the relevant costs however you have noted that the serviced office option is not feasible from a corporate IT perspective.
- **City Point, Haymarket Terrace** – The Landlords are not willing to discuss lease terms for anything less than 5 years.
- **Stevenson House, Gorgie Road** – As I mentioned to you, there is a floor currently available of circa 8,000 sq ft, and whilst the premises are not within your preferred location, the quoting rent is £14.00 per sq ft and may have been of interest. That said, the Landlord does not wish to proceed with any negotiations for a term shorter than a 5 year lease.
- **London House, East London Street** – You intimated that this building would be of interest. There are currently two potential occupiers interested in this building and thus the Landlord is not willing to discuss lettings of less than 5 years. The current quoting rent is £20.00 per sq ft with rates payable estimated at £6.75 per sq ft and service charge at £4.00 per sq ft.
- **Fountain House, Dundee Street** – The building has recently been purchased by Halladale who are currently planning to undertake an extensive refurbishment of the whole building. Their agents have intimated that they do not wish to consider short term lettings with the strong preference to proceed with the refurbishment and secure long term lettings thereafter.

Please note that some of the options attached on the availability schedule may be open to negotiation once the full identity of the tenant and funding is disclosed.

I trust that the enclosed is of assistance to you and I look forward to discussing these opportunities in greater detail. In the meantime, should you require any further information that may assist with your reporting process, please do not hesitate to contact me.

The terms of this letter are not to have any contractual effect, nor are they to impose or create any legally binding obligation or liability.

Yours sincerely

A handwritten signature in black ink, appearing to read "Andrew Veitch".

ANDREW VEITCH BLE (Hons) MRICS

Enc



TIESchedule.xls