



Transport Edinburgh

Edinburgh Trams

Lothian Buses

**Tram Project Board
Report on Period 13
Papers for meeting 9th April 2008**

09:00am – 11:00am

Distribution:

David Mackay (Chair)
Willie Gallagher
Bill Campbell
Dave Anderson
Matthew Crosse
Donald McGougan
Graeme Bissett
Geoff Gilbert
Neil Renilson

Stewart McGarrity
Neil Wood
Steven Bell
James Stewart
Susan Clark
Andrew Fitchie
Alastair Richards
Jim Greeve
Miriam Thorne (minutes)

Brian Cox
Neil Scales
Ricky Henderson
Kenneth Hogg
Allan Jackson
Gordon Mackenzie
Phil Wheeler
Peter Strachan
Marshall Poulton

TRAM PROJECT BOARD

Agenda Tram Project Board4

Edinburgh Tram Network Minutes5

1 Executive summary..... 10

 2.1. Previous period update..... 10

 2.2. Key issues for forthcoming period 19

 2.3. Cost 20

 2.4. Programme..... 23

 2.5. Risk..... 23

 2.6. Approvals / decisions / support required..... 23

2 Headline Cost Report..... 24

 2.1. Current Financial Year..... 24

 2.2. Next Financial Year 24

 2.3. Total project anticipated outturn versus total project funding 25

 2.4. Change Control 26

 2.5. Summary Breakdown 26

3 Risks Valued in QRA..... 27

4 Phase 1b 38

Late paper

Trams for Edinburgh Small Business Support Scheme 40

Distributed separately

**Financial Close process, Report on terms of Financial Close,
 Report by tie on Infraco contract suite and Council Guarantee and
 Financial Close programme, QC and approvals process from 45**

Agenda Tram Project Board
Brunel Suite – Citypoint II, 2nd Floor
9th April 2008 – 9.00am to 11.00am

Attendees:

David Mackay (Chair)	Stewart McGarrity	Allan Jackson
Willie Gallagher	Neil Wood	Gordon Mackenzie
Bill Campbell	Steven Bell	Phil Wheeler
Brian Cox	Kenneth Hogg	Peter Strachan
Neil Scales	Susan Clark	Marshall Poulton
Donald McGougan	Andrew Fitchie	
Graeme Bissett	Alastair Richards	
Ricky Henderson	Jim Greeve	
Neil Renilson	Miriam Thorne (minutes)	

Apologies: Dave Anderson, James Stewart

- 1 Review of previous minutes and matters arising
- 2 Presentation:
- 3 Project Director's progress report for Period 13 - Papers:
 - Phase 1b – Advance works
- 4 Health and safety - update
- 5 Change requests - update
- 6 Risk
- 7 Date of next meeting
- 8 AOB

Edinburgh Tram Network Minutes

Joint Tram Project Board / tie Board

13th March 2008

tie offices – Citypoint II, Brunel Suite

Members:			
David Mackay (Chair)	DJM	Andrew Holmes	AH
Willie Gallagher	WG	Donald McGougan	DMcG
Cllr Allan Jackson	AJ	Neil Renilson	NR
Cllr Phil Wheeler	PW	Kenneth Hogg	KH
Brian Cox	BC	Peter Strachan	PS
In Attendance:			
Steven Bell	SB	Gill Lindsay (part)	GL
Stewart McGarrity	SMcG	Duncan Fraser	DF
Alastair Richards	NW	Graeme Bissett	GB
Neil Wood	AR	James Papps (for James Stewart)	JP
Miriam Thorne (minutes)	MT	Ian Cooper	IC

Apologies: Bill Campbell, James Stewart

1.0	REVIEW OF PREVIOUS MINUTES	
1.1	The previous minutes were taken as read and the outstanding actions from previous meetings were agreed as complete.	
1.2	Minute 8.3: PW confirmed that he had not received any further feedback from the Murrayfield Wanderers and the matter was considered closed.	
2.0	MATTERS ARISING	
2.1	AH gave an update on the proposals for a solution on Picardy Place. Further detail to be discussed at the next TPB	
2.2	NR confirmed that discussions in relation to the Bus Service Operator Grant were continuing and he would keep the boards updated on all matters.	
3.0	OVERVIEW	
3.1	WG provided an overview of the progress towards Financial Close and to achieve Notification of Contract Award. He highlighted that “Notification” would signify that procurement challenges may be issued from the unsuccessful bidders, albeit this was not considered very likely.	
3.2	He explained that the position with BBS was settled in terms of price, programme, and scope for Employer’s Requirements, however two key items were awaiting resolution: a) Network Rail issue on the cap on economic losses, and b) SDS novation These issues were discussed in greater detail during the meeting.	
4.0	Support for Notification to Award	

4.1	GB outlined the current position in relation to notify contract award, the tie / CEC approval process, and an overview over the principal issues– details of which are addressed in term below.	
5.0	Infraco and Tramco contract terms	
5.1	SB and AR presented the status of the Infraco and Tramco contract terms, stating these were aligned with other programme constraints (MUDFA) and did not contain significant price or risk sensitive elements.	
6.0	SDS Novation	
6.1	SB described the key outstanding issues regarding the SDS novation. These relate to finalisation of Liquidated Damages, agreement on certain scope items and the approvals programme.	
6.2	WG explained that SDS had not proposed any alternatives or compromises to novation and that their reason for reluctance was unclear as it did not appeared to be related to design quality. Further, it was confirmed that SDS Parent Company Guarantees were no longer a concern for novation.	
6.3	SB also explained that SDS would receive 10% of the milestone retention payments on delivery to programme as an incentive to perform.	
6.4	Further, it was confirmed to the boards that novation was essential to progressing the project and that BBS were now happy with the novation agreement terms. A final position was expected later on the day (13 th March) and WG undertook to document the agreed position for circulation to DJM/NR/CEC.	WG
6.5	The boards approved proceeding on the basis that novation will take place within the parameters set out previously.	
7.0	Network Rail agreement	
7.1	GB outlined the outstanding issues on the Network Rail agreement, which relate to the APA cap of liability for economic loss. He explained that this was critical for the project and that resolution was expected imminently.	
8.0	3rd Party Agreements	
8.1	GB outlined the status of the agreements with Forth Ports, the SRU and BAA, none of which had significant delays or issues attached to them.	
9.0	Operating agreements	
9.1	GB explained that BBS had expressed an interest in viewing the operating agreements between tie / CEC and TEL / CEC and that he expected them signed by cob 29 th March.	
10.0	Price, budget and risk position	
10.1	SMcG presented the position in relation to contract prices, project budget and risk profile. He pointed out that the increases in Infraco contract price of circa £10m meant the baseline project estimate rises to £508m from £498m.	
10.2	The boards were informed that there was confidence in the achievability of savings on MUDFA. The indicated £3m savings were in part due to scope transfer to Infraco and in part based on current cost experience.	

10.3	SMcG explained that considerable elements of the price increases related to: <ul style="list-style-type: none"> - provisional sums, some of which are to be instructed and thus not part of the fixed price; - resource costs to provide greater quality assurances and to manage the SDS interface; - Maintenance mobilisation and spare parts; and - Push-out of the construction programme to July 2011. 	
10.4	WG explained that in particular to buy-out the risk of SDS non-performance was considered good value for money. He also confirmed that the current price reflected a programme and scope for construction that BBS could deliver. Further, he stressed the importance of the contract for the future continued existence of particularly BB in the UK.	
10.5	SMcG summarised the key items included in the specified risk allowance going forward, which includes significant sums for programme delays, unforeseen delivery issues, design and consent issues and MUDFA related issues.	
10.6	He highlighted that the position reflected the fact that 95% of the combined Infraco /Tramco price is firm and the remainder had been reviewed by both tie and BBS for adequacy.	
11.0	Overview of Deal relative to FBC	
11.1	GB summarised the position of combined Infraco /Tramco deal in relation the forecasts in the FBC (see summary below).	
11.2	WG confirmed that the project would continue with its policy of transparency of communication and thus provide appropriate briefings to the elected members of the council, the Scottish Government and the wider public.	
11.3	The boards expressed the desire to stress the achievements of the proposed deal in all communications. These relate to obtaining additional benefits for Edinburgh, the fact of fixed pricing, and reassurance that sufficient funding is available in form of £545m. The boards also stressed the need for strict control of media releases by the bidders to ensure alignment with project communications and the requirements of the funding letter.	
11.4	The boards agreed that all communications should be routed through tie .	WG
11.5	WG provided a summary to the boards to approve for the project to proceed on the basis of: <ul style="list-style-type: none"> - total project budget at £508m; - programme to commence revenue operations Jul 2011; - that the SDS novation and Network Rail APA are non-negotiable requirements for proceeding - scope and risk profiles as previously presented; and - all other matters as presented at the TPB 23rd Jan; with delegation of authority to DJM/WG/NR.	
11.6	GL confirmed that CEC was fully engaged in the process of notifying the intent to award and would provide the mandate to tie on 13 th March, following agreement on the outstanding issues (SDS novation / Network Rail) and the receipt of the agreed letter from DLA confirming the appropriateness of the procurement framework.	
12.0	Risk of Procurement Challenge	
12.1	GB stated the key risk of any challenge was from Tramlines, however not from	

	a strong position as Tramlines had refused to sign the preferred bidder agreement. To date no indication had been received from any bidder to challenge the procurement.	
13.0	Readiness for Construction	
13.1	SB presented the project's readiness status to commence the construction phase in terms of management structure, commercial management set-up, Health & Safety management, Insurance and Risk management.	
14.0	Conclusion	
14.1	WG requested the boards to formally notice the following; <ul style="list-style-type: none"> - recognition that the achieved position is a result of extensive efforts - documents are moving into acceptable form - changes to programme and budget are within acceptable tolerances and compare sufficiently closely to the FBC - no major changes are anticipated, but a rigorous quality control process will be implemented. 	
14.2	The boards noted the above and approved the issue of the notification of award and move to Financial Close around 24 th March subject to resolution of: <ul style="list-style-type: none"> - SDS Novation agreement, - Network Rail APA; plus the receipt of DLA's confirmation on the appropriateness of the procurement framework.	
15.0	Progress Report	
15.1	The progress report was taken as read, with key points highlighted as outlined below.	
15.2	MUDFA: the period experienced a slippage in programme due to AMIS' difficulties to ensure appropriate supervisor mobilisation. WG confirmed that tie had taken steps to work with AMIS to address this issue.	
15.3	Media and stakeholder responses: KH stressed the very positive responses to the handling of increased MUDFA activity in the city centre. The success of the start of major works provided good indication of the level of control over the project and the very visible activity on the ground resulted good feedback from the public.	
15.4	Traffic Management: the question of parking restrictions on the weekend had been raised with the project – WG / AH to discuss.	WG / AH
15.5	The boards requested that more visible signage should be employed, promoting the tram project and the "open for business" campaign.	WG / AH
16.0	Phase 1b	
16.1	WG explained this paper was presented for information only and further discussion would take place in April.	
17.0	Project Changes	
17.1	The boards noted the paper. DJM queried why SDS should be charged with the design of minor traffic calming works. AH / DF / DC to advise.	AH / DF / DC

	Post meeting note: discussions held with CEC and a review of the SDS proposal resulted in withdrawal of the original change request, with the work to be carried out by CEC.	
17.2	AH stressed the importance of retaining the commercial attractiveness of key city centre locations. His concerns related primarily to the handling of the re-opening of Frederick St. and the wider Public Realm works, which needed to ensure maximum benefits for pedestrians, even over public transport needs.	
17.3	NR requested a minor adjustment to the wording on change 3.2 – DC to respond.	DC - done
18.0	AOB	
18.1	WG stated that tie had received notification that a small business along Leith Walk intended to sue for a reduction in trade due to the tram works. He confirmed that due process was being applied and full engagement of CEC legal was ensured.	
18.2	The boards expressed their thanks and best wishes to Andrew Holmes on his retirement. His efforts and support for the tram project were greatly appreciated by all present.	
18.3	Date of the next TPB and TEL meeting – 9 th April 08.	

Prepared by Miriam Thorne, 17th March 2008

1 Executive summary

2.1. Previous period update

1.2.1 Commercial and procurement

Infraco / Tramco negotiations:

Continued negotiations took place during the period to finalise the contracts with the preferred bidders. Good progress was made in relation to the primary areas as follows:

- SDS novation: progress was achieved in relation to Prior and Technical Approvals, linkage of design submission to the approvals process and CEC requirements and the legal liability relationship between BBS and SDS. To address the remaining outstanding issues, engagement continues to take place at senior level in CEC and **tie** to finalise the full approvals programme and agree an aligned programme with all parties;
- Infraco Employers Requirements: Internal technical consistency checks and legal reviews were performed during the period and the final version is now with BBS for final review;
- Tramco novation: Significant progress was made during the month to align and close out contractual issues; and
- Other items relate to the payment milestone schedule and Phase 1b terms.

Senior **tie** engagement has been ongoing to ensure conclusion of commercial negotiations during March. Progress has commenced through advanced mobilisation (progress outlined below) and sufficient progress was made to issue the Notification to Award on the 19th March.

Infraco advance works

- Tree felling has commenced along the route in accordance with the Infraco advance mobilisation agreement
- Final details regarding the demolition of the Caledonian Alehouse are being agreed with arrangements made to have services disconnected during Period 1 08/09. Meetings have also continued with Forth Ports, BAA, The Gyle and NR on the respective "Construction Code of Practices" to ensure understanding and agreement on the details prior to mobilisation at these sites.
- As part of the agreed advance mobilisation works, BBS has commenced attendance at the weekly Traffic Management Review panel and the Network Rail possession meetings to ensure respective programme alignment.

1.2.2 Approvals / governance / funding

As reported last period, a sub-committee of the **tie** TEL and Tram Project Boards has been formed to whom authority is delegated to approve final execution by the **tie** Chairman of Notification to Award, the Infraco suite of contracts and any necessary related agreements on condition that :

- The final terms of the contractual arrangements are within the terms of the Final Business Case, subject to previously reported slippage in programmed revenue service in 2011; and
- They unanimously conclude that it is appropriate to do so ; and

Approval has been received from the CEC Chief Executive to do so and the Notification to Award was issued on the 19th March. This is followed by a mandatory cooling off period which allows for finalisation of schedules and due diligence reviews. Signing of the suite of contracts and the related documents will take place on completion of these exercises.

1.2.3 Design and engineering

Design Review

The design review of “work-in-progress” SDS design package elements has now finished with approximately 10% of all design having been reviewed. Those results are being fed back into their ongoing design as appropriate and are intended to underpin fit-for-purpose, checked, compliant design that SDS will submit in the form of self-assured design packages, the first of which, for road section 1B (Leith Walk) had been due in March 2008 but which is still awaited. This is included in the on-going discussions with SDS as part of the novation agreements.

Each of the 18 “self-assured” packages will have an associated Design Assurance (Verification) Statement (DAS), which will be the prime demonstration from SDS that the package fulfils all requirements. Each DAS will be reviewed in detail, and some full packs also will be reviewed in detail. The reviews will be led by tie, assisted by TSS and will involve all stakeholders.

EMC

The Stray Current Working Group now has input from all potentially affected utilities. With their involvement and agreement a testing and monitoring programme will be derived. Collaboration is ongoing and the matter is not programme critical at present.

Roads design

A recent instruction has been received from CEC to implement a revised gyratory design at Picardy Place. This is being evaluated and will be implemented in line with Project Change Procedures following contract award.

Structures design

Ground conditions at the site of Murrayfield tramstop have necessitated a different approach to the construction of the retaining wall. The detailed design changes are being worked through with SDS and BBS with a view to minimise impact on programme and costs.

NR system immunisation works

NR immunisation verification will be provided by means of a detailed simulation study by the Infraco. The Infraco will be developing the full assurance case for NR acceptance.

NR lift and shift works

Implementation of the works is programmed to be complete by the end of April 2008. NR has contracted directly with Jarvis for the design and implementation.

System safety

Dialogue is ongoing and effective with the ICP appointed by tie to monitor the emerging design and construction and, eventually, independently authorise tram trials and then public operations to commence.

1.2.4 MUDFA

Progress

		Period 13 (01.03.08 to 28.03.08)			Overall Performance to Date		
		PLANNED	ACTUAL	Variance	PLANNED	ACTUAL	Variance
TOTAL	Metres	2358	2276	-82	12112	10081	-2031
	Chambers	25	10	-15	104	54	-50
- BT/Comm	Metres	1050	1154	104	5390	4504	-886
SGN	Metres	192	168	-24	841	623	-218
Scot W	Metres	780	504	-276	4400	3673	-727
Scot P	Metres	336	450	114	1167	967	-200
Forth Ports	Metres	0	0	0	314	314	0
Gogar Comm	Metres	0	0	0	0	0	0
Gogar Scot P	Metres	0	0	0	0	0	0
Gogar Scot W	Metres	0	0	0	0	0	0

**** Period 13 Actuals for metreage are 2 Weeks Actuals plus 2 Weeks Forecast**

**** Period 13 Actuals for chamber works are 2 Weeks Actuals Only**

Safety

Post period end, the first reportable accident occurred on 2/4/08. An AMIS operative suffered a fractured ankle as a result of dislodged material within an excavation. An interim report has been received, any necessary remedial action taken, and a formal review is planned for 7/4/08 with the tie Project Director, the MUDFA Construction Director and the AMIS Project Director.

The AFR at the end of Period 13 was 0.00

Progress to Revision 6 Programme

Works progressed in 6 areas:

- Constitution Street (1A)
- Leith Walk (1B)
- St Andrew's Square (1C)
- Princes Street (1C)
- Shandwick Place (1D)
- Gyle (5B)

Service diversions in the period were completed within 4% of the plan; however there has been no recovery of the previously reported slippage.

Cumulatively, the existing effect is a delay of ~ 6 weeks on the affected sections. The root causes of these delays are in 4 main categories:

- Greater congestion of existing utilities than anticipated (principally affecting Scottish Water diversions)
- Increased temporary diversion provision
- Slower than estimated chamber construction for BT chambers
- Incomplete supply of supervisory and operative resource to meet the full demands of the Revision 6 programme and the enabling works. (AMIS addressing)

Specific recovery plans are being finalised for each of the problem areas with early implementation starting to show evidence of recovery.

These plans are being completed on 8/4/08 and it will be necessary to confirm that acceptable actions are in place to meet any revised competent resource demand. This is likely to put further pressure on the supervisory and operative requirements from both AMIS and their subcontractor supply chain, particularly as additional work areas are programmed to commence in the next quarter. This will be reviewed realistically to ensure practical delivery is possible.

There is an opportunity to extend working hours (and recover lost production) within the Code of Construction Practice over the coming months with extended daylight hours. This is primarily in areas of low housing density or where businesses have been consulted and have voiced their support.

The summary impact on the REV 06 Programme critical path suggests that ~ 2 weeks delay is likely allowing for realistic implementation of the recovery plans to the MUDFA programme.

The effect of this, and any localised mitigation to avoid impacting on InfraCo, is being addressed as part of the detailed recovery planning.

Anticipated Final Costs

The impact on MUDFA of the potential programme delays noted above is allowed for in the current AFC.

Analysis of emerging quantities and utilisation of provisional sums has taken place, together with a thorough review of the risk provisions for the MUDFA works. No change is proposed.

Section 1A

Closure of Constitution Street and associated Traffic Management at the Foot of Leith Walk went live on Sunday 30 March 2008, following completion of the enabling works including Civils works at Dalmeny Street, Johns Place, Duncan Place, Wellington Place, Academy Street and Maderston Street to enable the diversion routes to accommodate additional general and bus traffic.

Construction of a major BT chamber at the Foot of the Walk commenced w/c 17 March 2008.

Works outwith the LOD have the following status:

- Scottish Power – Works commenced with a 1 week delay in programme due to SP resources.
- SGN committed to completing works by 26th March 2008.
- Scottish Water provided design to tie on 20 March 2008 in line with programme.

Clarification of CDM responsibilities have been achieved with SU's. SGN have accepted that tie is Client, SP have chosen tie as client and response is currently awaited from BTO.

Section 1B

The installation of temporary traffic signals at Leith Walk/Manderston Street junction has meant 6 diversions (SGN, BT, SW and SP) have had to be deferred until MUDFA works at the Foot of the Walk are complete. This will not impact on the overall completion of this sub section.

Limited testing of water and gas mains has been undertaken. An exercise to identify mains that remain to be tested within the whole of section 1B has been carried out. Programme of testing/commissioning of these remaining utilities being developed. This will allow subsequent handover of utility to asset owner within an agreed timeframe.

tie/AMIS are evaluating options as to how Leith Walk road crossings can be completed. One option is to reduce Leith Walk to one way (Southbound) with the return flow being directed via Easter Road

Section 1C

Awaiting issue of IFC drawings and schedules for section McDonald Road to York Place. IFC drawings and schedules are being delayed by Scottish Power requirement to assess trackform relative to the Leith Walk Cable Tunnel.

Traffic Management proposals for McDonald Road to Greenside Place (Sheets 32-35) being developed by Faber Maunsell. Likely to adopt a 3-phase approach to the works around London Road Roundabout – subject to TMRP approval.

Diversions between the Mound and South St Andrew Street are behind programme due to the extent of existing services and requirements to alter/amend TM impacting on progress. Works are due to be completed by end of November'08
Remaining works limited to:

- Water – design issue related to requirement for vertically or horizontally acting valves
- Waverley Bridge – 1 no. gas and 1 no. water crossing to be installed
- Diversions between The Mound and Castle Street are complete bar the need to connect 1 no. water main.
- Further trial excavation completed on the SGN MP main in Hanover Street to determine both the diameter and location of the main. Subsequently **tie** and SGN have agreed a technical solution for the diversion.

Section 1D Shandwick Place - Phase 1 Shandwick Place Closure

Shandwick Place closure and traffic diversion route went live on Saturday 1 March 2008. Works completed in the period to enable the closure included:

- Installation of temporary traffic signals at Princes Street/Frederick Street junction
- Installation of 4 no. LUX temporary pedestrian crossings
- Installation of circa 200 diversion and traffic management signs
- Laying of new road markings including, taxi ranks, bus stops, yellow lines, hatched areas and loading bays etc
- Full extent of site enclosed by HERAS fencing

AMIS and Class One implementation programme developed to enable the closure. All actions on programme completed on day of closure as per programme. A thorough snagging list has been produced to resolve Traffic Management issues related to line of sight to signs, additional road markings, additional cones etc. Snagging list is 90% complete. Outstanding works will be complete within period 1. Review carried out on TM approval process to ensure issues are addressed prior to implementation revised TM.

Section 5A

All diversions identified in this section have been carried out or have been transferred to the Infraco due to the constraints of Network Rail land and the relationship with the future track level and the existing ground and apparatus levels.

Section 5B

Some diversions in this section are being transferred to the Infraco. Enabling works are required to facilitate the proposed diversion works – the construction of the reinforced earth embankments/retaining walls (Infraco works) need to be constructed in advance of the diversions.

Remaining works are behind programme as a result of resourcing constraints and resolution of Traffic Management issues unable to source adequate resources to shore this excavation. Currently 3 weeks behind programme.

Diversion did not commence as programmed, but was deferred for 3 weeks due to lack of suitable resources. Commenced 31/3/08, due to be completed 18/4/08.

AMIS are to follow up on a number of action points in this area including resolution of availability of resources.

Provided the resources are allocated the key constituents, works can be completed in this time and the critical path maintained.

AMIS/tie to review any outstanding information and AMIS to confirm start date for the crossings. These are not on the critical path however resource availability must be confirmed by AMIS.

Completion of the water main is critical to completing Phase 1 of the traffic management. AMIS/tie to review the remaining work requirements.

AMIS provided suitable resource for this diversion w/c 31/3/08.

Section 5C

MUDFA are still to receive the IFC drawings and schedules from SDS and this has significantly impacted the programme. Work was due to commence at the end of February 2008, however, the earliest start date is now 21 April 2008 in the Gyle Centre Car Park. MUDFA has carried out trial holes in the car park for the 33kv and 450mm water main diversion following the identification of existing petrol interceptor chambers on the route proposed by SDS. It is critical for the Gyle Centre that the works in the car park are completed by 23 May 2008 and the delay to the IFC documentation has put this at risk.

The design of the BTO chamber encroaching onto the Gyle Broadway slip Road from the west bound A8 has been reviewed and commented on by MUDFA. We currently await re-issue of the cross section by SDS to demonstrate that the proposed diversion can be constructed. The chamber is for the critical 24-way diversion to the south of the A8 underpass.

Section 6 – Gogar Depot

800mm Water Main design is ongoing. Latest draft drawings have been issued to Scottish Water for comments. Meeting held 27 March 2008, to obtain technical approval. Target acceptance 7/4/08. Issue of IFC drawings thereafter is critical. The IP Gas Main diversion is currently forecast for completion by end April 2008. The programme for the BAA Fence removal was issued 20 March 2008 showing a completion date of 30 May 2008. Discussions are ongoing with BAA to discuss any potential acceleration to enable the earthworks to proceed earlier. The water main installation cannot be completed without the fence being moved

Traffic Management

Traffic Management for city centre works maintained. The TM requirements for both signage and requisite equipment for Phase 2 of City Centre works are under design. Commencement date for Phase 2 – 28 April 2008 as programmed.

Constitution Street closure instigated as programmed on 31 March 2008. Works on CS will be carried out in phased sections. Emergency access has been agreed.

Traffic Modelling and design completed for the London Road Roundabout, Leith Walk. Programmed commencement date for London Road Roundabout w/c 28 April 2008.

Commercial

- Potential issues related to deep excavations along Leith Walk affecting the adjacent existing structures are being dealt with through OCIP insurance.
- Access to SU apparatus which will remain within the DKE – the draft agreement produced by DLA Piper has been reviewed in conjunction with tie/TEL/DLA/MUDFA. DLA Piper are incorporating a number of amendments to the draft agreement prior to issue to the SU's. Anticipate issue to SU in early Period 1 - 08/09
- The joint review of the required utility diversions to update the AFA based upon currently issued IFC and issued for approval drawings is underway and will be complete and agreed within the next period. Any amendments required to the existing AFA will be incorporated in the next PM report. No significant variance is anticipated.
- A formal Contract / Agreement for Faber Maunsell to carry out the traffic management modelling and design has been agreed.
- The MP Gas main at the Mound has been discussed in detail with SGN and a number of potential solutions have been reviewed. MUDFA are currently pursuing the minimum diversion length required. This solution carries a manageable degree of risk, associated with a 30" connection which has not been specifically callipered in the anticipated connection area, to accommodate the Programme requirements.

The **tie** proposed principle of cost sharing is being explored at director level of both organisations.

- AMIS insurance cover verified in place till November 2008, at which point the cover will be transferred to a Carillion policy.

1.2.5 Delivery

Advance works

- Badgers: continued monitoring and survey works during the period. One new sett had previously been discovered and the contractor is investigating the option of obtaining a licence to excluding animals from the sett as relocation outwith the season is unlikely to be permissible. This will reduce the costs of removal during the next season.
- Invasive species: the assessment of overlaps of work scope between the Invasive Species contractor and Infraco is ongoing with briefing meetings agreed for the period following contract award.
- Archaeological works: works on Site 1 are ongoing. Additional finds are likely to result in a small programme prolongation – current forecasts do not foresee an overlap with the Infraco construction programme. The likely resulting costs are covered by provisional sums in the project budget.

1.2.6 Health, safety, environment and quality

Post reporting note:

On Wednesday 2 April there was 1 RIDDOR reportable accident with an AMIS operative suffering a fractured ankle as a result of material dislodged within an excavation. An interim report has been received and all necessary remedial action undertaken and a formal review will be held with the Project Director on 7 April 08.

There were 4 minor accidents in the period. There was no lost time.

The accident frequency rate (AFR) for the project remains 0.00.

There were 10 minor incidents reported during the period

No safety tours were completed in the period.

Three site inspections were completed in the period and actions have been implemented to address the issues raised.

There were no HSQE bulletins raised this period.

There were no environmental incidents reported in the period.

There was one HSQE audit completed in the period. Three minor audit findings and no observations were raised. Corrective action responses are awaited from the auditee.

1.2.7 Stakeholder and communications

The stakeholder strategy has been implemented in full four weeks prior to the commencement of the two most recent phase of MUDFA works – Shandwick Place and Constitution Street

There has been much positive media coverage of the recent MUDFA works and there are no communications and stakeholder matters arising from the previous period.

Phase 2 of the MUDFA works on Shandwick Place are due to commence at the end of April and everything is in place to communicate with all stakeholder involved. In addition, works are underway and well developed to erect tram information boards on key sites throughout the city centre and in Leith.

2.2. Key issues for forthcoming period

MUDFA

TM design work ongoing for London Road Roundabout/South end of Leith Walk – construction due to commence on 28 April 2008. Works to enable commencement will be carried out during the period.

Closure of Constitution Street and associated diversions at the Foot of the Walk on 31 March 2008 and commencement of new works sections in Constitution Street (3no) and North end of Leith Walk.

MUDFA diversions continue on Leith Walk (Manderston Street –McDonald Road), in Dublin Street, York Place, St Andrew’s Square and North and South St Andrew Street, along Shandwick Place.

Phase 2 Shandwick Place Closure is planned to go live on Monday 28 April 2008. Works to enable this over the following period are:

- Completion of Faber Maunsell design work.
- Traffic Signal and associated civils designs Lothian Road junction and Hope Street.
- Diversion and Traffic Management signs defined
- Road lining defined
- Site clearance designs
- Traffic Signal installation work
- Site clearance works

Construction works generally 3-4 weeks behind programme. No further slippage from last month. Outputs identified a significant change in previous noted under production. Still require additional resources and continual review of recovery plan to assess recovery completion period.

Reprogramming of Gogar depot 800mm WM and BAA fence realignment has produced a potential recovery of some 2 weeks in the programme here. Early indications are that BBS early start date of 2 June 2008 will be maintained.

Review of service utility diversions requirements based on revised depth and protection. Area of review 400 – 1200 depth range below FRL. Further review of latest detail of INFRACO proposed RHEDA CITY track system and potential reduced diversions ongoing. Overall construction depth to be of the order of 350 – 400mm. Protected services identified on 'as-builts' for informing SUC's/ INFRACO et al. Method of measurement may affect overall saving.

Dilapidation surveys are expected to be completed by end of April 2008, due to additional requirement to survey the route of the diversions.

RAT's proposal put forward for section 7b and following discussions with BAA, principle to adopt process on less complex utility diversions accepted.

Review of section 1A diversions – assess potential programme gains due to implementation of temporary diversions, thereby allowing earlier construction start to INFRACO works. Awaiting details of structures to verify alternative diversions.

SGN 30" gas main at the Mound – Ratifying proposal regarding minimum diversion.

Leith Walk Cable Tunnel – require definition of trackform solution to enable SP to assess impact of tunnel and provide approval for utility diversion crossings above the tunnel – resolution required as a matter of urgency and this is being pursued with BBS and SDS.

Scottish Water acceptance of the Gogar 800 water main to enable issue of IFC documents. MUDFA are in frequent discussion with both SDS and SW to progress – Meeting Thursday 27 March 2008 to conclude final acceptance with SW. Section 7B – procurement of D&B arrangement is ongoing with AMIS, supported by DLA. The commencement of this section is likely to be delayed.

2.3. Cost

Outturn COWD for the FY0708 was £87.8m which includes:

- Continued development of design under SDS, advance works at the Gogar depot and utilities diversions both under MUDFA and direct works by utilities companies
- Land acquisition costs totalling £17m including land acquired under the GVD process and injected into the project by CEC

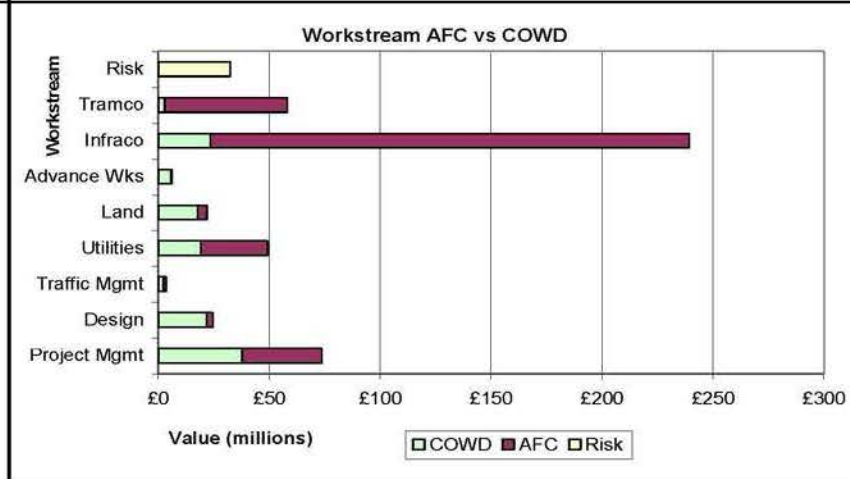
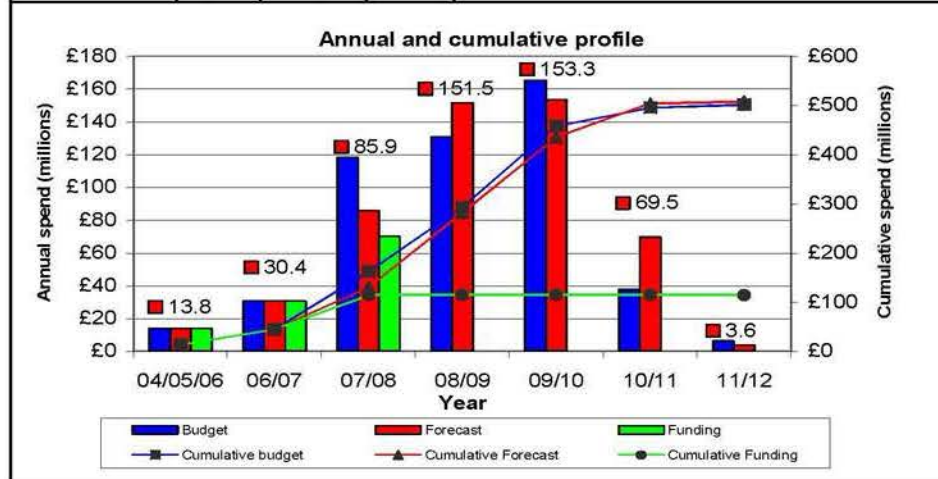
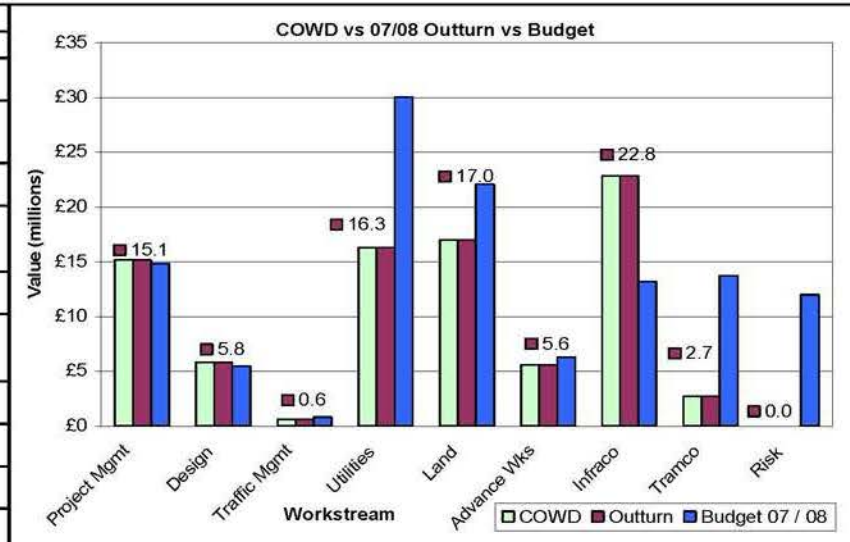
- Design costs totalling £2m in respect of Phase 1b as previously agreed with the Tram Project Board
- Costs under the Infraco and Tramco contracts comprising £1.8m under the mobilisation agreements and £25m in respect of initial milestones under the main contracts.

Forecast expenditure during FY0809 on Phase 1a is now £152m, including a conservative Risk Allowance of £14m. The TS share of costs at 91% would be between £125m of Base Costs or £138m of the total costs including Risk Allowance. In the context of a current cap on FY0809 funding from TS of £120m CEC would need to temporarily "fund" the shortfall of between £5m and £18m until the start of the FY0910 although it is unlikely that CEC will need to find cash to meet a shortfall due to the lag between work being done and payment under the contracts. The implication of the current TS funding cap for FY 0809 will be kept under close review.

The anticipated outturn cost of Phase 1a of the project has increased by £10m to £508m reflecting the final Infraco and Tramco prices and a consequential reappraisal of the Risk Allowance required to complete Phase 1a.

Phase 1 a only

Period 13 - 07/08 COWD (£000s)				
Workstream	F/cast	Act	Var	Comments
Project Mgmt	1,200	1,207	7	
Design	1,755	1,240	(514)	Poor progress on DD deliverables in period (none received)
Traffic Mgmt	79	21	(58)	Design delivery delay pushed out legal support to 08/09
Utilities	3,245	3,231	(13)	
Land	912	273	(639)	Forth Ports land transfer pushed out to 08/09
Advance Wks	5	2	(3)	
Infraco	18,132	19,772	1,641	Settlement of early infraco mobilisation payment
Tramco	2,707	2,608	(100)	Settlement of early tramco mobilisation payment
Risk	0	0	0	
Total	28,035	28,355	320	



2.4. Programme

With notification of award announced, sign-off for the full contract is expected by 15th April 2008.

MUDFA continues to Rev.06 Construction programme with Infraco commencing towards the end of April 08.

The first structure that will be seen is the Haymarket Station viaduct following the demolition of the Caledonian Ale House.

Infraco On-street works will commence from Aug.08.

Depot final earthworks commence in June 2008 with construction of the A8 Underpass commencing in August 2008.

Construction continues through to January 2011 at Picardy Place with driver training completing in July resulting in an Open for Revenue Service from mid July 2011.

2.5. Risk

Careful monitoring of the project risk profile was undertaken during the period to reflect the increased levels of activities in Utilities and the emerging position of risk transfer and allocation as a result of the negotiations with the Infraco and Tramco bidders. The risk register has been updated to reflect the risk profile as at the end of the contractual negotiations.

2.6. Approvals / decisions / support required

Decisions / support required from TS

- Cash availability in line with milestone schedule

Decisions / support required from CEC

- Signing of CEC-**tie** and CEC-TEL operating agreements
- Confirmation on the opening of Frederick Street
- Endorsement of Roseburn Viaduct preferred option
- Section 75 SRU to be concluded

2 Headline Cost Report

2.1. Current Financial Year

	COWD (YTD)	COWD YTD + forecast to year end	Funding authorised current year
Phase 1a	£87.8m	£87.8m	£87.8m ²
Phase 1b	£0.0m ¹	£0.0m ¹	£0.0m ¹
Phase 1a+1b	£87.8	£87.8m	£87.8m ²

Notes:

1. Phase 1b design costs in the amount of £2m are expended against Phase 1a budget as agreed by the Tram Project Board and as previously reported;
2. Expenditure is matched by Grant funding from Scottish Ministers under the terms of the Grant award letter dated January 2008 and CEC; and
3. The COWD for the year include £1.8m under the Infraco/Tramco mobilisation agreements and £25.0m in respect of Initial Milestones under the Infraco/Tramco contracts (other than for advance material purchases as described below).

As previously reported and agreed with CEC and TS, Initial Milestones under the Infraco and Tramco contracts for advance material purchases will be classified as prepayments. The aggregate amount of these payments for advance material purchases is £24.2m. These prepayments will be reclassified as expenditure against funding in the periods in future years when the related materials are delivered to site and incorporated in the works.

2.2. Next Financial Year

	Q1	Q2	Q3	Q4	Total FYF
Phase 1a	£33.5m	£29.2m	£43.6m	£45.3m	£151.6m
Phase 1b	£0.5m	£0.1m	£0.9m	£2.3m	£3.8m
Phase1a+1b	£34.0m	£29.3m	£44.5m	£47.6m	£155.4m

Further analysis of Phase 1a forecast:

	Q1	Q2	Q3	Q4	Total FYF
Infraco & Tramco	£11.1m	£13.1m	£33.2m	£30.1m	£87.5m
MUDFA & Utilities	£15.3m	£7.4m	£4.1m	£3.3m	£30.1m
Design	£0.7m	£0.7m	£0.5m		£1.9m
Land & Compensation	£2.5m	£0.3m	£0.2m	£0.7m	£3.7m
Project Mgt & other	£3.9m	£3.2m	£2.9m	£4.2m	£14.2m
Base Costs	£33.5m	£24.7m	£40.9m	£38.3m	£137.4m
Risk Allowance		£4.5m	£2.7m	£7.0m	£14.2m
Total Phase 1a	£33.5m	£29.2m	£43.6m	£45.3m	£151.6m

The profile above for FY0809 reflects the contractual payment profile with Infraco and Tramco and will not now materially change except to the extent the programme during FY0809 changes (by the actions of tie of the contractor) or there are changes to the Infraco works by way of significant variations.

The proportion of the overall risk allowance allocated to the year, proportionate to the level of forecast base costs, is £14.2m which is considered conservative.

The TS share of costs at 91% would be between £125m of Base Costs or £138m of the total costs including Risk Allowance. This is being kept under review in the context of a current cap on FY0809 funding from TS of £120m. The fall back position is that CEC would temporarily “fund” the shortfall of between £5m and £18m until the start of the FY0910 although our view is that at these levels the time lag between certification of work done and payment will ensure that CEC is unlikely to be required to find significant additional cash to meet a shortfall due to the current TS funding cap.

The implication of the current TS funding cap will be kept under close review as FY0809 progresses in the context of periodic reforecast of outturn expenditure and dialogue with TS officials.

2.3. Total project anticipated outturn versus total project funding

	FUNDING (total project)			Total COST (To Funders)
	TS	Other	Total	Promoter TOTAL AFC
Phase 1a	£500m	£ 45m ¹	£545m	£508.0m ²
Phase 1b	£ 0m	£ 0m	£ 0m	£ 87.3m ^{2, 3}
Phase 1a + 1b	£500m	£ 45m	£545m	£595.3m
Phase 1a + 1b concurrent	£500m	£ 45m	£545m	£590.3m

Total anticipated outturn on Phase 1a has been adjusted upwards from £498m to £508m to reflect the final Infraco and Tramco prices and a consequential reappraisal of the Risk Allowance required to deliver the remainder of the project. It is considered that this out-turn is materially consistent with the Final Business Case.

Notes:

1. Includes £6.5m of CEC / s.75 free issue land.
2. If Phase 1b did not proceed then £3.0m of design costs for Phase 1b would require to be expended against Phase 1a funding.
3. The estimate for Phase1b is based upon agreed unit costs in the Infraco /Tramco contracts and is subject to finalisation in accordance with a value engineered and approved/consented design and programme. The finalised option price will be valid if an option under Infraco contract is exercised prior to 31st March 2009

2.4. Change Control

The current change control position is summarised in the table below.

£m	Phase 1a	Phase 1b	Phase 1a+1b
Final Business Case	498.1	87.3	585.4
Changes to reflect final Infraco/Tramco prices and contractual programme	9.9	-	9.9
Potential AFC	508.0	87.3	595.3

2.5. Summary Breakdown

Latest Estimate/AFC (including escalation)

	Base Cost	Risk	Opportunity	OB	(or)Contingency	Total
Phase 1a	£475.7m	£32.3m	£0	£0 ¹	£0 ²	£508.0m
Phase 1b	£ 77.7m	£ 9.6m	£0	£0 ¹	£0 ²	£ 87.3m
Phase 1a + 1b	£553.4m	£41.9m	£0	£0 ¹	£0 ²	£595.3m

Notes:

1. OB included in risk.
2. Contingency included as part of risk.

3 Risks Valued in QRA					Total Risk allowance: £32.3m					
WBS Item	Allocated Risks				Impact Assessment 08 Feb 2008			Exposure Period		
	Risk ID	Cause	Risk Event	Effect	Prob	Current Impact Assessment £k			Start	End
					%	Min	Most Likely	Max		
11.1 Construction	994	The design for the lighting has yet to be approved by CECs Street Lighting section	Additional time or cost could be incurred in relation to the street lighting works	Compliance with their requirements may incur abortive works resulting in additional cost and delay to programme	17.50%		12.5		29-Aug-07	31-Oct-08
2 PROCUREMENT CONSULTANT	44	SDS contractor does not deliver the required prior approval consents before novation	Late prior approval consents	Delay to programme with additional resource costs and delay to Infraco. procurement. Impact upon risk balance.	50.00%	900	1800	2700	30-Jun-06	30-Nov-08
3 DESIGN	336	Adequate scope and extent of noise and vibration prevention measures/requirements are not provided to SDS; Specifications relating to Tram noise provided by Tramco are optimistic.	Design assumptions lead to Tram noise and vibration measures being inadequate during operation	Tram design requires to be re-worked; Post construction elements need to be adjusted or reconstructed or additional noise and vibration measures need to be incorporated.	10.00%	100		1000	01-Jan-07	31-Jan-11

3 Risks Valued in QRA					Total Risk allowance: £32.3m					
WBS Item	Allocated Risks				Impact Assessment 08 Feb 2008			Exposure Period		
	Risk ID	Cause	Risk Event	Effect	Prob	Current Impact Assessment £k			Start	End
					%	Min	Most Likely	Max		
5 PARLIAMENTARY PROCESS/ APPROVALS	271	Inadequate quality of submission of approval. Partial submission of package. Programme compression. Lack of CEC resources.	Failure to process prior approvals applications within 8 weeks	Delay and disruption to Infraco programme	80.00%	750	750	1000	03-Jan-06	29-Aug-08
5 PARLIAMENTARY PROCESS/ APPROVALS	990	SDS are behind programme with design review certificates and tie have decided not to extend programme period to account for this.	CEC carry financial impact of uncertified designs provided to Infraco	Modifications required to the designs post-contract award resulting in additional costs	50.00%	500	750	1000	13-Aug-07	31-May-08
7.3 Infraco	279		Third party consents including Network Rail, CEC Planning, CEC Roads Department, Historic Scotland, Building Fixing Owner consent is denied or delayed	Delay to programme; Risk transfer response by bidders is to return risk to tie; Increased out-turn cost if transferred and also as a result of any delay due to inflation.	50.00%		1250		03-Jul-06	31-Dec-09
1 GENERAL/OVERALL	169	Concurrent major projects in Edinburgh	Other major projects in Edinburgh interface with Tram	Delay in sequence in certain areas, Additional interface project management costs.	50.00%	100	300	500	01-Mar-07	31-Dec-10
1.7 Miscellaneous	343	General delay to programme with various causes e.g. failure to obtain approvals on time; parliamentary processes, delays due to lack of prioritisation of BAA agreement with new owners	Delay to completion of project	Inflation at 5% causes increased out-turn cost due to delay plus revenue loss	40.00%	6000	15000	23000	31-Dec-10	31-Dec-11

3 Risks Valued in QRA					Total Risk allowance: £32.3m					
WBS Item	Allocated Risks				Impact Assessment 08 Feb 2008			Exposure Period		
	Risk ID	Cause	Risk Event	Effect	Prob	Current Impact Assessment £k			Start	End
					%	Min	Most Likely	Max		
7.1.3 Depot	974	Inaccurate Topo Survey results	Increase in levels of Spoil Excavation	Increased Cost & Programme extension	25.00%	100	300	500	14-May-07	24-Aug-08
7.1.3 Depot	981	Existing Spoil Site Unable to accept future spoil	Increase in the Lothian Valuation Joint Board rateable value of the spoil site	New Landfill site will have to be found and agreements reached. Possibility of increased costs	80.00%	0	25	50	19-Jul-07	31-Mar-08
7.1.3 Depot	876	Agreement with SEPA to use Gravity Drain Proposal	Gravity Drain Proposal	Cost & time saving	79.50%	12.5	12.5	12.5	19-Mar-08	08-Jul-08
7.3 Infraco	952	Scope of works relating to Wide Area Modelling (WAM) have not been agreed with SDS because they consider this to be out with the scope of their contract.	Uncertainty about extent of construction works required on road network relating to Wide Area Modelling issues.	Potential claim from SDS to deal with additional design work; Potential construction costs to deal with WAM issues (difficult to quantify without design) over and above those already included.	95.00%	0		3000	03-Jul-06	24-Sep-08
7.3 Infraco	931	Utilities assets uncovered during construction that were not previously accounted for; unidentified abandoned utilities assets; known redundant utilities; unknown live utilities; unknown redundant utilities.	Unknown or abandoned assets impacts scope of Infraco work	Re-design and delay as investigation takes place and solution implemented; Increase in Capex cost as a result of additional works.	90.00%	500		1000	01-Oct-07	31-Jul-10

3 Risks Valued in QRA					Total Risk allowance: £32.3m					
WBS Item	Allocated Risks				Impact Assessment 08 Feb 2008			Exposure Period		
	Risk ID	Cause	Risk Event	Effect	Prob	Current Impact Assessment £k			Start	End
					%	Min	Most Likely	Max		
7.3 Infraco	172	Area of possible contamination and unstable ground (unlicensed tip) has been highlighted during desk study immediately to east of Gogar Burn - investigation for CERT project indicates that this consists of building rubble and domestic waste.	Tramway runs through area of possible contamination and special foundation is required to cope with unstable ground	Increase in costs to provide special foundation solution	95.00%	100	200	300	01-Jan-07	31-Jul-08
7.3 Infraco	105	Encountering archaeological finds/burials/munitions during construction	Exhumation of archaeological finds/burials	Delay in construction programme	85.00%	0	150	500	28-Sep-07	31-Jul-10
7.3 Infraco	318	Failure to make arrangements with Utilities for the phasing of necessary connections; Utility Company operational constraints	Utility connections cannot proceed as planned	Potential delay to start of Infraco works in certain sections	50.00%	100		500	04-Apr-07	31-Jan-09
7.3 Infraco	173	Uncertainty over extent of contaminated land/hazardous materials on route	Tramway runs through area of previously unidentified contamination/hazardous materials and material requires to be removed and replaced (dig and dump).	Increase in costs to remove material to special and other tip.	50.00%	1500	6000	8000	29-Sep-06	31-Jul-10
7.3 Infraco	865	Buildings contain asbestos that was not uncovered during surveys	Asbestos found during demolition works and excavations for construction	Cost and delay during investigation and removal	90.00%	60		150	01-Jan-08	31-Mar-09
1.1 Land & Property	352	Increase in land values	Higher land compensation claims than anticipated	Additional uplift on compensation claims	30.00%	0		4500	05-Mar-07	31-Dec-10
1.1 Land & Property	10	Costs of obtaining access rights are unknown	Cost associated with obtaining wayleaves	Increased legal costs relating to obtaining wayleaves	40.00%	50	200	500	02-Apr-07	25-Oct-08

3 Risks Valued in QRA					Total Risk allowance: £32.3m					
WBS Item	Allocated Risks				Impact Assessment 08 Feb 2008			Exposure Period		
	Risk ID	Cause	Risk Event	Effect	Prob	Current Impact Assessment £k			Start	End
					%	Min	Most Likely	Max		
7.2 MUDFA/Utilities	164	Utilities assets uncovered during construction that were not previously accounted for; unidentified abandoned utilities assets; asbestos found in excavation for utilities diversion; unknown cellars and basements intrude into works area; other physical job	Unknown or abandoned assets or unforeseen/contaminated ground conditions affect scope of MUDFA work.	Re-design and delay as investigation takes place and solution implemented; Increase in Capex cost as a result of additional works.	95.00%	1000	3000	6000	02-Apr-07	31-Dec-08
7.2 MUDFA/Utilities	139	Utilities diversion outline specification only from plans	Uncertainty of Utilities location and consequently required diversion work/ unforeseen utility services within LoD	Increase in MUDFA costs or delays as a result of carrying out more diversions than estimated	90.00%	0	1200	2400	02-Apr-07	31-Dec-08
7.2 MUDFA/Utilities	342	Tram alignment at A8 crossing at Gogar co-incides BT data nests/cable (main coms link between Glasgow and Edinburgh) and sewer	A8 crossing tunnel requires special design or BT data nest/cables require to be moved or solution to sewer to be engineered		80.00%	1000	1250	1500	04-Apr-07	30-Sep-08
7.2 MUDFA/Utilities	914	Required approval/acceptance turnaround time does not reflect SUC standard practice; SUCs do not have enough resource or process capability to achieve 20 day turnaround	Statutory Utility Companies unable to meet design approval/acceptance turnaround time to meet programme	Additional period required for design approval/acceptance turnaround	95.00%		880		02-Mar-07	31-Dec-08

3 Risks Valued in QRA					Total Risk allowance: £32.3m					
WBS Item	Allocated Risks				Impact Assessment 08 Feb 2008			Exposure Period		
	Risk ID	Cause	Risk Event	Effect	Prob	Current Impact Assessment £k			Start	End
					%	Min	Most Likely	Max		
7.2 MUDFA/Utilities	911	Scottish Power own and maintain a cable tunnel in the vicinity of Leith Walk that may or may not interfere with Tram construction and operation; exact location and depth of tunnel is unknown; condition of tunnel is unknown.	Presence of Scottish Power tunnel in Leith Walk requires radical solution	Tunnel may have to be decommissioned and re-laid in a more suitable location; tram alignment may require to be adjusted; special foundation solution e.g. cantilever may be required; increased capex; potential for tunnel collapse during operation and	80.00%	400	500	600	02-Apr-07	31-Oct-08

3 Risks Valued in QRA					Total Risk allowance: £32.3m					
WBS Item	Allocated Risks				Impact Assessment 08 Feb 2008			Exposure Period		
	Risk ID	Cause	Risk Event	Effect	Prob	Current Impact Assessment £k			Start	End
					%	Min	Most Likely	Max		
1.3.1 NR Immunisation Project	932	Information handed over in draft format as part of continual design development; Downstream Tram design change that impacts on requirements; Zone of interference not defined adequately.	SDS gives wrong or insufficient information to Network Rail	Network Rail design their works inappropriately for final Tram requirements; Network Rail are unable to complete their design in time to meet programme; Cost to change design; Delay during redesign; Final works are not suitable and consequently Tram cannot	5.00%	100	300	500	02-Apr-07	30-Oct-09
7.3 Infraco	134	Network Rail possessions over and above that estimate are required	Compensation paid to Train Operating Companies	Increased compensation paid to Train Operating Companies	5.00%	500	2000	4000	01-Oct-07	31-Jan-09
7.3 Infraco	115	Network Rail cancels planned possessions	Planned work at interface with Network Rail is delayed	Time delay and resulting cost increase	10.00%	350	750	2000	01-Oct-07	31-Jan-09

3 Risks Valued in QRA					Total Risk allowance: £32.3m					
WBS Item	Allocated Risks				Impact Assessment 08 Feb 2008			Exposure Period		
	Risk ID	Cause	Risk Event	Effect	Prob	Current Impact Assessment £k			Start	End
					%	Min	Most Likely	Max		
11.1 Construction	993	Due to a terrorism event relating to Edinburgh Airport or due to the mitigation of the risk of such an event occurring traffic restrictions introduced in the vicinity of the airport cause unacceptable delays for vehicles accessing and exiting from the sit	Free access cannot be guaranteed to the P&R site	Delays to construction vehicles could have impact on completion date and cost of construction, delays for car park users or buses could detract from usefulness and viability of facility	2.50%		12.5		01-Oct-07	31-Mar-09
2 PROCUREMENT CONSULTANT	337	Unsuccessful tenderer challenges procurement process (Tramco or Infracore)	OJEU procurement process is challenged	Possible retender; Delays; Legals costs to deal with challenge	5.00%	0		100	12-Jan-07	30-Oct-08
2 PROCUREMENT CONSULTANT	76	Introduction of TEL as client	Change of client during works	Delay and cost during re-negotiation of DPOF contract and additional approvals process	5.00%	12.5		12.5	03-Jul-06	30-Oct-08

3 Risks Valued in QRA					Total Risk allowance: £32.3m					
WBS Item	Allocated Risks				Impact Assessment 08 Feb 2008			Exposure Period		
	Risk ID	Cause	Risk Event	Effect	Prob	Current Impact Assessment £k			Start	End
					%	Min	Most Likely	Max		
2.1 tie Resources	58	Poor performance (quality) by Infraco during construction; poor materials; latent defects	Infraco fails to deliver construction quality; latent defects occur during or after Infraco maintenance period	Rework, stakeholder criticism, negative PR, programme delay if quality issue occurs during construction, operations affected by rework, project management costs to deal with issues	10.00%	25	62.5	100	31-Dec-10	30-Dec-16
2.2 Transdev	888	Design, construction and/or testing does not meet Transdev requirements and gain approval from the ROGS Competent Person	Transdev refuse to operate system on safety ground or apply overly restrictive procedures that are not directly the responsibility of Infraco (ROGS Competent Person agrees with this)	Delay to commencement of service, additional cost both for delay and rectification of the issue	2.00%	3000	4500	6000	30-Jun-09	31-Dec-10
2.9 TEL	889	Unsuccessful negotiation. TEL believes costs inflated too much.	Target operating costs for Phase D are not agreed.	TEL Business Case becomes undeliverable. Potential to undertake Dispute Resolution to gain agreement.	1.00%		300		04-Jan-10	06-Jan-19
3 DESIGN	104	Delay in design information release from specialist tram manufacturer	Delay in detailing of stops, trackway, OLE etc for Phase 1B	Time delay and consequent costs	15.00%	0	25	83	01-Jan-07	30-Sep-08
3 DESIGN	162	Land is not acquired yet	Gaining access to land prior to purchase for advanced works	Increased management costs and delays to design	10.00%	0		30	02-Apr-07	28-Sep-08

3 Risks Valued in QRA					Total Risk allowance: £32.3m					
WBS Item	Allocated Risks				Impact Assessment 08 Feb 2008			Exposure Period		
	Risk ID	Cause	Risk Event	Effect	Prob	Current Impact Assessment £k			Start	End
					%	Min	Most Likely	Max		
7.1.1 Invasive Species	869	Surveying team unable to obtain access to Network Rail, BAA and other privately owned land because they were not cleared to access this land (including PTS).	Extent of Invasive Species Area Exceeds Estimate from Survey	Underestimating the extent of works; leads to an increase in cost	17.50%		20		17-Apr-07	01-Apr-09
7.1.1 Invasive Species	879	Contractor is unable to get access to worksite due to access route being outside LOD and owned by others	Access to land to eradicate invasive species is not available when required	Programme Delay; contractor refuses to take ownership of risk 869 or includes high contingency in tender to allow for.	10.00%	0	10	20	12-Mar-07	01-Apr-09
7.1.2 Badger Relocation	894	Ineffective/Inappropriate Proposals; new setts must be built before old ones can be closed and licenses will not be issued until nearer time of closure; animals must have settled in new home before closure of old one can take place	Roseburn Badger Proposals for closure of old setts not approved by SNH	Delay in accessing land to construct Tram works and hence in Programme	17.50%	0	12.5	25	01-Oct-08	28-Nov-08
7.1.2 Badger Relocation	883	Ineffective/Inappropriate Proposals; new setts must be built before old ones can be closed and licenses will not be issued until nearer time of closure; animals must have settled in new home before closure of old one can take place	Gogarburn Badger/Otter Proposals for closure of old setts not approved by SNH/SEERAD	Delay in accessing land to construct Tram works and hence in Programme	10.00%	0	12.5	25	01-Oct-07	30-Oct-08

3 Risks Valued in QRA					Total Risk allowance: £32.3m					
WBS Item	Allocated Risks				Impact Assessment 08 Feb 2008			Exposure Period		
	Risk ID	Cause	Risk Event	Effect	Prob	Current Impact Assessment £k			Start	End
					%	Min	Most Likely	Max		
5 PARLIAMENTARY PROCESS/ APPROVALS	977	Legal challenge. Extension of statutory consultation process. Large number of objections. TRO process is subject to a public hearing process.	Delay in achievement of TROs) due to a large number of public objections and/or a legal challenge to using a TTRO to construct Infraco.	Requirement to start construction using TTROs	90.00%		750		18-Jun-07	31-Dec-09

4 Phase 1b

Paper to: TPB **Meeting Date:** 12th March 2008
Preparer: Susan Clark

This paper is presented for information only and to allow a full discussion on the subject at Tram Project board in April.

Background

The Infraco contract is being negotiated on the basis of Phase 1b as an option to be exercised by tie / CEC by March 2009. This means that we effectively have until March 2009 to instruct the Infraco contractor to commence works on Phase 1b works. The Infraco contractor has indicated that if works commence by July 2009, then Phase 1b would be open for revenue service by December 2011. To allow a start as indicated by the Infraco contractor, there are a series of advance works required to be completed as follows;

- Utility diversions
- Invasive species treatment
- Badger sett relocation

In summary, to carry out these works would require a decision to be made by June 2008 and additional funding of £3m found for 2008/09. The total costs, programme and decision timescales are set out in the table below:

	Indicative Cost	Budget	Funding	Start	Complete	Decision
Utilities	£7.29m (excluding risk)	£7.29m (excluding risk)	NIL	Nov 2008	July 2009	June 2008
Invasive species	£50k	£200k	NIL	Summer 2008	3 years	June 2008
Badgers	£40k	£64k	NIL	Summer 2008	September 2009	June 2008

MUDFA Construction Programme

The utility diversion construction programme for Phase 1a is well underway and due to be completed in December 2008. To allow Infraco to commence construction works by July 2009, the utilities must be diverted and these works should therefore commence in November 2008.

- **Impact on Phase 1b delivery date** - Impact on end delivery date of 1b moving from Dec 2011 to Dec 2012 if diversions are not started until summer 2009.

Invasive Species

Japanese Knotweed and Himalayan Balsam are both present on Phase 1b and require treatment in line with what has been carried out on Phase 1a. Indicative costs for this work are £50k, but to be most effective the first treatment should be started this season if construction work is to start in July 2009. £200k budget is available for this work in the Phase 1b budget.

- **Impact on Phase 1b delivery date if decision delayed** – Treatment could be delayed until 2009 but treatment may not be as effective.

Badger Relocation

According to earlier surveys two social groups of badgers live in the Roseburn Corridor. Following a survey in 2005 work, advisers have recommended that four setts should be destroyed and that two artificial setts should be created. Based on previous work done it is estimated that the anticipated work in the Roseburn Corridor could cost around £40k to take forward. The phase 1b budget assumes £64k.

To have the badgers excluded from the setts in question before main construction work starts means that planning and gaining statutory approvals for this work needs to start in July 2008. Actual construction works would not start until October/November 2008.

- **Impact on Phase 1b delivery date if decision delayed** – if planning and construction was delayed then the 1b programme would be impacted by up to one year

Key Issues / Risks

Funding / costs

Currently no funding is available for Phase 1b apart from that for design costs. If the advanced works identified are to be carried out, then circa £3m of funding will be required in 2008/09. If funding was found and these works completed under the banner of advance works, there is a risk that these would be abortive costs if Phase 1b did not go ahead.

PR

There are PR risks associated with starting any of these works in advance. In particular, the Roseburn corridor contains some of the strongest objectors to the project, some of whom have recently been asking about when a decision on Phase 1b will be made.

Statutory

However it has been suggested that SNH are highly unlikely to grant a licence until they have been convinced that the Line 1b works are actually going to proceed. A licence application would not be made until 2009 in line with these timescales.

Recommendation

It is recommended that:

- 1) TPB take this paper for information only; and
- 2) The subject is put on the agenda for a full debate in April.

Proposed

Name Susan Clark
Title Deputy Project Director

Date: 12 March 2008

Recommended

Name Steven Bell
Title Project Director

Date: 12 March 2008

Trams for Edinburgh Small Business Support Scheme

Preamble

The Small Business Support Scheme was agreed between **tie**, CEC and the Edinburgh Chamber of Commerce in October 2006.

The scheme therefore consists of two key components:

1. The provision of £2m from the tram budget towards a small business support scheme which applies during MUDFA only. This consists of three sub elements:-

(i) £1.6m for the **Primary Support Element** which comprises of £3k or £4k payments to businesses who are able to meet the eligibility criteria.

(ii) £350k for the **Additional Support Element** which is essentially a top up scheme aimed at businesses which have to operate in construction hot spot areas. It is intended that these areas will be decided by **tie**, CEC and the Edinburgh Chamber of Commerce. The same criterion for the primary support element applies but also includes the requirement for the business to demonstrate a loss as a consequence of tram utility diversions.

(iii) £50k has been set aside to contract Cowan & Partners, the independent accountants to administer the scheme and therefore eliminate the need for a costly and time-consuming appeal mechanism.

The initial success of the **tie** element cannot be under-estimated for the following reasons:

- At present in excess of £500k has been paid out.
- Over 50% of businesses on Leith Walk have benefited from the scheme.
- The positive aspect of the scheme is demonstrated by the eligibility criteria for support being set at a rateable value of £28k per annum. This widens the scope for more small businesses to be included as the current Scottish Government criterion for the classification of a small business is set at a rateable value of £15k.

The Edinburgh Chamber of Commerce have up until now been content that the scheme covers its original intention which was to give some support to as many businesses as possible.

Note: From the outset it was never intended that this was to be regarded as a compensation scheme as that would involve much more detailed and costly investigation to substantiate losses.

It's also worth noting that in no other tram project, both in the UK or Europe, has any form of financial business support been provided. In the Nottingham Tram Scheme it was decided that small businesses in the Hysam area (equivalent of the length of Shandwick Place) would be able to apply for business compensation. £300k was set aside for this purpose.

2. The business rates reduction scheme which applies during MUDFA and INFRACo.

This consists of the Lothian Assessor's office determining the impact of the construction site on the property values of businesses as frontagers. This impact, if any, is then represented with a temporary reduction in the business rates. During negotiations with the Lothian Assessor's office it was eventually accepted by the Assessor that the tram construction programme was probably unique to any other public works. As a consequence the Assessor indicated the position in a statement provided to **tie's** which is as follows:

"Having considered the tramway proposals in detail, the Assessor is satisfied that the works involved will be on a wholly different scale from normal road-works involving surfacing and utilities repairs, to the extent that they may constitute a material change affecting value.

"The Assessor therefore intends to make temporary reductions in Rateable Values, for the duration of the construction works, to properties of a retail character whose main customer access is from the street fronting the tramway construction works.

"The standard reduction will be 20.0% and will apply to average situations such as may occur on Leith Walk, Princes Street and West Maitland Street. Greater reductions may be applied in the most severe cases of disturbance which will be determined on an individual basis.

Reductions may however also be set at a lower percentage where properties are affected to a lesser degree, for example where they are set back from the construction works, such as at the southern section of Elm Row".

The Edinburgh Chamber of Commerce, the Federation of Small Businesses, **tie** and the City of Edinburgh Council have made representations to the Lothian Assessor's office that they do not believe that the spirit of the agreement is being applied. For instance, there is a shared view that the business rates reduction would have applied to both sides of the streets regardless of which side the works were taking place.

Note: It was always going to be difficult to realise the benefits of this part of the scheme as it is based on an evaluation of property which need not take account of all aspects of the construction. That being said most businesses along the line of the route which have both MUDFA and INFRACo works adjacent to their property will mostly receive 20%.

Review of the Edinburgh Tram Business Support Scheme

Recent changes:

The scope of the scheme was reviewed last year and again in recent weeks.

1. Last year **tie** and CEC expanded the scheme to include an additional £300k as part of a three year package to promote Edinburgh's Open for Business. A sub-group of the Edinburgh Retail Forum was set up and chaired by the Edinburgh Chamber of Commerce for the purpose for making the strategic decisions on marketing the City during tram construction.

2. In the last few months a further change was made which amended one of the eligibility criteria. Before businesses had to be operating prior to 1st April 2006 however this has changed to on or before 31st January 2008.

Scope for further changes:

Since the above changes **tie**, CEC and the Chamber of Commerce have considered that there may be scope for further changes to the scheme. This is based on the commitment that the money allocated to the scheme will be spent on business support and that it now looks highly likely that on the basis of existing take up the money allocated will not all be spent.

It is, therefore, recommended that future changes should take into account the need to:

- Promote a wider take up of the benefits of the scheme, and;
- Provide support to the wider business community including those businesses which are not eligible to apply.

Reason for the changes:

In recent months it has become evident that any immediate impact of the MUDFA utility diversions can be greater for businesses operating on side streets as opposed to frontagers. In particular this is the case where some streets have been closed off especially for several weeks. One example of this is the Jane Street junction with Leith Walk. In this instance the entrance to all traffic was closed for 18 weeks and this may have had a significant impact on two small businesses. Another example is the closure of Stafford Street at the junction with Shandwick Place. Some of the businesses immediate to this closure may experience some degree of impact.

At present businesses in these circumstances are excluded from the **tie** element of the scheme.

There are other instances where we need to heighten the profile of those businesses and business communities (Leith Walk, West End Traders, George

Street Traders and City Centre Traders) which have no access to the business support scheme especially those whose rateable value is slightly more than the £28k band such as those between £28k and £35k.

Recommended changes:

The Edinburgh Chamber of Commerce have raised the following options for consideration:

1. Widening the geographical scope of the scheme so as to reclassify the meaning of a frontager. This would apply to certain businesses on side streets.
2. Once the above is addressed any anticipated unallocated money in the budget should be allocated to the Open for Business resource. This would help support the message that we wish to support those businesses which are excluded under the £28k rateable value criteria through marketing their businesses and street area and therefore demonstrating an understanding that they too need help.

Note: Any further change to the rules needs to have a legitimate rationale based on the fact that there is a limited financial resource with a £2m limit. As in the initial scheme there also needs to be a clear definition of who can apply and who cannot. Up until now having a set of rules has worked.

1. Geographical scope of the scheme

It is proposed that the amendment to geographical scope covers the following area:

Any side street business immediately adjacent to the MUDFA works will now be included as a frontager for the purposes of the **Primary Support Element** of the scheme where:

- a) it is located on a distance of no greater than 100 metres from the works or the end of the street if less than 100 metres, and;
- b) the postal address of the business is for the street immediately adjacent to the works such as on Stafford Street for example.

The existing eligibility criterion for the Primary Support Element applies in these circumstances.

Cost of implementing this change:

The extension to the reclassification of a frontager would equate to approximately another 200 businesses being included in the scheme. Assuming that these 200 businesses completed successful applications and were each granted £4k this would deploy a further £800k of the £1.6m available. In effect this would possibly use up the bulk of the remaining funds available to the **Primary Support Element** of the scheme.

2. Open for Business resources

In order to address the continued support for those businesses that are unable to apply for the scheme due to the rateable value criterion it is therefore recommended that we top up the Open for Business fund with any money which may be remaining when after the money available under the geographical extension has been paid out.

It is viewed that this objective would be widely accepted by the entire business community representative of the line of the tram route.

EDINBURGH TRAM PROJECT

FINANCIAL CLOSE PROCESS – NOTE FOR TPB 9TH APRIL 2008

Background

The normal papers for the TPB meeting on 9th April, including the Project Director's Report, will be despatched separately in advance of the meeting.

The purpose of this paper is to explain the attached package of documentation which has been prepared to support Financial Close and the process to get there. The papers provided to the TPB (attached) are :

- Close Report (draft effective 7th April 2008)
- tie Report on Infraco, Tramco and CEC financial guarantee
- tie paper summarising the approvals and quality control process

These are detailed documents and it is not anticipated that all TPB members will read the material cover to cover. A summary of all of the key elements will be presented at the TPB meeting.

Close Report

This document is intended to capture the main terms of Infraco contract suite (Infraco, Tramco supply and maintenance, SDS Novation, Tramco Novation and CEC guarantee and all related schedules). The Report also summarises important areas surrounding the principal contracts, including progress on a range of contracts with third parties, the funding arrangements, support for the budget risk contingency, management of the overlap between design and construction, the future governance model and tie's readiness for the construction period. The report should therefore give informed readers a comprehensive view of all the key areas relevant to Financial Close.

A draft was provided to the TPB in late January 2008. This was updated and issued to CEC officials in the run-up to issue of Notification of Award letters on 18th March 2008. The updating reflected the finalisation of negotiations with BBS, CAF and SDS and consequential matters. Additional material was requested by CEC officials in certain areas and this was provided in papers apart. The TPB meeting on 12th March received a presentation on the important developments.

The version of the Close Report attached here is a further update reflecting some final amendments from the closing negotiations and the incorporation of the papers provided separately to CEC officials. The final position on price, programme, scope and the risk profile is set out in the report.

DLA Report

At the Council's request, DLA have reported their advice on the legal acceptability of the Infraco Contract Suite separately to the Council. Their report contains a detailed risk matrix which demonstrates where residual risk falls between the public and private sectors. This risk analysis has been matched with the risk contingency calculations embedded in the final project budget to ensure we have full alignment of risk and costs.

The DLA Report also addresses two key areas where tie has provided a detailed report for DLA's evaluation :

- 1) A summary of the Infraco / Tramco / CEC Guarantee terms
- 2) An evaluation of the risk of procurement challenge

The sections in the Close Report on these areas are in summary form only. The detailed analysis of the contract terms contained in the separate tie report has been attached to the DLA Report so that its confidentiality is fully protected by legal privilege.

In a similar vein, the Close Report provides a summary review of tie's assessment of the risk of procurement challenge. The more detailed paper offered for DLA's assessment has been detached again to create legal shelter as it contains confidential details of the bids and negotiations.

All of the above have been shared and discussed with CEC officials. The tie paper summarising the contract terms is attached but must be treated with strict confidentiality. It remains subject to updating for the final results of the negotiations but will not change in any material respect. Respecting the additional sensitivity of bid material, the procurement risk paper has not been attached but is available on request. The debrief meetings with the unsuccessful bidders were held on 4th April 2008 and an update will be provided at the TPB meeting.

Completion process and quality control

The third document attached is a synopsis of the quality control and approval processes being deployed to support commitment to the Infraco Contract Suite. This is to provide the TPB with visibility of the processes being followed but need not be examined in detail. The process is underway, with QC on the contract suite anticipated to pick up pace in w/b 7th April with the availability of final form legal documents.

GB
7th April 2008

EDINBURGH TRAM PROJECT REPORT ON TERMS OF FINANCIAL CLOSE (“CLOSE REPORT”)

FOR THE ATTENTION OF THE TRAM PROJECT BOARD, TEL BOARD AND TIE BOARD

DRAFT v9 7.04.08

Purpose of report

The principal contractual commitments to be entered into at Financial Close are :

- Infraco Contract Suite – incorporating Infraco and Tramco construction / supply and maintenance ; Tramco and SDS Novation ; security documentation ; ancillary agreements and schedules including Employer’s Requirements
- Council Financial Guarantee
- Grant Award Letter
- Operating Agreements between the Council and respectively tie and TEL

Various important agreements with third parties have also been completed or are in substantially agreed form.

Two documents have been prepared to provide a comprehensive view of the principal terms of the contracts and related documents which are being committed to at Close. This report from tie provides information across a number of key areas. A parallel report from DLA covers the content of the Infraco contract suite including the legal underpinning to the final contract positions, addressing specific CEC concerns. The DLA Report is a separate document in order to protect the confidentiality of the legal advice offered to tie and CEC. Specific issues of interest to CEC are addressed in each document.

A reasonable degree of prior knowledge is assumed. A draft version was reviewed at the meetings of the TPB, tie Board and TEL Board on 23rd January 2008 and the approvals below were granted on that date. The delegated structure has been implemented.

It is understood that the Council will prepare appropriate papers for its own approval purposes, specifically to support the provision of delegated authority to the tie Executive Chairman to execute the contracts. The Council will also require to confirm its approval of the Grant Award Letter and the Financial Guarantee in addition to the contracts which will be entered into by tie.

TPB	approval of terms of Infraco and all related documents including note of main open areas, recommendation to TEL on those terms and on the proposed delegated authority to approve and sign ; approval of governance and delegation paper
TEL	approval of terms of Infraco and all related documents including note of main open areas, recommendation to Council on those terms and the proposed delegated authority to approve and sign ; acknowledgment of terms which will be assigned to TEL in due course ; approval of the TEL Operating Agreement and; approval of governance and delegation paper
Tie	approval of terms of Infraco and all related documents as basis for commitment, including note of main open areas; acknowledgement of the proposed delegated authority to approve and sign ; approval of the tie Operating Agreement ; approval of governance and delegation paper

Report Contents

- 1. Introduction**
- 2. Infraco Contract Suite**
- 3. Grant Award letter**
- 4. Risk of procurement challenge**
- 5. Third party agreements**
- 6. Land acquisition arrangements**
- 7. Governance arrangements & corporate matters**
- 8. Risk assessment of in-process and provisional arrangements**
- 9. Update on critical workstreams and readiness for construction**
- 10. Specific confirmations**

Appendices

- Appendix 1 – SDS design delivery and consents risk management**
- Appendix 2 – Governance & Delegations paper**

(1) Introduction

The significant stages in the project to date include :

April 2003	Ministerial approval of initial Business Case and grant award
December 2003	Finalisation of STAG and submission of Bills to Parliament
May 2004	Commencement of early operator involvement with Transdev
October 2005	Commencement of design work under SDS
April / May 2006	Royal Assent to Tram Bills
April 2007	Commencement of utility diversion work under MUDFA
May / June 2007	Change of government and re-confirmation of project
October 2007	OGC Gateway 3 Review
October 2007	Final Business Case for fully integrated system approved by CEC
December 2007	Resolutions to proceed approved by CEC
April 2008	Financial Close – construction and vehicle supply

Although there have been several key events, the completion of the contract suite which commits delivery of the system is highly significant in terms of the scale of commitment and the definitive nature of the programme to complete the project.

To reach this stage has involved close collaboration over a number of years between tie, TEL and the Council along with principal consulting and contractual partners. Throughout, progress has been monitored by the Project Board and the tie and TEL Boards, with full Council approval at key stages. Until mid-2007, Transport Scotland (and predecessor departments) played an active role in the project, since then a more arms length role has been played but crucially this has supported the commitment to the majority of the funding.

In addition to the routine involvement and monitoring of progress by stakeholders through the governance procedures, the project has been cleared through periodic Gateway Reviews, under the Office of Government Commerce rules and executed by experienced external assessors. A further independent review of the project was performed by Audit Scotland in June 2007, following which the principle of the Scottish Government's grant award was confirmed.

The balance of this report summarises the main features of the project and its supporting documentation as a basis to assess readiness for commitment. More detailed information is available on every aspect on request, subject to commercial confidentiality.

(2) Infraco contract suite

The DLA Report provides extensive commentary on the development and final content of the Infraco Contract Suite.

The narrative below addresses three fundamental areas :

- Price
- Programme
- Scope

THE MATERIAL IN THIS SECTION IS COMMERCIALY CONFIDENTIAL AND FOISA EXEMPT.

2.1 Summary Pricing Statement – Infraco and Tramco

The following table summarises the final pricing for Infraco and Tramco in the context of the budget provisions made in the Final Business Case.

	£m
Infraco	
Negotiated Infraco Price	234.0
Other items / adjustments (see 8.2 below)	5.0
Net other items in Infrastructure budget	4.8
Total budget required for infrastructure	243.8
<i>Increase in Base Cost compared to FBC</i>	<i>17.8</i>
Tramco	
Negotiated Tram Supply Price	55.0
Other items (see 8.2 below)	3.0
Total budget required for Tramco	58.0
<i>Increase in Base Cost compared to FBC</i>	<i>6.6</i>

The increase in Base Costs for Infraco is a result of a negotiated position on a large number of items including the contractual interfaces between the Infraco, Tramco and SDS contracts and substantially achieving the level of risk transfer to the private sector anticipated by the procurement strategy. It also reflects capital expenditure required on lifecycle related costs including mobilisation of the maintenance teams and acquisition of spare parts.

The increase in Base Costs for Infraco of £17.8m approximates closely to the allowance which was made in the FBC for procurement stage risks i.e. the increase in Base Costs which might have been expected to achieve the level of price certainty and risk transfer which has been achieved.

The increase in Base Costs for Tramco results from lifecycle related costs required and, significantly, a material weakening of Sterling against the Euro in the period between Preferred Bidder appointment and the fixing of the exchange rate in late December following FBC approval.

A simple reconciliation of the total Risk Allowance for the project between FBC and Financial close is:

	£m
Risk Allowance in FBC	49.0
Risks crystallised in contract costs :	
Infraco	(17.8)
Tramco	(6.6)
Other risk items now in base cost	(2.2)
 Increase in Phase 1a risk estimate deemed necessary as a consequence of previous increases and taking cognisance of updated QRA	 9.9
 Risk Allowance at Financial Close (see 8.6 below)	 <hr/> 32.3 <hr/>

The total Phase 1a project cost budget is settled at £508m, of which £133m has been incurred by 31st March 2008.

2.2 Summary of Programme – Infraco and Tramco

The critical milestones are :

Contract Award	April 2008
Commence on site (demolitions)	April / May 2008
Commence on Street Works	August 2008
Commence Princes Street Blockade	January 2009
Decision on 1b	By March 2009
Take Delivery of 1 st Tram	March 2010
Complete Depot & Test Track	March 2010
TRO made	December 2009
Construction substantially complete	January 2011
Commence Shadow running	February 2011
Edinburgh Tram Line 1a Open for Revenue Service	July 2011
Line 1b Open for Revenue Service (if instructed)	January 2012

This programme has been developed around key assumptions and constraints such as:

- Operation within Construction Code of Practice working hours
- Compliance with embargoes affecting key city centre and Forth Ports areas
- Design and approvals early start constraints
- MUDFA diversion early start constraints
- Critical BBS skill resource constraints (e.g. track welders / Overhead line staff)

The most significant of these are outlined below:

Design and Approvals relationship with INFRACO Construction Programme

The SDS design and approvals programme (including CEC and other 3rd Party approvals e.g. Network Rail) has been used during the development of, and to agree, the INFRACO Programme.

There are a number of areas where the Design and Approvals Programme is the early start constraint for INFRACO, principal amongst these are:

- Section 1A: Forth Ports area
- Section 2A: Haymarket Viaduct
- Section 5A Structures at Roseburn / Murrayfield
- Section 5B Balgreen Road
- Section 5C A8 underpass
- Section 6 Depot
- Section 7A Gogarburn Structures

Sections which link to the critical path within 1 month are:

Section 1A: Forth Ports area
Section 5A Structures at Roseburn / Murrayfield
Section 5C A8 underpass
Section 6 Depot

MUDFA relationship with INFRACO Construction Programme

The MUDFA Rev06 programme has been used during the development of and to agree the INFRACO Programme.

There are a number of areas where MUDFA is the early start constraint for Infraco, principal amongst these are:

- Section 6: Depot
- Section 2A: Haymarket Junction
- Section 1C: Princes Street, Picardy Place and St Andrews Square
- Section 1A Ocean Terminal – Newhaven & Ocean Drive at Victoria Bridge

The sections which link to the Construction Critical Path within 1 month are:

Section 6 Depot
Section 2A: Haymarket Junction
Section 1C: Princes Street, Picardy Place and St Andrews Square

TRAMCO relationship with INFRACO Programme

The TRAMCO design, manufacture, testing and commissioning programme has been used during the development of the INFRACO programme and has been fully interfaced with the Infraco programme.

2.3 Scope of works – Employer’s Requirements

The scope of the project is defined in the Employer’s Requirements Schedule to the main Infraco contract and the stated scope has been aligned to the contractor’s proposal defining the construction approach and to the scheme design prepared by Parsons Brinckerhoff. This interlocking set of detailed documents combine to form the scope of the project in contractual terms.

The Employers Requirements (ERs) are a comprehensive and detailed set of specifications which set out the project obligations and responsibilities against which the construction consortium (BBS) must comply. It runs to some 650 pages and sits as a schedule within the Infraco contract. The document has evolved as the business case and design has been developed and reflects the inputs of the key 'user' stakeholders such as the Council, TEL and Transdev.

The document contains sections relating to how the project as a whole is to be delivered (for example project management, testing and commissioning and maintenance) as well the detailed systems and equipment requirements. The document was issued as part of the ITN package. Because it is essentially a procurement specification, wherever possible (and appropriate) tie have avoided being prescriptive and detailed because this would limit the freedom of bidders to propose their own specific, competitive solutions.

Since preferred bidder award, all of the ER terms have been reviewed in a three way technical alignment process:

- BBS proposal → ERs.

To ensure that BBS proposals comply with the ERs. This has involved removing all of the stated non-compliances noted at the preferred bidder stage by either relaxing the ER clause (without affecting the output requirements) or by updating the proposal to make it compliant. Commercial alignment of the ERs and the Infraco proposals has been concluded.

- SDS design → ERs

Because the SDS Design had responded to an up to date though not final draft of the ERs, the final alignment process produced no material mis-alignment issues. The final alignment review identified potential mis-alignment which was documented and assessed for its cost and programme implications and some minor amendments were agreed.

- Proposal → SDS design

To ensure that in areas where the ER terms allow flexibility in approach, it was necessary to ensure that the BBS proposed solution was consistent with the SDS design. A review of the final Proposals against the SDS design was executed and again some minor amendments were agreed. The main issue was the extent of road reinstatement and adequate allowance has been made in the final budget to accommodate this factor.

In addition to these processes the ERs have also been reviewed in varying degrees of detail by three legal teams, DLA, BBS' lawyers and Siemens lawyers (because a far larger part of the ERs relate to Siemens scope). In these cases the ERs were checked for consistency and alignment with the contract suite. All evident ambiguities, duplications and gaps have been dealt with to ensure that as a vital contract document it can be used effectively in the future.

The tie team is confident that the final version of the ERs, the contract version fully meets the requirements of the client, i.e. is consistent with the technical principles of final business case; and is consistent with both the SDS design and BBS proposals.

(3) Grant Award Letter

Transport Scotland will provide up to £500m of the total capital cost and the balance will be provided by CEC, which has initially allocated £45m for this purpose. The source of these funds is a matter for the two funders. The Government grant is documented in an award letter which is specific to the project but follows standard terms for grants under S70 of Transport (Scotland) Act 2001. CEC has identified a range of sources and an independent review confirmed the validity of the assumptions made by the Council.

The programme concentrates on Phase 1a initially and the parties have the opportunity to commit to Phase 1b before 31 March 2009 on pre-agreed terms with BBS. During 2008-9, an assessment will be made of funding availability to support Phase 1b. Government contribution will not exceed £500m under the current arrangements.

Grant will be drawn down pro rata with Council contribution. The amounts of grant available in each financial year will be capped, with the balance of any undrawn grant added to the sum available in 2010-11. There are detailed arrangements for payment approval and audit.

With the contributions agreed, the pro rata drawdown mechanism becomes an accounting process each month and within tolerances will not create any difficulty. The annual capping does have potential to create difficulty, but it is felt there is sufficient tolerance in the spend plans versus funding availability that this limitation is manageable. The funding position will be actively managed and CEC anticipate receiving recovery from Transport Scotland for any interest cost incurred if borrowing is necessary to meet contractual commitments beyond the funding available from Transport Scotland in a particular period.

The terms of the grant letter are weighted in favour of the awarding body and fall short of the sort of protection which a borrower would seek from a commercial lending bank. This is however normal and the Council are satisfied that the terms of the award offer sufficient protection bearing in mind the relationship between Government and the Council.

The letter was negotiated with TS by tie and Council Finance and Legal officials with comment from DLA. See Section 7 for taxation assessment.

(4) Risk of procurement challenge

This section contributed by Jim McEwan, who performed a review of procurement process integrity independent of the main procurement team.

The legal advice provided to tie and CEC is summarised in the DLA Report.

Summary

Over the last 12 months tie has pursued the procurement of both the Infraco contract for the construction of the Tram infrastructure in its entirety and the Tramco contract for the supply and delivery of the Tram vehicles. The focus of the procurement strategy was to deliver fixed price contracts for each.

The process followed for each contract was consistent with that specified by the EU directive on Public procurement and details of the evaluation methodology employed are outlined below.

The Bilfinger Berger and Siemens (BBS) consortium have been duly awarded the Infraco contract.

CAF has been awarded the Tramco contract.

In the event of any challenge to these awards tie is well placed to successfully defend the fairness and integrity of the process undertaken in the selection.

Infraco

The Evaluation Methodology employed by tie in the Tram Project is detailed in a document dated 8th January 2007 'Evaluation Methodology for submissions in response to the invitation to negotiate issued on 3rd October 2006 for the procurement of the Infraco for Edinburgh Tram Network'.

In the process 6 key areas were identified in the evaluation and a stream leader appointed to each :

- Financial
- Programme and Project Execution Proposals
- Project Team and Resources
- Technical and Design proposals
- Legal and Commercial
- Insurance

Evaluation team members were identified in the methodology together with stream leaders for each of the key areas

Each team was charged to prepare a 'consensus' score matrix on each of the key areas, these have been duly completed and lodged in the central document repository.

Proper probity on the process was maintained with financial information being restricted to only those in the finance stream and to the tie executive team.

Security employed on maintaining confidentiality was consistent with best practice with documentation stored in a locked room and the financial documentation stored in a locked cabinet within the room. (Note: The details of the financial bids were only available to those in

the Financial stream, the evaluation of the other streams was therefore carried out without prejudice on costs.)

All meetings with Suppliers were documented and the notes of said proceedings are held in the central repository.

Financial position was reviewed as was the normalisation process which ensures bids are viewed on an equal footing basis

Tramco

The Evaluation Methodology employed by tie in the Tram Project is detailed in a document dated 11th October 2006 and titled Tramco Evaluation Methodology.

The process employed was identical to that employed in the Infraco evaluation as detailed above with 6 streams and the same methods of approach on scoring, confidentiality, probity and security. All required documents have been lodged in the central document repository.

(5) Third Party Agreements

This section contributed by Alasdair Sim, who took the lead role developing the agreements. A second (and consistent) view on risk is provided by Stewart McGarrity in Section 8.

In addition to the principal Infraco Contract Suite, there are a number of agreements which are of varying significance to Financial Close. This section describes the purpose and status of these agreements, together with an assessment of the level of risk to programme / cost arising from the agreements remaining open at the date of Financial Close.

THE AGREEMENTS ASTERISKED ARE REGARDED AS THE MOST IMPORTANT IN RELATION TO REACHING A ROBUST POSITION AS AT FINANCIAL CLOSE.

The agreements addressed in this section are as follows :

- 5.1 Edinburgh Airport Limited - Licence *
- 5.2 Edinburgh Airport Limited – Lease *
- 5.3 Edinburgh Airport Limited – Operating Agreement
- 5.4 CEC/tie Licence *
- 5.5 SRU Agreement
- 5.6 Royal Bank of Scotland Agreement
- 5.7 Local Code of Construction Practice – Forth Ports *
- 5.8 Local Code of Construction Practice – New Edinburgh Limited *
- 5.9 Local Code of Construction Practice – Edinburgh Airport *
- 5.10 Network Rail Asset Protection Agreement *
- 5.11 Network Rail Depot Change *
- 5.12 Network Rail Station Change *
- 5.13 Car Park Compensation Agreements
- 5.14 Network Rail Framework Agreement *
- 5.15 Network Rail Lease & Servitude Agreements
- 5.16 Forth Ports Agreement
- 5.17 Stanley Casinos Agreement
- 5.18 Other Site Specific Code of Construction Plans
- 5.19 Licence – The Gyle
- 5.20 Licence – West Craigs
- 5.21 Network Rail – Neighbour Agreement
- 5.22 Network Rail – Operating Agreement
- 5.23 Network Rail – Bridge & Bridge Lease Agreements
- 5.24 Telewest utility agreement
- 5.25 Scottish Power utility agreement
- 5.26 DPOFA 2007 Revision
- 5.27 Mobilisation agreements (Infraco and Tramco)

5.1 Edinburgh Airport Limited - Licence *

Purpose of Agreement

This is a licence agreement between Edinburgh Airport Ltd and City of Edinburgh Council, the purpose of which is to enable/facilitate the construction of the Edinburgh Tram within the boundary of Edinburgh Airport. This agreement covers MUDFA and INFRACO works as well as the construction of the Burnside Road alternative access route, and sets out the working arrangements between EAL, tie/CEC and contractors working on the Edinburgh Tram Network.

Current Status of Agreement

The agreement is signed. This agreement has been drawn down into Schedule 14 of the INFRACO Contract.

5.2 Edinburgh Airport Limited – Lease *

Purpose of Agreement

This is a 175 year lease between Edinburgh Airport Limited and City of Edinburgh Council to facilitate the operation of the Edinburgh Tram Network. This lease follows the terms of the Minute of Agreement signed by the two parties during the Parliamentary process in September 2005.

Current Status of Agreement

This agreement is signed.

5.3 Edinburgh Airport Limited – Operating Agreement

Purpose of Agreement

The purpose of the operating agreement is to set out operational interface arrangements and procedures for running passenger services to and from the airport. This agreement will be an evolving document which will be updated periodically during the lifetime of the project.

Current Status of Agreement

An outline document is current under review by tie and TEL. The intention is to develop this document into draft agreement form during the first quarter of 2008, and complete the agreement prior to commencement of passenger services.

Risk to INFRACO Contract Award

The Operating Agreement is a non-construction related document and the risk to award of INFRACO Contract is considered low.

5.4 CEC/tie Licence *

Purpose of Agreement

The purpose of this licence is to pass over responsibility for land acquired for the ETN from CEC to tie. This will enable tie to manage the process of making land available to INFRACO on a programme/needs basis using the agreed Land Access Permit Procedure. CEC will manage the land/asset until the point that INFRACO take occupation of each worksite.

Current Status of Agreement

The agreement is signed.

5.5 SRU Agreement

Purpose of Agreement

This agreement governs design and construction activities in the vicinity of the Murrayfield Stadium. The agreement includes the construction of the Murrayfield Tram Stop, Roseburn Street Viaduct, Murrayfield Stadium Retaining Wall, the Wanderers Clubhouse remodelling, access accommodation works and the relocation of the training pitches. The agreement also sets out the requirement to develop a local construction plan which the INFRACO contractor will be obliged to comply with. This includes arrangements in relation to the temporary occupation of land within the Murrayfield site. The draft SRU agreement has been stepped down into Schedule 14 of the INFRACO Contract.

Current Status of Agreement

The only outstanding matter relates to the S75 agreement, which CEC intend will replace the current Section 50 agreement. This will be discharged as part of the agreement.

Risk to INFRACO Contract Award

INFRACO works are expected to commence in the vicinity of Murrayfield in June 2008. Risk to award of INFRACO Contract is considered low.

5.6 Royal Bank of Scotland Agreement

Purpose of Agreement

This agreement builds upon the existing Section 75 Agreement signed in 2002 between RBS and CEC which committed RBS to fund the design, procurement and construction of the Gogarburn Tram Stop. The current proposal is for the INFRACO contractor to undertake the works within RBS land under licence, and sets out the procedure for CEC to later acquire the operational land based on the 'as built' (and at nil cost) using the GVD process. The agreement also covers the desire of RBS to maintain the landscaping between the Gogarburn Tram Stop and the A8 Glasgow Road.

Current Status of Agreement

The agreement is currently in draft format, with finalisation expected on completion of the detail design, as this will allow final costs for the tram stop to be calculated. RBS have provided written confirmation that access to the land will be secured under licence.

Risk to INFRACO Contract Award

INFRACO works are expected to commence in the vicinity of Gogarburn from mid-2009. Risk to award of INFRACO Contract is considered low.

5.7 Local Code of Construction Practice – Forth Ports *

Purpose of Document

The existing Minute of Agreement between Forth Ports and CEC requires the development of a Local Code of Construction Plan to govern how the construction works are to be undertaken within the Forth Ports area. This would include method statements, programme details and consultation/notification requirements to be agreed prior to the commencement of construction. The Forth Ports Minute of agreement is included with Schedule 14 of the INFRACO Contract.

Current Status of Document

tie and BBS are currently drafting a local COCP with Forth Ports and have reached agreement with Forth Ports on the general approach to construction in the Leith Docks area. tie meet with the Forth Ports Project Manager on a weekly basis and will continue to evolve the local construction plan as certainty on programme is established.

Risk to INFRACO Contract Award

INFRACO works are expected to commence in the Forth Ports area from November 2008. MUDFA works will recommence in the Leith Docks area following the Easter embargo period from April 2008, and is currently being undertaken on a work by works licence basis, which contains the relevant elements that INFRACO will include within the final Local Code of Construction Practice document.

Forth Ports, tie and BBS have been undertaking preliminary discussions around programme and approach to construction. Forth Ports have expressed a willingness to work with BBS to have the works completed in the Leith Docks area as quickly and seamlessly as possible. As a result, the risk to award of INFRACO Contract is considered low.

5.8 Local Code of Construction Practice – New Edinburgh Limited *

Purpose of Document

The existing Minute of Agreement between New Edinburgh Ltd and CEC requires the development of a Local Code of Construction Plan to govern how the construction works are to be undertaken within Edinburgh Park. This would include method statements, programme details and consultation/notification requirements to be agreed prior to the commencement of construction.

Current Status of Document

tie and BBS are currently drafting a local COCP for Edinburgh Park and have consulted with Edinburgh Park Management Ltd and New Edinburgh Ltd on programme and approach to construction. NEL have confirmed in writing their acceptance of the construction programme.

Risk to INFRACO Contract Award

INFRACO works (track) are expected to commence in Edinburgh Park from June 2008, with construction of the Edinburgh Park Station Bridge commencing in August 2008. NEL have confirmed their acceptance of the programme and as a result, risk to award of INFRACO Contract is considered minimal.

5.9 Local Code of Construction Practice – Edinburgh Airport *

Purpose of Document

The licence between EAL and CEC sets out construction requirements in Schedule Part 5 – Development Rights and Obligations. This agreement has been drawn down into Schedule 14 of the INFRACO Contract.

Current Status of Document

tie and BBS are currently drafting a local COCP based on the obligations set out in Schedule Part 5 of the EAL Licence Agreement. tie meet with the EAL Project Manager on a four weekly basis and are currently working with EAL to ensure that tram construction activities integrate with other works ongoing within the Airport. EAL are content with the approach and tie/BBS will continue to evolve the local construction plan as certainty on programme is established