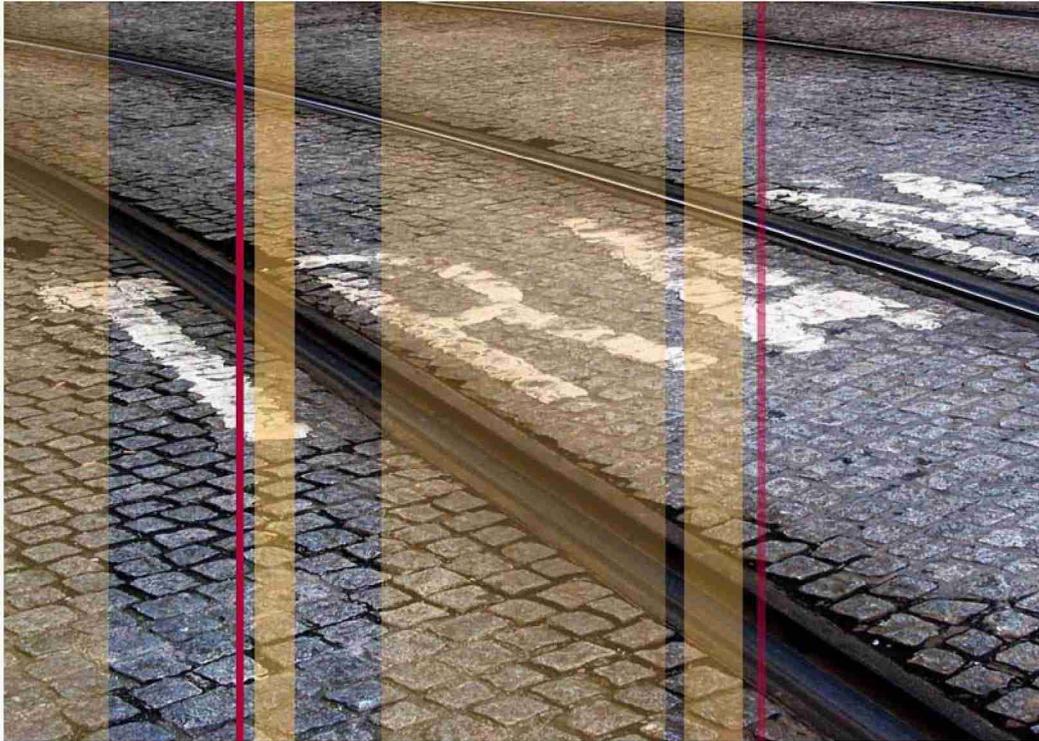


# **Transport Edinburgh**

**Trams for Edinburgh**

**Lothian Buses**

TRAM Project Board



# **Transport Edinburgh**

**Trams for Edinburgh**

**Lothian Buses**

## **Tram Project Board Report on period 4 Papers for meeting 9<sup>th</sup> August 2007**

**09:00am – 12:00pm**

### **Distribution:-**

David Mackay (Chair)  
Willie Gallagher  
Neil Renilson  
Bill Campbell  
Bill Reeve  
Andrew Holmes  
Susan Clark (for Matthew Crosse)

Donald McGougan  
Graeme Bissett  
James Stewart  
Alastair Richards  
Jim McEwan (for Stewart McGarrity)  
Jim Harries  
Miriam Thorne (minutes)

**Transport Edinburgh**  
**Trams for Edinburgh**  
**Lothian Buses**

TRAM Project Board

<b>Contents .....</b>	<b>Page</b>
<b>Agenda Tram Project Board.....</b>	<b>2</b>
<b>Minutes Tram Project Board 12 July 2007 .....</b>	<b>3</b>
<b>Executive summary .....</b>	<b>8</b>
1.1 Previous period update.....	8
1.2 Key issues for forthcoming period .....	12
1.3 Cost.....	15
1.4 Health, safety, environment and quality.....	15
1.5 Stakeholder and communication .....	16
1.6 Approvals / decisions / support required.....	16
<b>Appendix A Procurement milestone summary .....</b>	<b>17</b>
<b>Appendix B Headline cost report .....</b>	<b>19</b>
1.1 Current financial year.....	19
1.2 Next financial year .....	21
1.3 Total project anticipated outturn versus total project funding.....	21
1.4 Change control .....	22
1.5 Summary breakdown.....	23
<b>Appendix C Risk and opportunity .....</b>	<b>24</b>
1.1 Summary.....	24
1.2 Review project risk register.....	24
1.3 Opportunities .....	26
<b>Appendix D Primary risk register .....</b>	<b>27</b>
<b>Supporting papers</b>	
<b>SDS Update – P4.....</b>	<b>33</b>
<b>Advance works – Infraco and Tramco mobilisation .....</b>	<b>39</b>
<b>A8 piling works – procurement plan .....</b>	<b>43</b>
<b>EICC Utility diversions .....</b>	<b>45</b>
<b>Review of TRO strategy – Greenways.....</b>	<b>48</b>
<b>Developer Contributions .....</b>	<b>52</b>
<b>Tabled paper</b>	
<b>FINANCIAL CLOSE DELIVERY PROGRAMME .....</b>	<b>62</b>

## Agenda Tram Project Board

**Brunel Suite – Citypoint II, 2<sup>nd</sup> Floor**  
**9<sup>th</sup> August 2007 – 9.00am to 12.00pm**

### Attendees:

David Mackay (Chair)	Graeme Bissett
Willie Gallagher	James Stewart
Neil Renilson	Alastair Richards
Bill Campbell	Jim McEwan
Bill Reeve	Jim Harries
Andrew Holmes	Miriam Thorne
Susan Clark (representing Matthew Crosse)	Steven Bell
Donald McGougan	

### Apologies:

- 1 Review of previous minutes
- 2 Matters arising
- 3 DPD and MUDFA update
- 4 Project Director's progress report for Period 4  
Papers:
  - SDS update including claims resolution
  - Infraco / Tramco mobilisation
  - A8 piling works
  - EICC Utilities Diversion
  - Review of TRO strategy – Greenways
- 5 Sign off criteria – update
- 6 Wide area impacts – update
- 7 CEC / TS / Tram Project governance and funding arrangements
  - CEC contribution report
- 8 Programme milestones for procurement, funding and FBC approvals
- 9 Procurement and negotiations – update
- 10 Value engineering – update
- 11 Tram Project Board dates
- 12 AOB

**Edinburgh Tram Network**

**Minutes Tram Project Board 12 July 2007**

**tie offices – Citypoint II, Brunel Suite**

<b>Principals</b>		<b>Participants:</b>	
David Mackay	DJM (chair)	Matthew Crosse	MC
Willie Gallagher	WG	Alastair Richards	AR
Neil Renilson	NR	Damian Sharp (representing Bill Reeve)	DS
James Stewart	JS	Bill Campbell	WWC
Stewart McGarrity	SMcG	Graeme Bissett	GB
Andrew Holmes	AH	Steven Bell (partial)	SB
		Geoff Gilbert (partial)	GG
		David Crawley (partial)	DC
		Jim McEwan	JMcE
		Miriam Thorne (minutes)	MT

**Apologies:** Jim Harries, Bill Reeve

<b>1.0</b>	<b>REVIEW OF PREVIOUS MEETING</b>	<b>Action</b>
1.1	The previous minutes were taken as read	
<b>2.0</b>	<b>Organisational change</b>	
2.1	WG provided an update of the organisational change underway within <b>tie</b> following the ministerial announcements relating to EARL, SAK and other projects. He explained that a number of staff are now going through the statutory consultation process for redundancies, with a potential reduction of 15 staff.	
2.2	He further outlined the management re-organisation which will support the delivery of the tram project: <ul style="list-style-type: none"> <li>• MC will continue to focus on delivering an affordable Infraco deal.</li> <li>• SB will support on MUDFA and VE on trackform.</li> <li>• SC will focus on programme, controls and milestones.</li> <li>• JMcE will lead on achieving VE savings.</li> </ul>	
<b>3.0</b>	<b>DPD update</b>	
3.1	WG provided an update on the DPD on July 5 <sup>th</sup> . All papers to the DPD, except one, were brought forward to the TPB with recommendation to approve (see items 6.0, 8.0-12.0 below). The paper on run-time risk was put back as no critical decision was required at this point in time.	
3.2	WG explained that SDS seem to be making progress in delivering the required design. However, he highlighted that a line on the design may have to be drawn prior to full completion to allow Infraco pricing and VE savings to be firmed up. (see items 5.12; 7.2 below)	

3.3	Concerns had been raised about the quality of information provided in the Primary Risk register – WG advised that the register to the board would be updated accordingly and a thorough review will be actioned.	Mark Hamill - update done; review ongoing
3.4	The board was informed that further steps had been taken to improve the liaison with Network Rail to address the critical items of lease agreements and immunisation works. A meeting had been scheduled between WG and senior NR management to progress these matters.	
<b>4.0</b>	<b>MUDFA update</b>	
4.1	WG provided an update on the MUDFA meeting on the 4 <sup>th</sup> July. He explained that he was happy with the state of readiness of the MUDFA team and the fact that concerns about traffic management arrangement had been adequately addressed.	
4.2	The MUDFA team remains concerned about the delivery of IFC drawings, but are progressing works to programme	
4.3	A key issue had arising in relation to delays in sign-off by CEC Legal on agreements with Scottish Power and Telewest. WG highlighted that both, CEC and <b>tie</b> had not raised the underlying matters about insurance covers early to allow smooth sign off. The board confirmed senior management commitment to provide better escalation routes for key issues.	
4.4	DJM stated his concern about a culture of working in “silos” still persisted, and that he would bring up the matter in a planned meeting with Tom Aitchison. It was agreed that the programme to financial close should be reviewed to identify key decision points which relied on external approvals.	MC
<b>5.0</b>	<b>Project Director’s presentation “Moving Forward”</b>	
5.1	MC gave his presentation with support from GG on the procurement section. Questions and comments are outlined below.	
5.2	DJM emphasised that the focus for the project team is on Phase 1a of the Tram only.	
5.3	<u>Funding - whole project:</u> <ul style="list-style-type: none"> <li>• DS confirmed that the announced funding of £500m was in outturn prices. However, further detail would need to be discussed.</li> <li>• In relation to CEC, DJM requested that a regular monthly update be provided on the progress made to realise their committed funding programme.</li> </ul>	DS AH
5.4	<u>TS role:</u> the board discussed the future role of TS in relation to the project. JS highlighted that despite the recent funding announcement, TS would remain responsible to assure prudent spending of taxpayers’ money. This should require continued attendance at the TPB, although less detailed scrutiny outwith the board. It was confirmed that current periodic reporting would continue. DJM stressed that any TS representation at the TPB had to be empowered to make decisions on behalf of the Executive ( <i>since advised that TS planned to stand down from the Board post the August meeting</i> ).	

5.5	<u>Risk</u> : the additional risk to CEC was discussed in detail. It was agreed that the Project Risk Register needed to be strengthened for the additional funding risk to CEC. Further, JS requested that the impact on costs arising from any delays to the procurement programmed should be detailed at the board.	MC
5.6	<u>Design</u> : it was confirmed that the new programme took account of a revised programme for delivery of designs. Price critical items would be provided to the Infraco bidders to allow sufficiently firm prices to be developed. MC highlighted that this process provides more detail to the bidders than they would normally expect.	
5.7	MC confirmed that the programme has buy-in from all key stakeholders, including SDS. This included providing sufficient resources during the holiday period to achieve deliverables milestones. WG confirmed his personal involvement in all critical decisions and that weekly updates on progress were provided by the project team.	MC
5.8	The impact of modelling outputs on the design were discussed and MC explained that if any changes to the design were required as a result, these are likely to be marginal in their impact on construction, thus will not significantly influence the bid prices.	
5.9	DJM asked whether there was a risk that the chosen bidder would increase prices when the final design was delivered. GG explained that this risk was limited to a few areas, as many elements of the Infraco were standard items (e.g. track and electrification). Those items which are location specific were being addressed as part of the evaluation process.	
5.10	DJM raised the question of commercial incentives for SDS to achieve the programme. MC explained that Parsons Brinkerhoff was in a difficult commercial position and that future settlements were linked to milestone achievements	
5.11	JS questioned whether the board would be required to make a decision on design focus and what percentage of the design had to be completed before moving to preferred bidder. MC stated that the procurement programme took into account completion of critical items for price, risk allocation and programme. It was agreed that MC would provide details of the sign-off criteria to the next TPB.	MC
5.12	<u>Programme</u> : key elements of the procurement programme were discussed in detail. GG / MC highlighted the criticality of achieving a high level of clarity on VE and the necessity of achieving timely approvals from stakeholders. GG confirmed that although the programme was challenging, the bidders had bought into the timescales.	
5.13	<u>Approvals</u> : WG raised the issue that an extension of the current £60m grant would be required before reaching financial close scheduled for January 08. Both, AH and DS explained that they required detailed information on the cost impact if approvals to move to preferred bidder and / or to let the required advance works were delayed.	MC
5.14	DS confirmed that although an OGC 3 gateway review was required prior to TS approval for contract award, this was not necessary for conditional award, as proposed in the procurement programme.	

5.15	The board discussed the approvals requirement to let the advance works. JS pointed out that under the current programme, CEC and TS would effectively approve funding in November although no legally binding commitments were entered into until January 08. DS stated that such approval would require presentation of the FBC.	
5.16	DJM pointed out that TS needed to provide clear indication what that meant and requested that a separate session would be set up to address approvals and FBC contents requirements.	GB / DS / AH
5.17	<u>Phase 1b</u> : AH stated that he would need to brief the full Council on the status of options for Phase 1b prior to approval of contract award.	
<b>6.0 Impact of no-EARL</b>		
6.1	WG explained that he had received guidance from senior levels in TS to proceed with tram on a no-EARL basis. MC confirmed that more detail would be provided to the board regarding re-design costs and the lost efficiencies.	MC
6.2	AH questioned whether in a no-EARL world, any discussions with BAA were required to review the location of the airport tramstop and any capital contribution. NR confirmed that capital contributions from BAA should be discussed, however, the location of the tramstop was unlikely to change	
<b>7.0 Value engineering</b>		
7.1	The Board requested that VE remains as standing agenda item	MT - done
7.2	JMcE outlined the current process and proposals for VE with support from SB and DC. He confirmed that the bidders have bought into the process and timescales for VE. He added that he considered the risk management process was "best in class". Key points discussed and board decisions are outlined below:	
7.3	<u>Trackform</u> : SB presented the proposals for VE on trackform. He confirmed the evaluation would ensure no negative impact on operations, and that clarity on PI issues from a design perspective would be achieved by 10 <sup>th</sup> Aug. The board approved the proposal subject to finalising the evaluation	SB
7.4	<u>Roseburn Delta Junction</u> : SB explained that the evaluation was still on-going and at this stage no issues were expected. Further information would be provided to the TPB Procurement board sub-committee as per the agreed governance structure.	SB
7.5	<u>MUDFA</u> : SB outlined the proposal to move responsibility for full road reinstatements to Infracore, with MUDFA providing temporary surfaces. AH confirmed this was acceptable to CEC, as long as the requirements of CEC's road authority were met. The board approved the proposal in principle.	
7.6	<u>Structures</u> : DC presented the VE proposals for structures. AH stressed the need to include CEC planning in the preparation of all plans. The board approved the principles, subject to confirmation that they would not impact negatively on either operational or maintenance costs.	MC / DC
7.7	<u>Murrayfield</u> : The board approved that the project should proceed on the assumption that no specific flood prevention measures would have to be provided at Murrayfield	

7.8	<b>Tramstops:</b> AR presented a number of VE proposals in relation to numbers of tramstops and their branding. The board approved the principles – further detail was to be developed as part of the VE process	AR / JMCE
8.0	<b>IP&amp;R</b> WWC presented the paper on Ingliston Park and Ride with the proposal to proceed with the design on a no-EARL basis. The board approved the proposal subject to any funding gaps being addressed. MC was asked to provide a detailed analysis of the EARL gains and losses.	WWC  MC
9.0	<b>Gogar depot – advance works Phase 2</b> The board approved the commencement of the works as outlined in the paper.	
10.0	<b>Branding</b> The proposal to appoint the selected branding consultant was approved subject to costs being covered by existing Communications budget.	
11.0	<b>Tramstop names</b> The board noted the paper on tramstop names	
12.0	<b>OCIP</b> The board noted that the OCIP insurance was placed with effectiveness from 23 <sup>rd</sup> July.	
13.0	<b>Next meeting</b> The next meeting will be held on Thursday 9 August, starting at 9am.	
14.0	<b>Matters arising</b> - no matters arising	

Prepared by Miriam Thorne, 22 July 2007



*24. VII. 07*

## Executive summary

### 1.1 Previous period update

#### 1.1.1 Delivery

##### MUDFA

Works on Section 1A commenced as planned on 9<sup>th</sup> July (Ocean Drive) and are going well. Agreement has been reached with Forth Ports to continue off road work on Section 1A throughout the embargo period to minimise any disruption to Forth Ports.

Designs due from SDS in the period were not delivered to schedule. The impact of the delays is being managed carefully to ensure works can start in the following period as per the plan.

Identification of areas for slit trenches to validate the locations of existing services were agreed with SDS and Adien. These are now being arranged with work planned to commence next period.

#### Advance works

##### Depot

Good progress continued through the period with the programme running approximately two weeks ahead of schedule. The unexploded bomb survey was completed and **tie** await the report.

##### Invasive species

The initial treatment cycle was completed on 12<sup>th</sup> July.

#### Land and property

Tranche 3 GVD notices were issued

#### IPR temporary

Works have not started on the temporary carpark as a decision on future proofing the design for EARL was outstanding. Following the decision on EARL, a review of the preferred lay-out for the total IPR site and of the associated costs is ongoing. It is currently intended that the site will be made permanent.

## **IPR 2**

Tenders have been received and evaluated. Contract award is pending a decision on IPR temporary.

### **1.1.2 Traffic management**

#### TRO strategy

CEC political transport spokespeople have been briefed on the TRO Strategy. The Council Solicitor has now agreed the strategy approved by the Tram Project Board. Consideration of the treatment of Greenways is ongoing.

#### Other traffic management activities

Work continues on some TRO work programme early actions, e.g. Statement of Case.

The traffic modelling completed the base model re-calibration and this has been provisionally signed off, pending the final due diligence report. Coding of the PD 1 tram design was advanced and model tests commenced. St Andrews Square advance design of the west side traffic measures (for early implementation) has been started.

### **1.1.3 Engineering, approvals and assurance**

#### Critical issues

The 'critical issues' are items which may prevent SDS from achieving their programme. These have been the subject of concerted effort over the last few weeks. There are now only one high and one low status items remaining. For each of those, a way forward has been found which will facilitate final closure.

#### Design assurance

V17 of SDS' programme is the first one that it has been possible to construct since the successful resolution of virtually all of the long-outstanding critical issues and RFIs. Hence, it is the first time that SDS has been able to demonstrate to **tie** an achievable programme that has not been accompanied by caveats linked to the resolution of outstanding issues.

After joint examination of the SDS programme V17, it has been agreed that it will be slightly revised to give structural design elements a lower priority than other design elements. This will facilitate their earlier completion, with consequent improvements in the overall review process. This is acceptable as the review process for structures is more straightforward than, for example, roads layout design, which involves more interfacing design key elements, such as utilities and traffic modelling.

Each of the 18 design packages will be large and, in some cases, will follow each other in a very short space of time. To avoid review overload, it has further been agreed that the 18 packages will be sub-divided into more digestible sub-packages which match the "Prior Approval" and "Technical Approval" milestones. Each of those sub-packages will be accompanied by as much associated design assurance information as is possible. This means that when the 18 final design assurance packs are submitted for review, the workload will be manageable.

#### **1.1.4 Commercial and procurement**

##### Procurement programme

The revised procurement programme was presented to the Board and the Project is now progressing procurement against this programme. The headline dates are as follows:

- A recommendation to award Infraco and Tramco contracts will be presented to a special Tram Project Board on, or around, 25<sup>th</sup> September 2007. This is subject to completion of due diligence on design, confirmation of the Phase 1b option price and negotiation of the remaining Infraco, Tramco and SDS alignment issues to facilitate novation.
- Issue of the Contract Award notification for the Infraco and Tramco contracts on 11<sup>th</sup> January 2008.
- The overall completion of the Phase 1a works has been maintained at 1<sup>st</sup> quarter 2011 through mobilisation of Infraco and Tramco in October 2007 and by undertaking further advance works

The procurement milestone summary is included as Appendix A showing progress to date.

##### Infraco

Both bidders are now committed to the revised programme and are working to it.

- Initial evaluation has been concluded, including initial normalisation.
- Queries arising from the initial evaluation have been sent to bidders and responses have now been received.
- Contract negotiations on key contract issues are well advanced and are being resolved satisfactorily.
- Indicative drainage designs have been issued.

##### Tramco

Negotiations on contract terms have been concluded with both bidders. Those with Douglas have been resolved satisfactorily. Those with the other bidder less so, but a final position has been reached.

The BAFO document has been sent out and is due to be returned on 3<sup>rd</sup> Aug.

##### MUDFA

The previously approved EARL / Tram design capture process phase 1 is currently being re-scoped to cater for the Tram requirements only. The commercial implications associated with the removal of the EARL works and the subsequent re-scoping of the Tram design and construct requirements only are currently being assessed.

OCIP

Approval to place the OCIP was granted at the last Board and it was placed on 23<sup>rd</sup> July. Notifications have been sent to unsuccessful bidders.

Value engineering

The VE opportunities were reviewed at the last Tram Project Board. This allowed savings to be accrued in relation to the Murrayfield structures flood defence allowance, and agreement in principle was given to proceed with other savings opportunities. Full support from CEC will be required to crystallise these saving opportunities

A meeting was held with Scoop to review with them opportunities for VE on structures. They have provided further information identifying the areas to be developed. A similar meeting is planned with Roley.

The resolution of the trackform solutions is key to both finalisation of Infraco bid evaluations and to delivering VE savings. Given the importance of this to the Project, Steven Bell has been assigned to lead this.

The table below sets out the current position of value engineering initiatives.

	Number of initiatives	Value (£m)
Savings banked	13	8.7
Areas still under consideration	90	23.3
Initiatives no longer under consideration	30	-
Total	133	32.0

SDS changes and claim

As previously reported, a claim has been received from SDS for the sum of £2.2m for the period to 31 March 2007. A further claim indication has been given for the period to 1 June. These claim issues should be resolved before finalisation of novation arrangements. The programme backstop date for this is the end of October. The preferred timescale for resolving the historical issues is settlement by the end of August and a programme is being agreed with SDS to this end. However, it should be noted that further time will be

required if a satisfactory solution cannot be settled by that time. A paper will be put to the August Board setting out proposals for settlement.

The production of designs to a programme and standard to meet the needs of the procurement programme remains a concern.

### **Other procurement activities**

Preparation of a procurement plan for the advance delivery of the depot piling works has been completed.

### **1.1.5 Finance and Business Case**

A programme for the completion of the Final Business case has been prepared. Following discussions at the Board, this programme has been revised and will be presented to the Board in August. This programme is fully aligned with the Procurement Programme and supports the assumptions on approval requirements contained therein.

## ***1.2 Key issues for forthcoming period***

### **1.2.1 Delivery**

MUDFA

- Design is required to commence construction in McDonald Rd – Iona St on 6<sup>th</sup> August.
- Design is also required to commence works order preparation for Section 5A on 20<sup>th</sup> August

### **Advance works**

Depot

- The Phase 2 contract is to be awarded and works are to commence.

Invasive species

- The second treatment cycle is to commence on the 20<sup>th</sup> August, dependent on the level of re-growth and the weather forecast.

### **Land and property**

- Issue Tranche 4 GVD notices.
- Prepare Tranche 5 GVD notices.

### **IPR temporary**

- A decision will be made on future following redesign options for IPR.

### **IPR 2**

- The contract award for IPR2 is dependent of redesign to take account of no EARL.

### **1.2.2 Traffic management**

- A review of the TRO Strategy with regard to Greenways needs to be undertaken. **tie**'s preferred option is now to revert the red regulatory lines on Tram affected Greenways sections to yellow regulatory lines. This is to remove what is now seen as an unacceptable project risk caused by the indeterminate period that the approval of an amended Greenways Order by Scottish Ministers may entail. There are also policy issues to work through with CEC in terms of producing a consistent decriminalised enforcement regime. A report will be submitted to the August Board.
- The traffic modelling will continue test runs to highlight Tram route issues involving some alternative scenarios at key junctions. The modelling is also intended to highlight the wider area traffic management scope.
- The TRO activities will continue work on 'early actions'. It is intended to commence the SDS provisional TRO design and scheduling for the Tram route in mid August.
- Completion of design for the early implementation of St Andrews Square traffic management measures.

### **1.2.3 Engineering, approvals and assurance**

- Weekly monitoring of SDS deliverables continues, in combination with the critical issues meeting, which focuses on programme as well as critical issues and the delivery of MUDFA designs.

The removal of these critical issues has been greatly assisted by focused effort from CEC and TEL in producing pragmatic solutions to intractable design problems. This has enabled SDS to proceed with other dependent design works. It should be noted that **tie** are proceeding at risk (to some degree) in releasing for detailed design, matters which have been accepted only at PD1 stage without further modelling confirming them at PD2. However, because of the nature of wide stakeholder involvement, this risk will be manageable.

The greatest risks foreseen to the achievement of the design programme are:

- “What-if” exercises that divert key resource away from design and its management – usually, this is a by-product of debate on road layout design, traffic modelling and structural finishes.
- Failure to manage design review against the strict criterion of compliance with the requirements specified to SDS.
- The diversion of critical SDS resource onto other projects.

#### **1.2.4 Commercial and procurement**

##### Infraco

- Issue of final bid information updates as agreed with bidders.
- Agreement of bid normalisation with bidders.
- Conclusion of negotiations on contract terms.
- Negotiations to deliver savings on Infraco margins and overheads.
- Reviews and negotiations to resolve Infraco / Tramco interface issues (commercial, technical and programme).

##### Tramco

- Return of BAFO bids.
- Final commercial negotiations to reduce prices.
- Reviews and negotiations to resolve Infraco / Tramco interface issues (commercial, technical and programme).

##### MUDFA

- Formalisation of renegotiated preliminaries valuation and incentivisation terms ongoing.
- Preparation and agreement of C4 estimates with statutory utilities.
- Preparation and agreement of work sector budgets / targets with MUDFA Contractor.

##### Advance works

- Finalisation of the procurement strategy for advance piling works at depot and mobilisation of Infraco and Tramco prior to contract award.

##### OCIP

- Final resolution of insurance issues with Infraco and Tramco bidders.
- Prepare recommendation on professional indemnity insurance and financial loss insurance.
- Place OJEU notice for broker services

Value engineering

- Resolution of Trackform and identification and agreement with Infracore bidders of opportunity for savings on structures. Delivery of further recommendations on VE savings.

**1.2.5 Finance and Business Case**

- Further detailed planning is underway for the completion of the FBC for approval by CEC and TS. Buy-in to the proposed approach is required from all key stakeholders to achieve the approvals milestones.

**1.3 Cost**

	COWD - Period	COWD (YTD)	COWD YTD + f/cast to year end	AFC
Phase 1a	£ 9.6m	£28.6m	£119.6m	£501.8m
Phase 1b	£ 0.04m	£ 0.9m	£ 1.0m	£ 92.0m
Phase 1a+1b	£ 9.6m	£29.5m	£120.6m	£593.8m

- The COWD in the period relates primarily to the continued development of the design, the value of 2<sup>nd</sup> Tranche of the GVD Land acquisition (CEC and s.75 Land, non cash), the ongoing advance works and the commencement of MUDFA on-street works.
- Costs for Phase 1b relate purely to finalising design works as previously agreed by the Board.
- The forecast COWD for the year includes a total of £19.7m in relation to land costs, reflecting the latest valuation by the District Valuer.
- The COWD forecast for the year also includes allowances for further advance works in October, as per the assumptions underlying the Procurement Programme.
- The headlie cost report is shown as Appendix B
- The risk report is shown as Appendix C

**1.4 Health, safety, environment and quality**

No accidents were reported in the period and the accident frequency rate (AFR) for the project remains 0.00.

Four site inspections were completed in the period, two at the depot and two at utility diversion sites. Minor findings were reported at the utility diversion site. Three safety tours were completed. One serious finding was reported regarding the lack of a site traffic management plan at Gogarburn depot advance works. One minor incident was reported in the period.

## **1.5 Stakeholder and communication**

Now that Scottish Executive approval has been granted for the Trams for Edinburgh Project to proceed, the stakeholder strategy and plan will continue since it was in abeyance due to the political uncertainty.

A number of wider community meetings were held to introduce the preliminary design for the Edinburgh Trams and a number of community liaison meetings are planned for the following period. The Stakeholder Team has worked with the AMIS team to ensure that obligations on customer liaison have been delivered now that the MUDFA works have commenced.

As part of the Business Rates Relief Support Scheme, customer information packs have been sent out to those concerned with the August works.

## **1.6 Approvals / decisions / support required**

Decisions / support required from TS:

- Graeme Bissett to provide an update at the TPB meeting.
- Support in streamlining the approval process for Infraco and Tramco contract award approvals.
- Letter of comfort for Infraco bidders (required for August).
- Confirmation of funding draw-down to permit finalisation of payment arrangements with bidders.
- Clarification of funding / process to achieve funding for the whole of 07 / 08.
- Resolution of TS / CEC funding and risk sharing agreements.
- Confirmation that the EARL alignment will not be protected between the depot and airport.

Decisions / support required from CEC:

- Support in streamlining the approval process for Infraco and Tramco contract award approvals.
- Resolution of TS / CEC funding and risk sharing agreements.

Decisions / support required by others:

Resolution of Ingliston Park and Ride Phase 2

## Appendix A Procurement milestone summary

Board date	Milestone	Due date	Delivered date	Comment
12 <sup>th</sup> July	Conclude initial review Return of Update Package 3	03/07/07 06/07/07	05/07/07	Iterative process, will be captured within submission of final bid proposal 07/08/07
	Initial normalisation of price Draft evaluation	15/06/07 10/07/07	29/06/07 Ongoing	Final evaluation due 17/08/07
9 <sup>th</sup> Aug	Conclude negotiation of contract terms	17/07/07		Ongoing, big ticket issues agreed in principle with bidders, completion of balance of main items by 27/08/07
	Infraco final bid proposals Updated evaluation	07/08/07 09/08/07		To be finalised by 17/08/07
5 <sup>th</sup> Sept	Conclude negotiations with bidders	27/08/07		To prepare recommendation of preferred bidder
	Presentation of evaluation to evaluation panel	03/09/07		
	Presentation of evaluation to TPB Procurement sub committee	06/09/07		
26 <sup>th</sup> Sept	TPB Endorsement of Conditional Recommendation to Award	25/09/07		
31 <sup>st</sup> Oct	Conclusion of final facilitated negotiations	01/10/07		
	Conclusion of negotiations for final deal	22/10/07		
	CEC Council meeting to endorse recommendation	13/11/07		Approval to recommendation pulled forward to Council meeting 25/10/07
28 <sup>th</sup> Nov	Conclusion of due diligence on critical design items	19/11/07		
	Conclusion of negotiations for Phase 1b option	27/11/07		
19 <sup>th</sup> Dec	Conclusion of due diligence on non critical design items	17/12/07		
	Approval of final deal by TPB sub committee	17/12/07		
	Transport Scotland approval of conditional recommendation	18/12/07		

23 <sup>rd</sup> Jan	CEC and TS approval of Final Deal Issue Of Contract Award Notice	11/01/08 11/01/08		Full Award approval by Council 20/12/07
20 <sup>th</sup> Feb	Financial Close	28/01/08		Award of Infraco and Tramco and effect novations

**Note: This is subject to confirmation or adjustment following clarification on the approval processes by CEC and Transport Scotland**

## Appendix B Headline cost report

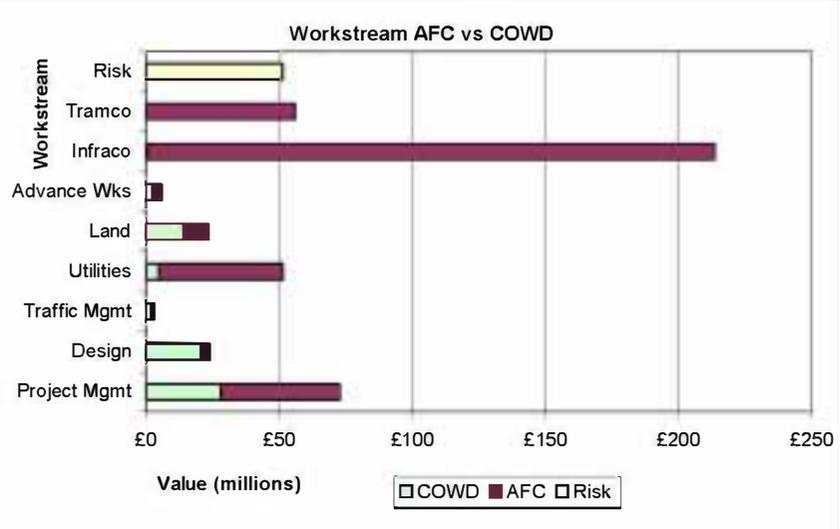
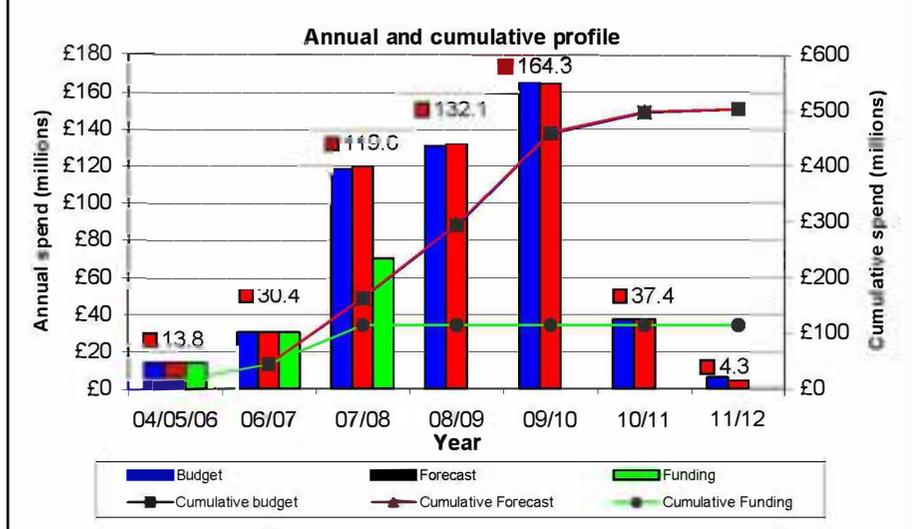
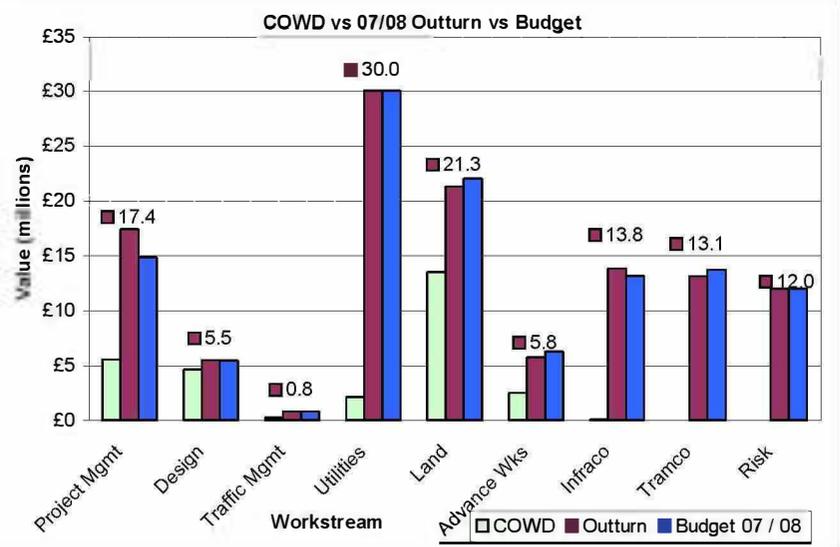
### 1.1 Current financial year

	COWD (YTD)	COWD YTD + forecast to year end	Funding TS authorised current year	COWD YTD + forecast to period covered by current grant letter
Phase 1a	£29.5m	£120.6m	£60.7m	£51.4m (P7)
Phase 1b		- <sup>1</sup>	- <sup>1</sup>	- <sup>1</sup>
Phase 1a+1b	£29.5m	£120.6m	£60.7m	£51.4m

Note - 1) Phase 1b design costs are to be expended against Phase 1a budget as agreed by the Tram Project Board.

- The COWD YTD includes £13.4m in relation to land purchases. This sum includes CEC, s.75 and third party land acquired under the GVD process. Other key items in the COWD YTD are £5.5m for design development, £2.4m for depot advanced works and £2.1m relating to MUDFA works. All are within budget.
- The COWD YTD + forecast to year end has increased by £1.5m. This is primarily due the revised phasing attributable to placing the OCIP, where spend for Tramco and Infraco cover is phased over two years instead of three. This does not increase the full OCIP cost or the AFC.
- The Stage 1 advanced works at the depot remains ahead of programme with 123,000m<sup>3</sup> excavated (confirmed via independent topographical survey), against a planned 101,000m<sup>3</sup> to the end of Period 4. A works instruction for Stage 2 works is imminent pending final contract negotiations, in line with Stage 2 Board paper approved last period.
- The full forecast cost for the year is aligned to the assumptions underpinning the procurement programme and remains sensitive to the extent of advanced works undertaken prior to the award of Infraco.

Period 4 - 07/08 COWD (£000s)				
Workstream	F/cast	Act	Var	Comments
Project Mgmt	2,000	1,745	(254)	Delayed activation of the OCIP for Mudfa (now P5) and various minor adjustments.
Design	807	800	(6)	
Traffic Mgmt	70	80	10	
Utilities	2,800	1,445	(1,355)	Delayed start to Mudfa street works impacting previous forecasts.
Land	4,126	4,540	414	DV Plot evaluation / allocation of Caley Alehouse Demolition
Advance Wks	697	1,010	314	Progress ahead of programme ie excavation quantities to P4 in excess of baseline programme as confirmed by latest independent topographical survey
Infraco	39	12	(27)	
Tramco	0	0	0	
Risk	0	0	0	
<b>Total</b>	<b>10,538</b>	<b>9,633</b>	<b>(905)</b>	



## 1.2 Next financial year

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total FYF
Phase 1a	£25.4m	£34.1m	£23.4m	£49.3m	£132.1m
Phase 1b	£ 5.3m	£ 1.2m	£ 2.2m	£ 3.0m	£ 11.7m
Phase 1a+1b	£30.7m	£35.3m	£25.6m	£52.3m	£143.8m

Total FYF for 08 / 09 has increased by £1.5m, which is as a result of the revised phasing of OCIP (refer to section 3.1 above).

The forecasts for 08 / 09 remain sensitive to the revised programme and are predicated on achieving approvals to let the Infraco contracts to meet contract award date in January 08, with subsequent commencement of Infraco physical works in February 08.

Forecasts for Phase 1b (if approval is received) in 08 / 09 relate to design, land, costs for utility diversions and risk allowances.

## 1.3 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 <sup>1</sup>	£545m	£501.8m
Phase 1b	£0m	£0 <sup>2</sup>	£0 <sup>2</sup>	£ 92.0m <sup>3</sup>
Phase 1a + 1b	£500m	£45m <sup>2</sup>	£548.3m	£ 593.8m

The recent ministerial announcement on funding confirmed the position.

Notes:

1. Includes £7.3m of CEC / s.75 free issue land
2. £3.3m of CEC / s.75 free issue land are included in £45m funding from CEC.
3. Includes £2.5m of design costs for Phase 1b, to be expended against Phase 1a funding.

The increase of the Phase 1a AFC to the DFBC baseline (£500.5m) is due to rounding in underlying values and two authorised change orders:

- CEC resource allocation to the Tram Project - £0.9m
- Additional JRC modelling requirement to address wide area impacts - £0.2m

## 1.4 Change control

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

	Phase 1a £m	Phase 1b £m	Phase 1a + 1b £m
Project Baseline (DFBC)	500.5	92.0	592.5
Authorised Changes	1.2	-	1.2
Current AFC	501.8	92.0	593.8
Anticipated / potential changes	4.6	-	4.6
Potential AFC	506.4	92.0	598.4

Concurrent with the programme review undertaken in previous periods, an internal review of the budget was undertaken to confirm the project estimate and take account of the assumptions for advance works underpinning the Procurement Programme. This review took account of the impact of organisational changes in **tie** following the ministerial announcement on **tie**'s other projects.

The result of this review has been fully incorporated in the above project estimate.

Some of the potential changes relate to items previously discussed at the Board. However, no formal change notices have been raised. These changes include:

- Citypoint II: Fit out and costs of leasing additional office space.
- Costs of eradication of invasive species.
- Additional costs arising from the delay to commencement of the main MUDFA works to July.

As part of the internal review, opportunities have been identified to mitigate the impact of these changes. These opportunities have not yet been fully closed out; therefore the items are not removed from the potential changes list.

A number of anticipated changes relate to items excluded from the Preliminary Design Stage Project Estimate Update following a review undertaken at that time, for example the provision of a tram vehicle mock up.

Acceptance and inclusion of these items in the scheme will, all other things being equal, result in an increase in the AFC, requiring either additional funding or increased savings through value engineering to maintain affordability.

**Transport Edinburgh**  
**Trams for Edinburgh**  
**Lothian Buses**

**1.5 Summary breakdown**

Original estimate (including escalation)

	Base Cost	Risk	Opportunity	OB	(or)Contingency	Total
Phase 1a	£449.1m	£51.4m	£0 <sup>1</sup>	£0 <sup>2</sup>	£0 <sup>3</sup>	£500.5m
Phase 1b	£80.5m	£11.5m	£0 <sup>1</sup>	£0 <sup>2</sup>	£0 <sup>3</sup>	£ 92.0m
Phase 1a + 1b	£529.6m	£62.9m	£0 <sup>1</sup>	£0 <sup>2</sup>	£0 <sup>3</sup>	£592.5m

Latest estimate / AFC (including escalation)

	Base Cost	Risk	Opportunity	OB	(or)Contingency	Total
Phase 1a	£450.4m	£51.4m	£0 <sup>4</sup>	£0 <sup>2</sup>	£0 <sup>3</sup>	£501.8m <sup>5</sup>
Phase 1b	£ 80.5m	£11.5m	£0 <sup>4</sup>	£0 <sup>2</sup>	£0 <sup>3</sup>	£ 92.0m
Phase 1a + 1b	£530.9m	£62.9m	£0 <sup>4</sup>	£0 <sup>2</sup>	£0 <sup>3</sup>	£593.8m <sup>5</sup>

Notes:-

1. Opportunities identified at DFBC stage were taken into the DFBC estimate.
2. OB included in risk (QRA at P90 confidence level) as agreed with TS
3. Contingency included as part of risk at present
4. Opportunities in latest estimate / AFC – savings targeted through the current value engineering exercise and negotiation strategy to maintain affordability.
5. Includes authorised changes

## Appendix C Risk and opportunity

### 1.1 Summary

As part of the overall review of the information held on ARM there have been a number of risk workshops held during the period.

Two risk workshops were held by the Risk Manager in order to review each black flag and red risk within ARM. These workshops were attended by the Project Director, the Delivery Director and the Commercial Director.

A risk workshop was held at the MUDFA office with both **tie** and AMIS representatives in attendance.

Other areas of the project which have undergone a risk review are:

- Procurement
- Tramco
- Infraco
- Depot
- TEL
- Traffic regulation orders
- JRC and land acquisition

Each risk register for the above workstreams has had a full review by the Risk Manager and the Project Manager responsible for the workstream.

### 1.2 Review project risk register

#### 1.2.1 The principal changes in the risk position since the last period are:

Risks opened	8
Risks closed	27
Risks reassessed	46

#### 1.2.2 Risks added

Of the eight risks opened in this period, the most significant ones are:

- **All five of the proposed suite of Traffic Regulation Orders are subject to public hearings:**
  - If the recommendation to amend the Local Authority Traffic Order regulations is not amended to allow any of the TROs to proceed without public hearings, **tie** will need to carry the cost of these

# **Transport Edinburgh**

## **Trams for Edinburgh**

### **Lothian Buses**

public hearings and there is no allowance for this in the base estimate.

- ***Increase in the Lothian Valuation Joint Board rateable value of the spoil site:***
  - Lothian Valuation Joint Board have increased the rateable value of Craigpark quarry, as a consequence of the Tram Project using the site as our spoil receptor. At present the quarry is rated on the same basis as the concrete batching plant that shares the site. There would be a delay to the programme from having to arrange an alternative site should a satisfactory resolution not be found.
- ***Traffic modelling programme overruns:***
  - Delay in securing final signed-off design, and in particular, clarity over the extent of wider area impacts, will cause the overall traffic modelling programme to be delayed and this will impact upon delivery of the Final Business Case.
- ***Delay to start of works jeopardises funding for Ingliston Park and Ride:***
  - Funding from SESTran and CEC needs to be spent prior to 31 March 2008. Delay in confirming the scope of this project will delay the start of the works, thereby jeopardising this funding.

### **1.2.3 Risks closed**

Of the 27 risks closed during the period the most significant risks on the project were:

- ***Submission of Certificate of Appropriate Alternative Development claims for plots 150 and 162:***
  - Plot 150 has been closed as agreements have been reached to allow the lease of this land to terminate naturally. Plot 162 has been closed as this land will be subject of an internal transfer within CEC.
- ***Political risk to continued commitment of TS / CEC support for Tram scheme:***
  - Closed as the new administration is now supporting the scheme
- ***Tram tender validities exceeded:***
  - Validity period will be 12 months from receipt of BAFO (best and final offer).

### **1.2.4 Risks reassessed**

Of the 46 risks reassessed, the main items are:

- Price certainty is not achieved – capex impact of this risk was increased.
- Infraco refuses to accept or fully engage in novation of SDS – probability of this risk reduced.
- VE process makes TEL business case undeliverable – opex impact increased.

# **Transport Edinburgh**

## **Trams for Edinburgh**

### **Lothian Buses**

- Proposed amendment of traffic regulations for Tram core measures is unsuccessful thereby triggering public hearings for all TROs – capex and programme impacts increased.

#### **1.2.5 Primary risk register**

See appendix D.

#### **1.3 Opportunities**

There has been no significant update to the spreadsheet provided last month although work continues to realise opportunities.

**Appendix D Primary risk register**

ARM Risk ID	Risk Description			Risk Owner*	Significance	Black Flag	Treatment Strategy	Treatment Status		Date Due	Action Owner
	Cause	Event	Effect					Previous	Current		
870	SDS Designs are late and do not provide detail Infraco requires	Infraco does not have detail to achieve contract close	Delay to due diligence and start on site and need to appoint additional design consultants	T Glazebrook	25	Project	Review AIPs for Structural Information	Complete	Complete	02-Feb-07	S Clark
							Obtain Design Progress Dashboard from SDS	Complete	Complete	15-May-07	T Glazebrook
							Monitor design progress and quality	On Programme	On Programme	10-Jan-08	T Glazebrook
268	Final Business Case is not approved or is approved subject to the gaining of additional funding	Funding not secured/agreements not finalised for total aggregate funding from TS and CEC including grant/indexation at FBC; risk sharing between parties; cashflow profile; financial covenant; public sector risk allocation.	Possible showstopper; Delays and increase in out-turn cost may affect affordability. Event: also decision on line 1B.	S McGarrity	0	Project	tie are facilitating interaction between TS ANd CEC in the delivery of a funding agreement which will cover all funding matters including decision making on Phase 1b. This process requires each party to facilitate decision making within. Target resoluti	On Programme - Target Date mid August 2007	On Programme - Target Date mid August 2007	28-Sep-07	G Bissett
							Tram Project Board to monitor progress towards conclusion of agreement.	On Programme	On Programme	28-Sep-07	D MacKay
915	Policy or operational decision	Transport Scotland and CEC do not provide indemnities on payment	Bidders will not commit to contract without this assurance; Delay in bid process; Possible bidder withdrawal from negotiations and bid process.	G Gilbert	0	Project	Ensure Transport Scotland understand implication of not providing indemnities and obtain buy-in from them	On Programme	On Programme	15-Aug-07	G Gilbert

**Transport Edinburgh**  
**Trams for Edinburgh**  
**Lothian Buses**

ARM Risk ID	Risk Description			Risk Owner*	Significance	Black Flag	Treatment Strategy	Treatment Status		Date Due	Action Owner
	Cause	Event	Effect					Previous	Current		
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	G Barclay	25		In conjunction with MUDFA, undertake trial excavations to confirm locations of Utilities	On Programme	On Programme	31-Aug-07	A Hill
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 obstructions; other contaminated land	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.	G Barclay	25		Identify increase in services diversions. MUDFA to resource/re-programme to meet required timescales.	On Programme	On Programme	31-Aug-07	G Barclay
							Carry out GPR Adien survey	On Programme	On Programme	31-Oct-07	J Casserly
							Investigations in advance of work	On Programme	On Programme	30-Nov-07	J Casserly
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 an also as a result of any delay due to inflation.	T Glazebrook	25		CEC Planning - mock application by SDS	On Programme	On Programme	31-Dec-07	T Glazebrook
							Engagement with third parties to discussed and obtain prior approvals to plans	On Programme	On Programme	31-Aug-07	T Glazebrook

**Transport Edinburgh**  
**Trams for Edinburgh**  
**Lothian Buses**

ARM Risk ID	Risk Description			Risk Owner*	Significance	Black Flag	Treatment Strategy	Treatment Status		Date Due	Action Owner
	Cause	Event	Effect					Previous	Current		
							Identify fallback options	On Programme	On Programme	31-Aug-07	T Glazebrook
							Obtain critical consents prior to financial close	On Programme	On Programme	10-Jan-08	T Glazebrook
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.	T Glazebrook	23		Integrate CEC into tie organisation/accomodation (office move)	Complete	Complete	04-Jun-07	T Glazebrook
							Hold weekly CEC/SDS liaison meetings	On Programme	On Programme	31-Dec-07	T Glazebrook
							Hold fortnightly Roads Design Group	On Programme	On Programme	31-Dec-07	T Glazebrook
47	Poor design and review processes; cumbersome approvals process; reiterative design/approvals process.	Completion of MUDFA works is delayed (due to late design/approvals) - late utility diversions in advance of Infraco works.	Increase in price and time delay in the Infraco contract; Infraco could end up delay to commencement or with utility diversion and would have to price for or have to carry out unplanned re-sequencing; Claims from MUDFA as a result of being unable to proceed with works.	G Barclay	23		Review design timescales	Complete	Complete	30-Apr-07	J McAloon
							Micro management of design	On Programme	On Programme	31-Aug-07	J McAloon
							Revise design process	On Programme	On Programme	31-Aug-07	J Casserley

**Transport Edinburgh**  
**Trams for Edinburgh**  
**Lothian Buses**

ARM Risk ID	Risk Description			Risk Owner*	Significance	Black Flag	Treatment Strategy	Treatment Status		Date Due	Action Owner
	Cause	Event	Effect					Previous	Current		
							Review tie design review	On Programme	On Programme	31-Aug-07	J Casserley
							Incentivisation of SDS	On Programme	On Programme	28-Sep-07	M Crosse
917	Transport Scotland and CEC have not agreed funding and risk allocation required from Tram budget for Tram elements of work; Immunisation Works on critical path and it is essential they are complete by October 2009.	Source and level of funding and risk allocation for Network Rail Immunisation Works has not been established	Immunisation works unable to proceed due to lack of funding or works are delayed having a critical effect on programme	S Bell	23		Undertake Immunisation Works Risk Workshop to produce key risks register	Complete	Complete	16-Mar-07	
							Establish risks retained by each party for liability	Complete	Complete	30-Mar-07	D Sharp
							Issue instruction to Network Rail to undertake works	Behind Programme	Behind Programme	30-Apr-07	D Sharp
							Agree Immunisation Project Milestones	Behind Programme	Behind Programme	30-Apr-07	S Bell
							Establish funding contributions and respective budgets from TS/NR/CEC/Other Projects	Complete	Complete	31-May-07	D Sharp
980	Transport Minister unsympathetic to case put forward for change / SNP hostility towards project. Legal challenge of proposal.	Proposed Scottish Exec amendment of Traffic Regs for Tram core measures is unsuccessful thereby triggering public hearings	Delay to date by which TROs can be made increasing difficulty of managing the gap period between Infracore commencement and the date of the TROs being made. Impact (yet to be assessed)	K Rimmer	23		Encourage and assist SE as much as possible in order to promote change to regulations	On Programme	On Programme	31-Jul-08	K Rimmer

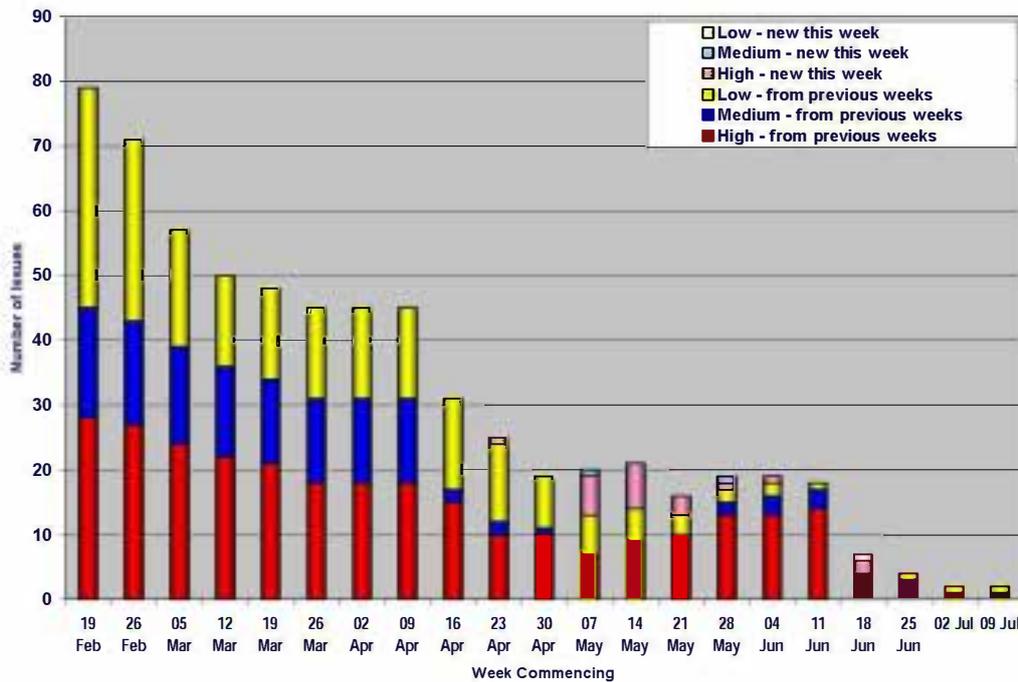
**Transport Edinburgh**  
**Trams for Edinburgh**  
**Lothian Buses**

ARM Risk ID	Risk Description			Risk Owner*	Significance	Black Flag	Treatment Strategy	Treatment Status		Date Due	Action Owner
	Cause	Event	Effect					Previous	Current		
			on project costs.								
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	T Glazebrook	18		SUC Liason	On Programme	On Programme		G Barclay
942	Decision making process, relating to funding and works, not undertaken during purdah period	Network Rail do not commence works at required time	Acceleration of works required to reduce duration; Additional costs; Works not completed by drop dead date of October 2009	S Bell	18		Develop strategy and lock down agreement between Transport Scotland and Network Rail	Behind Programme	Behind Programme	30-Mar-07	S Bell
							Clarify lines of communication and governance for Development Phase within Transport Scotland	Behind Programme	Behind Programme	30-Apr-07	D Sharp
							Establish and monitor agreement between TS and NR for start of Immunisation Works	Behind Programme	Behind Programme	31-May-07	S Bell

**Transport Edinburgh**  
**Trams for Edinburgh**  
**Lothian Buses**

ARM Risk ID	Risk Description			Risk Owner*	Significance	Black Flag	Treatment Strategy	Treatment Status		Date Due	Action Owner
	Cause	Event	Effect					Previous	Current		
							Ensure that contractual arrangement between Network Rail and contractor for D&B works is established and understood	Behind Programme	Behind Programme	29-Jun-07	D Sharp

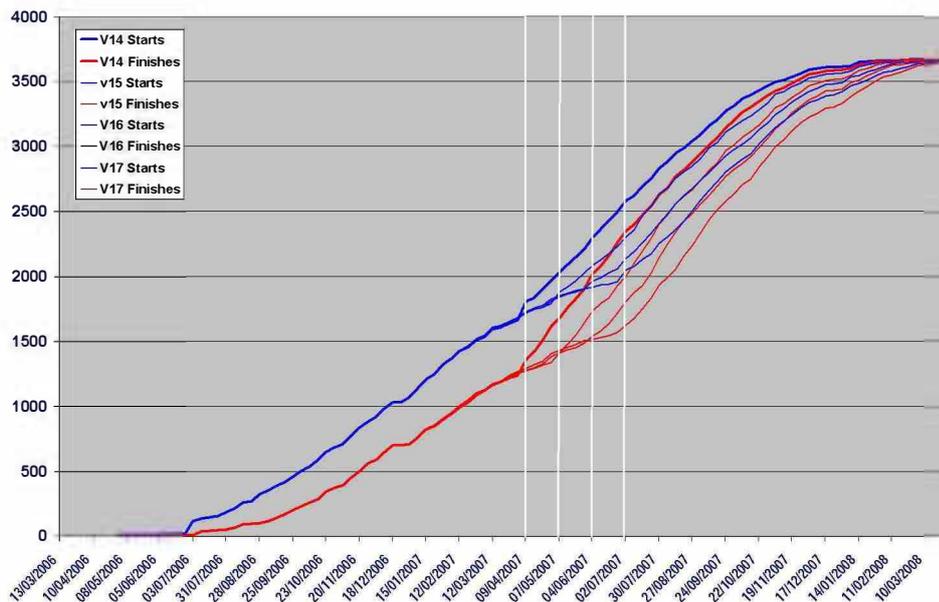




### 3.0 Design deliverables progress

The “dashboard” for deliverables measurement has been presented previously. It shows the total number of physical design deliverables due to have been started and finished compared with each previous issue of the programme. These cover the totality of the design-assured packages noted above.

Variances between baseline and actuals have three root causes (1) an unresolved critical issue – see above, (2) a change order from **tie** confirming that the ‘slippage’ is legitimate, usually because of a scope change, or (3) delay within SDS internal processes. The dashboard for the V17 programme is shown below indicating the cumulative number of design deliverable against time.



It is important to note the following:

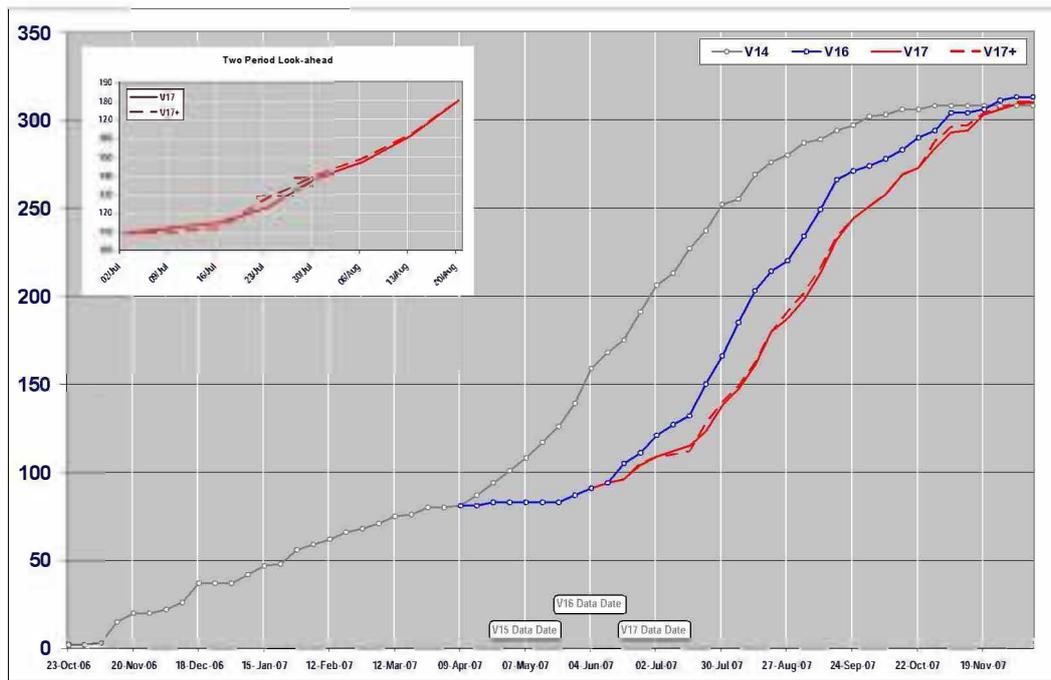
- The slippage has been occurring at approximately the rate of one period per period for the last three periods. However, this slippage has now been effectively arrested as a consequence of the removal of the last high-impact critical issue on 28 June 2007.
- Since the last effective critical issue was resolved on 28 June 2007 SDS have achieved their published programme at V17 i.e. from 2 July to 27 July. This gives some confidence that in the absence of factors which could reasonably slow progress it is possible for them to meet their programme. The V17 programme dates are consistent with the procurement programme and will still enable it effectively.

But,

- Recovery of the programme to an earlier finish date than that associated with V17 is unlikely given the size and complexity of interdependencies.
- There is no float available for further delay and much delivery will now be '*just in time*'.

In order to manage within these tight constraints further work has been done to mitigate risk.

A subset of the 4,000 design deliverables, focused on the design of the physical deliverables, has been identified (310 in number) and some re-ordering of these 310 items has been undertaken to produce a V17+ programme which is aligned well with the procurement programme. This is shown below. Weekly reporting will be made of the progress on these items.



The final outcome of this is that the deliverables for the design assurance packages will now be produced to the programme below.

Activity Name	V17. to tie	Section	Sub-Section
Produce Section Wide Design Assurance Statement	12-Nov-07	Section 2	2
Produce Design Assurance Statement	13-Nov-07	Section 3	3B
Produce Design Assurance Statement	15-Nov-07	Section 3	3C
Produce Section Wide Design Assurance Statement	06-Dec-07	Section 7	7
Produce Section Wide Design Assurance Statement	06-Dec-07	Section 6	6
Produce Design Assurance Statement	07-Dec-07	Section 3	3A
Produce Design Assurance Statement	11-Dec-07	Section 1	1D
Produce Design Assurance Statement	18-Dec-07	Section 1	1B
Produce Section Wide Design Assurance Statement	21-Dec-07	Section 3	3
Produce Design Assurance Statement	04-Jan-08	Section 5	5C
Produce Design Assurance Statement	07-Jan-08	Section 1	1C
Produce Design Assurance Statement	29-Feb-08	Section 5	5A
Produce Design Assurance Statement	04-Apr-08	Section 1	1A
Produce Design Assurance Statement	08-Apr-08	Section 5	5B
Produce Section Wide Design Assurance Statement	18-Apr-08	Section 1	1
Detailed Design Verification and Validation Report	22-Apr-08	Project wide	
Produce Section Wide Design Assurance Statement	22-Apr-08	Section 5	5
System Detail Design Review	06-May-08	Project wide	

Completion of the overall programme is now approximately four months later than the original published at V14. This is more severe than the total three months slippage on the majority of individual design deliverables. This is largely because of the overall time taken to remove critical issues.

#### **4.0 Design assurance**

SDS will provide 18 design packages (listed above), each being accompanied by design assurance documentation. These packages will be supplied in a form which is self-consistent, complete (or if not, with defined status), with interdependencies already reviewed and with associated approvals. Each package will also contain associated TRO information; although until the full modelling exercise has been concluded this cannot be finally confirmed. In the event that changes are required in respect of TROs, it is not thought that the design impact will be great.

After joint examination of the SDS programme V17 it has been agreed that it will be slightly revised to give structural design elements a lower priority than other design elements to facilitate their earlier completion, with consequent overall review process improvement. This is acceptable because the review process for structures is more straightforward than for e.g. roads layout design, which involves more interfacing design key elements, such as utilities and traffic modelling.

The 18 fully self-consistent packages will be delivered rather late to meet procurement milestones for Infraco pricing purposes so it has been agreed that key elements of them will be supplied earlier to the Infracos to facilitate the best possible pricing certainty from them.

Each of the 18 design packages will be large and, in some cases, follow each other in a very short space of time. To avoid review overload it has further been agreed that the 18 packages will be sub-divided into more digestible sub-packages which match the "prior approval" and "technical approval" milestones. Each of those sub-packages will be accompanied by as much associated design assurance information as is possible. This means that when the 18 final design assurance packs are submitted for review, the workload will be manageable.

#### **5.0 SDS Claim**

The SDS claim is the subject of a separate workstream. There is an incentive for SDS to settle the claim early (stemming margin losses) but little incentive for them to mitigate the delay effect of emerging issues, which may impact on design progress, pending settlement, as the fact of delay strengthens the defined basis of their claim.

A comparison of the charts in sections 2 and 3 of this report will show that the rate of removal of critical issues is not matched by the rate of acceleration in design progress at any point in time. It is accepted that there is not a linear relationship between the two, but in this case it appears that delay has been near total until the last issue was removed. This is mostly due to the complex interdependencies between items. This leads to the syndrome in which an item that is 99% complete physically is declared 0% complete in the absence of the final elements which may have been held up due to a 'critical issue' but may not actually be relevant to the physical design. Reporting is digital.





successful Infraco contractor in achieving tie's programme and achieve delivery into revenue service by January 2011 is of benefit.

The current programmes submitted by the bidders indicate a contract signing in October with a site start at the end of January 2008. It is now intended to sign the contract at the end of January 2008. If the mobilisation period remains unchanged then site start would be in April 2008. This could push the end date out by three months with a potential cost to the contract of £9.5m

By engaging in advance works, between the dates when the preferred contractor is announced at the end of September 2007 and when the contract is signed in January 2008, there is the opportunity to reduce the risk of delay to the end date for the contract and any additional costs that a delay would occur.

The other items that would form part of an advance works contract would be items that have an effect on the critical path of the contract in respect that if they were not carried out in the period between end September 2007 and January 2008 a delay would occur or reprogramming of the contract would be required. Both scenarios would incur additional costs to the contract if not carried out

To validate and further develop this plan the following activities are required:

- Obtain board approval to this approach: August 2007
- Agree principles of strategy with Infraco and Tramco bidders during August 2007
- Obtain detailed proposals and programme of the activities necessary to deliver the mobilisation agreements from Infraco and Tramco bidders: end August 2007
- Prepare draft mobilisation agreements and negotiate and agree with Infraco and Tramco bidders: 18<sup>th</sup> September 2007
- Include in Conditional Award recommendation: 26<sup>th</sup> September 2007
- Award mobilisation agreement contracts: 1<sup>st</sup> October 2007

#### **Impact on budget\***

This approach is expected to be cost neutral as it relates to pulling forward activities that are part of the Infraco works. The costs are included in the project estimate, but are not allowed for in the funding until financial close. However, the key advantage is that it would avoid incurring additional costs due to delay.

Consideration must also be given to the availability of funding, in terms of when funding would be available to be released from CEC and Transport Scotland, and the amount that could be released before the main Infraco contract is awarded.

#### **Impact on risks and opportunities\***

This is a limited commitment to the project to avoid the cost of a potential three

month delay. Currently a commitment to an estimated amount in the order of £10m of advance works at this early stage will avoid £9.5m additional costs for the three month delay. The actual amount will be dependant on what bidders advise are their programme-critical items in their revised bids to be submitted on 7<sup>th</sup> August 2007 and further negotiations with bidders during August

### **Impact on scope\***

The strategy does not represent a change in project scope.

The activities proposed are to:

- Put in place mobilisation agreements with Tramco and Infraco to allow them to:
  - Tramco – Make limited procurement commitments for specified programme-critical sub-contract and supply work, such as to place orders for materials with long lead times and commence design works. Cost of this would be in the region of £2m.
  - Infraco – To mobilise management and supervision personnel, commence design by Infraco, liaise with SDS and participate in their management, place long lead procurements, commence certain limited works – site clearance. Cost of this would be in the region of £3.5m.
- Undertake certain works scheduled early on in the construction programme in advance of contract award, namely the depot excavation which is approximately £1.0. (Phase 3). This excavation works would be undertaken by specialist contractors procured separately from, but in consultation with, the recommended Infraco contractor. The demolition of buildings at Murrayfield and some tree felling work could also be undertaken at a cost of £0.5m.
- Note that there may be the possibility of the construction of piled walls at depot adjacent to the A8. Currently the design of the depot is under review, with the intention of repositioning the depot, to avoid piling along the A8. This review will be completed over the next three weeks The cost of this work is approximately £3m.

### **Commercial and procurement consideration**

Awarding the mobilisation agreements does not prejudge the authority of the Board or CEC in deciding whether to fund the scheme as:

- The project will apply the agreed evaluation methodologies to determine the successful candidate thereby complying with Procurement Legislation.
- The Board procurement sub committee will endorse that the process has been correctly applied.
- The evaluation will have been concluded before the Board is asked to approve the conditional award recommendation.
- If CEC subsequently decide not to fund the scheme then the agreements will be terminated.









works and it would be the intention that these (EICC works) are carried out well in advance of both MUDFA / Infraco.

It will be essential for the proposed diversionary works within Morrison Street to be completed prior to the commencement of the MUDFA works to avoid potential impact on the utilities programme. It is not a viable option to leave these works to follow on after Infraco, as the proposed commencement to the EICC development may be delayed. Conversely, it is paramount that both the MUDFA and Infraco programmes are unaffected by the diversionary works within Morrison street. These have priority over the proposed works and, as such, any analysis will take cognisance of the critical elements in both MUDFA and Infraco before determining the approach to this development.

Initial assessment, based on the current information, indicates that the works would take approximately 3-4 months. Therefore, the latest start would be no later than the beginning of November 2007 to avoid impacting on either MUDFA or Infraco.

#### **Impact on budget\***

There is no impact on Tram budget, as this project would be self sufficient and completely autonomous to the Tram works. This would include all resources to avoid conflict with Tram. Overall management of project would be provided by the MUDFA Construction Director and Commercial Manager. The costing and funding process is still to be specified.

#### **Impact on risks and opportunities\***

A Robust commercial arrangement would be put in place to clearly identify the ownership of potential risks with EICC. Alternatively, adequate provisions to be made within budget to cover risk elements.

#### **Impact on scope\***

The scope of works would be fully ascertained through the design capture exercise. Final decision on the quantum of the works would lie with EICC. Final sign-off to be agreed prior to commencement of any work.

#### **Decision(s) / support required**

A decision is required from the Board to allow the consultation process with EICC to progress proposed development and commence an initial data capture exercise estimate. Management of the process would lie with Graeme Barclay.





other Orders in the TRO suite. A review of the situation against the project status would be brought forward in August, which this report addresses.

- 2.4 The review is shaped by the following considerations:
- Changes to the project programme since April 2007.
  - Risk factors in relation to the TROs.
  - The progress that CEC have made with the decriminalisation of the Greenways enforcement.
  - CEC policy continuity issues.
- 2.5 The critical Tram programme influence on the TROs is the date by which a completely finalised Tram / roads / junctions design is signed off so that the TRO schedules and plans can be finalised, approved by CEC and placed upon Public Deposit. The Public Deposit date then triggers the statutory process and irreducible timescale leading to the eventual making of the Orders. Owing to delay in the final design approvals, the earliest estimated date for the making of the suite of TROs (including Greenways) is now March 2010 (assuming no beneficial change to the current Traffic Order Regulations triggering a mandatory public hearing as part of the process).
- 2.6 The Greenways Order would then be subject to a secondary process to obtain the approval of Scottish Ministers before it could be made. The earliest foreseeable date for this is September 2010. This would conflict with the desire to commence Tram proving trials and on-street driver training during the summer of 2010. This is a high risk factor and a strong indicator that the fall back strategy, all other considerations being equal, is to be preferred.
- 2.7 The Council have made good progress in the process to decriminalise the enforcement of Greenways and CEC anticipate that the appropriate Orders will be in place during October 2007. Decriminalisation is a trigger for the ability to consider alternative policy options for Greenways. CEC will require to consider whether they wish to amend the Greenway routes in general but, specifically in relation to the Tram Route, there are two considerations that come together here. Firstly, the recognition of the practical difficulties associated with the prospective obtaining of Scottish Ministers' approval for an amended Greenways Order. Secondly, the wisdom in terms of public transparency and understanding of having a single enforcement regime based upon yellow lines covering the entire Tram Route. Such a harmonisation may require the Council to approve a change to the existing Greenways policy. Therefore, in order to avoid any delay to the TRO programme it will be necessary for CEC to confirm agreement by no later than September 2007.
- 2.8 However, within the Tram route the change from 'red line' to 'yellow line' enforcement does potentially introduce a more complicated sequence of events to manage. A TTRO will be used to enable the construction of the

Infraco works sections. In the event that construction is completed before the new TRO(s) have been made, in order to avoid 'mirroring' issues between the TTRO and the TRO, the extant orders may require to be wholly or partially reinstated to cover the gap period. In the Greenways sections of the Tram route (e.g. Leith Walk) this would mean temporarily re-imposing red lines. These will be replaced with permanent yellow lines when the Tram TROs are made.

### **3.0 Budget Impact**

- 3.1 The proposed amendment to the TRO strategy will require additional road lining (temporary red lines) and regulatory sign plates with consequent additional implementation costs. These are currently provisionally estimated at £250,000.
- 3.2 This sum will be refined as the TRO design details become known and within the TTRO / TRO strategy allied to the emerging detailed construction proposals for the Infraco works sections every opportunity will be taken to reduce or eliminate these costs.

### **4.0 Recommendations**

- 4.1 The TPB is requested to approve the proposal to promote yellow line restrictions for the Tram to replace the red lines on existing Tram affected sections of Greenways.
- 4.2 The TPB formally request CEC, as the Roads Authority, to action the request by obtaining any necessary Council approvals by September 2007 to amend current Greenways policy and facilitate the revocation of the Tram Route Greenways.
- 4.3 To note that the preliminary design of the TRO's will commence on 13 August 2007 with a working assumption that there will not be a Greenways Order.



**Paper to:** Tram Project Board

**Meeting date:** 9<sup>th</sup> August 2007

**Subject:**

**Developer Contributions**

**Agenda item:**

Rebecca Andrew (CEC) and David  
Cooper (CEC)

---

**Preparers:**

### **Executive summary**

The report provides an update of the progress made to date in securing the Council Contribution of £45m towards the tram project, and the next steps required to ensure that the opportunities to secure future contributions are maximised.

It is recommended that the Project Board notes the current position and endorses the approach being developed by the Council, bearing in mind that approval is required from the Planning Committee and Full Council.

### **Impact on programme\***

None.

### **Impact on budget\***

The current budget assumes total funding of £545m for the project (£45m from the Council). Additional contributions secured beyond the £45m will increase the headroom for phase 1a and / or provide additional funding for phase 1b.

### **Impact on risks and opportunities\***

The financial risk associated with the outlined approach lies with the Council. If future contributions from developers and / or capital receipts fail to materialise, there could be a significant impact on Council Revenue budgets in order to meet borrowing costs.

However, if the contribution can be maximised, there is an opportunity to build additional headroom into the budget to reduce the risk of overspend on Phase 1a and / or to provide funding for Phase 1b.

### **Impact on scope\***

The scope of the project will be determined by the funding available. As above maximising developer contributions will help protect the scope of the project.



**Background information to support Developer Contributions paper**

**1.0 Introduction**

At its meeting of 12<sup>th</sup> July 2007, the Tram Project Board requested that a regular monthly update be provided on the progress made to realise the Council's funding programme.

The purpose of this report is to set out for the Board, the work that is on-going in securing the Council's £45m contribution and exploring the potential of securing additional funding. It provides an update of progress already made, the next steps required and the likely timescales.

The report looks at the four main elements of funding, namely:

- Council cash
- Council land
- Developers contributions – cash and land
- Capital receipts

The report also sets out the risks associated with each funding stream.

**2.0 Background**

The Draft Final Business Case for the tram projected was approved by the City of Edinburgh Council on 20<sup>th</sup> December 2006 on the understanding that the Council would contribute £45m towards the costs of the project.

The contribution was made up as follows:

Table 1

	<b>January 2006 Estimate £m</b>	<b>November 2006 Estimate £m</b>
Council Cash	2.5	2.5
Council Land	6.5	6.2
Developers Contributions – Cash	10.2	24.4
Developers Contributions – Land	7.9	2.2
Capital Receipts (Development Gains)	5	2.8
Capital Receipts	12.9	6.9
<b>Total</b>	<b>45</b>	<b>45</b>

It has always been recognised that the exact make-up of the £45m is subject to change, as more work is done on each of elements constituting the £45m contribution.

### **3.0 Council cash (£2.5m)**

The Council contributed £1m to the project in 2005/2006. A further £1.5m is in the approved Council capital budget for 2007-10. This has been reprofiled so that the contribution can be made in the current financial year.

### **4.0 Council land (£6.2m)**

The Council land is available to the project and GVDs are about to be issued to ensure that the title is “cleansed” of any restrictions that may impact on the project.

The value of the land is based on the District Valuer’s valuation. Given that any change to that valuation will result in a similar change to overall projects costs, it is not considered necessary to revisit it.

### **5.0 Developer contributions Background**

On 1 April 2004, a draft guideline on Tram Developer Contributions was presented to Planning Committee and was approved for consultation. The guideline was subsequently fully approved on 8 September 2004, but has been applied by the Council in the determination of planning applications since the draft guideline was approved in April 2004. It has provided a framework for agreeing contributions and has ensured a transparent and consistent approach to the negotiation process. A number of contributions towards the Tram project have now been received. The last time it was reported to Committee was on the 5<sup>th</sup> October 2006 when the contribution tables were updated and technical revisions were approved.

Contributions from developers have always been identified as a key component of the Council’s financial contribution to the project. The original estimate was for an amount of £10.2m (cash) and £7.9m (land) to be secured (as above). The land value was subsequently reduced based on valuation by the District Valuer. This cash element was subsequently revised to £24.4m as it became apparent that there was potentially additional funding available in relation to planned development proposals.

tie Ltd and their agents have monitored planning applications received by the Council and have provided advice to Transport (CEC) on whether a contribution should be requested. The Council through Planning has

negotiated the contributions and monitored the subsequent developments to ensure payment is made. The monitoring database has also provided a basis for assessing the potential value of future contributions.

### Current position

The Council has now concluded a number of agreements securing contributions towards the project. The tables below set out the amounts involved in relation to Phase 1a (Airport to Newhaven Road) and Phase 1b (Haymarket to Granton Square). It should be noted that there is no certainty that contributions will be received and there is always an element of risk until payment is actually made.

Table 2

<b>Phase 1a</b>	<b>Value (£000's)</b>
1. Contributions paid	<b>1,328</b>
2. Contributions secured through agreement (where development has commenced)	<b>1,667</b>
3. Contributions secured through agreement (where development has not commenced)	<b>1,868</b>
4. Contributions not yet secured through agreement but where Planning Committee is minded to grant.	<b>3,452</b>
5. Other contributions that may be used towards tram or associated works (either paid or secured through agreement)	<b>714</b>
6. Land contributions	<b>1,200</b>
<b>Total (1, 2 and 3)</b>	<b>4,863</b>
<b>Potential total (1, 2, 3, 4 and 5)</b>	<b>9,029</b>

N.B.

5. This represents contributions not directly to tram but where the required works may be delivered as part of tram construction e.g. new traffic signals.

6. The land contributions have been secured through agreement.

Table 3

<b>Phase 1b</b>	<b>Value (£000's)</b>
1. Contributions paid	<b>0</b>
2. Contributions secured through agreement (where development has commenced)	<b>300</b>
3. Contributions secured through agreement (where development has not commenced)	<b>80</b>
4. Contributions not yet secured through agreement but where Planning Committee is minded to grant.	<b>2,509</b>
5. Other contributions that may be used towards tram or associated works (either paid or secured through agreement)	<b>725</b>
6. Land contributions	<b>1,000</b>
<b>Total (1, 2 and 3)</b>	<b>380</b>
<b>Potential total (1, 2, 3, 4 and 5)</b>	<b>2,889</b>

N.B.

5. This represents contributions not directly to tram but where the required works may be delivered as part of tram construction e.g. new traffic signals.

6. The land contributions have been secured through agreement.

### **Potential future contributions**

In order to maximise the amount of contributions obtained from development the Council will need to continue applying the Tram Developer Contribution Guideline beyond the commencement of tram operation. The guideline currently does not explicitly state this to be the case. Initial advice has been obtained from Counsel and there is no legal barrier to this approach provided that the Council is seeking contributions to repay or service borrowing. A report to Planning Committee will be required in due course.

As the contributions are to be made over a period of time, the Council must determine how much it should borrow against future developer contributions. This will need to be a balanced approach – we cannot borrow too much and leave the Council in too much debt, and neither do we want to borrow too little and miss out on potential funding. In order to find this optimum figure, the Council will have to estimate the level of development we are likely to see in Edinburgh over the next 20 years and accordingly the amount of developer contributions. We will then need factor in some allowance for reduced levels of contribution and / or slippage in the timing of payments. The borrowing costs (interest etc) will also need to be considered.

Table 4

<b>Phase 1a</b>	<b>Value (£000's)</b>
Leith Docks Development Framework Area	<b>18,000</b>
St James Centre redevelopment	<b>2,000</b>
Princes Street redevelopment	<b>1,000</b>
Tynecastle	<b>400</b>
West Edinburgh Planning Framework Area	<b>4,000</b>
Accumulative development (small development)	<b>1,700</b>
<b>Potential total</b>	<b>27,100</b>
<b>Potential total</b> – including applications with Minded to Grant Status (No 4. in Table 2)	<b>30,522</b>

The above table is populated with development anticipated over the next 20-30 years in Edinburgh. The amounts of contribution have been generated by anticipating the level of development and then using the contribution matrix in the Tram Developer Contributions Guideline. These amounts once / if agreed will be index linked to ensure that they do not devalue over time. This may help to offset interest to some extent. Bearing these factors in mind the Council will have to reach a decision on how much money to borrow. In the light of the current circumstances a rough estimate might be £20 million to be recouped through contributions in respect of the above developments. This would allow the Council to meet the current target.

In relation to Phase 1b there is little potential for additional contributions as most of the Granton / Waterfront area has already been granted planning permission. There may be some potential if additional development is proposed or if additional sites, such as Fettes Police HQ, are brought forward. At the current time no future contribution values are suggested as there is little chance of this additional development coming forward within the required timescale. However, some additional borrowing may be considered to take account of Minded to Grant decisions relating to Phase 1b (No. 4 Table 3) if Phase 1b proceeds at the same time as Phase 1a. If it is to proceed at a later date the Tram Developer Contribution Guideline, in its current form, can continue to apply to Phase 1b until a decision is taken.

**Next steps**

In order to progress with this approach a number of actions are required:

- Monitoring of developer contributions received and those that have been agreed but not received. This is on-going and is currently up to date.
- Review of the future development potential in relation to Phase 1a and Phase 1b and calculate the likely amount of contributions. This work has been undertaken although constant review is required. Further involvement with **tie** and other CEC Departments will be required. It also may be worth considering obtaining an independent review.
- Review of the Tram Developer Contribution Guideline. If the maximum amount of contribution is to be sought we will need to revise the Guideline to make it clear that it will be applied by CEC to planning

proposals beyond the commencement of tram operation. This will require legal advice, public consultation and ultimately Planning Committee approval. The revised Guideline has been drafted, but this should be taken further.

- In relation to the above point, Counsel's opinion may be required to determine the latest time when borrowing can occur, and if the revised Guideline is suitable.
- A clear funding position is required from Transport Scotland with regard to when payments will need to be made. Every effort will be made to minimise the amount of interest charged against any borrow.
- Review of borrowing requirements and likely borrowing costs, and the effect of these factors on the amount we choose to borrow.
- Discussion with Forth Ports in relation to the LDDF Outline Planning Application. This represents a major proportion of the future contributions. It would be beneficial to discuss (and agree, if time permitting) the amount of contribution and the likely timings of payments. This exercise should also be extended to the other developments identified.
- Discussion with the Scottish Executive on contingency plans if Planning-gain Supplement is introduced and / or Planning Legislation in respect of developer contributions (Section 75 Town and Country Planning (Scotland) Act 1997) is revised.

## **6.0 Capital receipts (£9.7m)**

There are number of Council-owned sites adjacent to the tram route that may be marketed. Council surveyors are currently estimating the market value of these sites, taking into account any uplift associated with the tram.

The two main sites making up the contribution (Lorry Park and Leith Walk Garage) are currently being valued using the DVs estimations. Council surveyors are currently revaluing them more aggressively to determine whether the contribution could be higher.

In addition to this, it is recognised that other Council sites may have to be sold to contribute to the project, should additional funding be required. Some of these sites may already have been ear-marked to fund other Council projects. This matter is being considered by the Council's Corporate Asset Management Group and, if necessary, the Council's capital programme may have to be reprioritised.

## **7.0 Other funding sources**

In addition to the funding sources identified above, the Council and **tie** Ltd are looking at further funding sources to either substitute any of the above funding if it cannot be achieved, or provide additional headroom for 1A, or to fund 1B.

These funding sources will be the subject of future reports.

## 8.0 Risks

The risks for each element of the contribution are set out in the following table:

Table 5

<b>Element</b>	<b>Risks</b>	<b>Management action</b>
Council cash and land	<ul style="list-style-type: none"> <li>• This is secured and there is no longer any risk associated with it</li> </ul>	<ul style="list-style-type: none"> <li>• None required</li> </ul>
Developers contributions	<ul style="list-style-type: none"> <li>• Development does not take place</li> <li>• Development is slower than anticipated</li> <li>• Interest rates change</li> <li>• Inflation / deflation on indexed linked contributions</li> <li>• Planning Gain Supplement or any other changes to Planning legislation adversely affecting CEC's ability to collect contributions</li> <li>• Successful legal challenge to tram contributions policy</li> <li>• Failure to secure agreement with Forth Ports means that amount that can be borrowed under Prudential Code is significantly reduced</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure amount borrowed is based on conservative development assumptions</li> <li>• Seek legal advice on all changes to tram contribution policy</li> <li>• Active engagement with Scottish Executive on all proposed changes to planning legislation.</li> </ul>
Capital receipts	<ul style="list-style-type: none"> <li>• Inability to identify sufficient capital receipts to fund the tram project and the rest of the Council's capital programme</li> <li>• Change in local economic condition makes it difficult to sell sites within timescales and / or reduces eventual capital receipt</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure tram is prioritised when capital planning decisions are taken</li> </ul>

## 9.0 Conclusion

The Council is committed to provide funding of £45m towards the tram project and is monitoring the various elements making up this amount to ensure that it can be achieved.

Further work is required to refine the developer contribution assumptions and to identify and quantify capital receipts.

It is recognised that there are risks associated with this funding, but that this is being managed by the Council and other funding sources are being investigated to ensure that contingencies can be put in place.

## **EDINBURGH TRAM PROJECT**

### **FINANCIAL CLOSE DELIVERY PROGRAMME**

**Governance & Management**  
**Expenditure & Funding**  
**Final Business Case preparation**  
**Programme & Approval process**

- Report to TPB – 9 August 2007

### **Background**

The procurement programme has been revised following the political hiatus in May and June. Financial close is now scheduled for January 2008. This note attempts to pull together the activities needed to deliver the funding for the tram project, the Final Business Case (FBC) and the related areas of project governance and the approvals process. The key dates on which it is based are those within the procurement programme.

### **Objectives**

The objectives for the period to financial close are :

1. The project expenditure budget through to financial close is clearly stated, fully supported by the Tram Project Team and visible to all key stakeholders
2. Cash funding is received sufficiently in advance of expenditure such that cash resources to meet commitments are adequate
3. Approval points for new funding are visible and approval processes are planned and agreed in advance with key stakeholders
4. An effective and efficient governance model is deployed through to financial close in support of a sound decision-making process which will underpin success in the post-Close period

During this period we also need to prepare for the construction period and the objectives are :

5. Contracted payment terms for Infracore and Tramco, together with any guarantee or comfort letters, are fully supported by funding commitments from key stakeholders and documented in a legally binding form in the context of the procurement process
6. An effective and efficient governance model is developed and approved for the construction period in advance of financial close

The detailed sections below set out how these objectives will be met. A summary of the paper is set out next.

## Summary

1. Project scope assumed to be Phase 1a with option to construct Phase 1b. Phase 1a to be contracted in January 2008, Phase 1b to be structured into the contract as an option at CEC discretion on fixed terms. Alternatives – simultaneous construction, omit Phase 1b – to be evaluated when bid output clearer.
2. TS to withdraw from regular monitoring, placing full responsibility on CEC.
3. Other than managing new approach by TS, no material changes proposed to existing governance model. Work needed on Council / TEL / tie formal documentation. New TS / CEC arrangements to be codified, especially 4-weekly meeting format.
4. Preparation of a near-final FBC to be accelerated to coincide with preferred bidder selection at end-September
5. Updated Project budget incorporating all advance expenditure to be finalised in immediate term and married up with timing of requests for new funding. Request for additional funding to be approved by TPB at end-September then Council and TS at end-October, to enable advance works and early mobilisation of Infracore / Tramco to proceed.
6. Funding arrangements now clarified by TS at £500m for Phase 1, with Phase 1a in full a mandatory condition.
7. Gateway review 3 in early October, to be driven by tie / TEL / CEC
8. Council meeting on 25 October to approve preferred bidder and FBC including funding arrangements. Final form all documents to be approved in December.
9. Funding for Phase 1a to be sustained in present assumed form – Government grant + CEC “£45m”. Action underway to develop incremental funding, but is unlikely to bear fruit until 2008 and should therefore be part of the Phase 1b consideration and not introduced as another risk factor to Phase 1a.

## **TPB Approvals requested**

There are a number of issues to discuss but the approvals requested from TPB are as follows :

1. To approve the project scope planning assumption – Phase 1a + Option on 1b
2. To approve revised governance arrangements with Transport Scotland and the proposed Committee structure within project governance (a discussion on members / participants is recommended)
3. To note governance issues being addressed by CEC relating to tie and TEL
4. To approve the proposed terms of Government grant award
5. To approve approach to funding of Phase 1a and 1b
6. To consider approach to termination costs
7. To approve approach to additional funding for the pre-Close period, including advance works and early mobilisation (as set out in detail in accompanying TPB papers)
8. To approve the approach to preparing the FBC
9. To approve approach to OGC Gateway 3 review
10. To approve the summary Financial Close delivery Programme

## **Project Scope**

The working assumption is that Phase 1a will be contractually committed and Phase 1b will be committed in the form of a time-limited option. Subsequent extensions will be described in the FBC but will not form part of the procurement process or funding dialogue at this stage. This may change if bidders submit final proposals which change the view of affordability, but at present this is the only reasonable basis to proceed with a firm procurement and funding programme. The emerging scenarios will be kept under close review.

## Governance and management

### Government and Transport Scotland

1. New funding arrangements require a revised governance approach.
2. The interests of the Government (shorthand for Cabinet, the Cabinet Secretary, the Executive and Transport Scotland) can be summarised as follows :
  - a. Satisfaction that the Airport / Leith tramline will be delivered
  - b. Confirmation that the BCR is greater than 1.0, now to reflect the world without EARL and any other substantial changes from the Draft FBC (December 2006) ; and
  - c. Confirmation that there will be no Government subsidy requirement for the integrated bus and tram operations.
3. These are in line with the parameters used to assess the DFBC and are the measures which will be used to determine grant award. Other than general adherence to proper practices designed to protect the public pound, these are the only areas of Government focus. Documentation provided for Government assessment should be limited to material which is directly relevant to these parameters.
4. TS will withdraw from routine monitoring and from the TPB and sub-committees, in favour of a monitoring regime which will be a condition of a New Award Letter, in summary :
  - 4-weekly report as now
  - 4-weekly meeting between senior TS people (probably Bill Reeve and Jerry Morrison) and senior CEC people (probably Andrew Holmes and Donald McGougan), others at CEC's invitation including senior Project / tie / TEL people, scope to be limited to key issues relevant to TS / CEC with no additional reports unless agreed by exception.
  - Quarterly TS / CEC CEOs meeting, scope to be agreed but probably focussed on key tram project issues and wider Edinburgh transport matters, at discretion of the two CEOs.
  - Quarterly confirmation from CEC of compliance with New Award Letter terms
5. Satisfaction with governance arrangements planned for the construction period is CEC's responsibility, finalised by approval of the Final Business Case which will set out those proposed arrangements.
6. The new monitoring arrangements should commence in September 2007.

7. Certain aspects of 4-weekly reporting require further discussion :  
construction period programme requires to be cost-loaded at a sensible level of detail and will be basis of cash flows which support drawdown ; timing of submission to be re-addressed with objective of bringing forward by one week to align with other TS projects, again probably effective construction commencement.

#### City of Edinburgh Council

8. CEC require to clarify their internal governance arrangements, particularly delegated authority between the Council and tie / TEL and this must also interface with the TPB. It is imperative that the arrangements do not impede effectiveness of TPB and project operations.
9. Other CEC driven governance issues to address include :
  - a. Communications with Councillors including a series of sounding board meetings
  - b. Report to Council on 23<sup>rd</sup> August and need for careful coordination with Project Team and TEL
  - c. Contractual relationship between CEC and project legal advisers DLA

#### Project level

The present governance model will prevail through to financial close with the following amendments :

1. The Legal Affairs Committee (LAC) has been introduced to monitor the overall coordination of legal advice
2. A Procurement Committee has been introduced to perform a top-down view of the procurement process and the emerging bids. This committee will also monitor the Financial Close Delivery Programme including funding, business case preparation and approvals processes.

The DPD will continue with a focus on the critical design and contractual issues and the MUDFA committee monitors progress on utilities.

All Committees are designed to expedite review and resolution of key issues, none have formal decision-making power which is reserved to TPB.

#### Construction period governance

The FBC will include the proposed governance model for the construction period.

## ***Governance & Management - Points for discussion and action required***

- TPB to approve proposed new governance arrangements set out above
- The remit, attendees and agenda for the 4-weekly CEC / TS meeting should be agreed in advance, GB to draft agenda / remit
- GB to organise session to resolve reporting issues. Suggestion is that any changes are aimed at post-Close period.
- CEC action on points 8 and 9, with support from tie as agreed at meeting on 7 August 2007.

## **Expenditure & Funding**

### **Pre-close expenditure and additional funding required**

1. The expenditure budget has been adjusted to accommodate refinement of MUDFA and insurance premium payments. Cumulative implementation spend to the end of Period 4 2007-08 (21.7.07) was £72.8m. Setting aside items which are dependent on Close or can be deferred, the spend to end-January 2008 is planned at £52.4m so that total pre-Close spend is £125.2m. Total funding to date including the current award of £60m is £114.8m. The shortfall of funding against current plan is therefore £10.4m.
2. This reflects the planned advance works and early mobilisation spend of £12m and contingency of £7.9m. These forecasts anticipate a continuing project and do not accommodate any termination costs. If Close is delayed there will be additional costs of £3m-£4m per month including utilities. The issue of pre-Close funding is therefore a priority for resolution.

### **Construction period**

The post-Close budget is being updated to reflect new bidder submissions received on 7.8.07. The pre-Close costs noted above are consistent with the DFBC forecast of £592m.

### **Cash receipts**

The timing of cash receipts will be addressed within the funding arrangements and the proposed approach is set out in the section on funding below. At present CEC provide the cash buffer but we must align the funding cash flows with the project requirements to ensure money is

deployed efficiently. The underlying cash flow estimates will be refined as the preferred bidder payment profile becomes firmer.

### Sources of funding

The revised funding arrangements set out by the Minister as a condition of continued Government support create an opportunity for CEC to develop a different approach to funding their commitments. This includes conclusion of developer contributions, prudential borrowing, leasing and utilisation of TEL cash flows. However, it is unlikely that these can be sufficiently developed to be a confident element of the FBC by January 2008.

It is therefore suggested that the funding structure for Phase 1a (Airport / Newhaven) is kept as simple as possible, with the arrangements for Phase 1b (Roseburn / Granton) being subjected to further analysis in 2008 (though starting now) in line with the planned duration of the period in which CEC has an option to construct.

The funding components for the construction phases will therefore comprise:

#### *Phase 1a principal funding*

- Executive grant - £500m award
- CEC cash and land contributions
- S75 land contributions (principally Forth Ports)
- Other S75 contributions which are substantially agreed and incorporated into CEC funding
- CEC asset sales and / or borrowing mechanism as required

These will need to be firmly agreed in line with the programme described below. The extent to which the other sources described below are affected by these arrangements must also be assessed and “future-proofed”. An example would be the possibility of leasing arrangements which attach to equipment (eg tram vehicles) needed for Phase 1a as well as Phase 1b. This should be manageable.

#### *Additional sources of funding (Phase1b and further extensions)*

- CEC / TEL borrowing or leasing
- Developer contributions and related asset sales, especially Granton
- TEL resources, other than borrowing
- Third party grants (eg SESTRAN)
- Tax shelter mechanisms
- Other to be developed

The corporate and tax structuring in support of these sources needs further development. The work to do so has commenced but it is likely that finalisation will emerge in 2008.

### Terms of Government Funding

1. Subject to overall agreement on funding terms, the anticipated aggregate grant award will be £500m and will be committed in the form of a New Award Letter, presently under preparation. There will be no further indexation (up or down). The grant will be available to fund Phases 1a and 1b but strictly on the basis that the whole of Phase 1a must be delivered. A decision to proceed with Phase 1b – whether coincident with financial close or at some future date – is solely that of CEC, but no additional grant award for Phase 1 will be made beyond £500m.
2. There is no Government requirement to future proof the EARL project (or any other project) in designing and constructing the Tram. In the event that the termination of the EARL project results in additional costs or savings to the Tram Project, these will be absorbed within the project budget and will not result in any change to the grant award of £500m.
3. The New Award Letter will reflect all previous grant awards for the implementation of the Tram Project, including the award of £60m approved in Spring 2007 and rollover from prior awards. The total pre-approved funding is £114.8m, of which £113.8m has been provided by Government and £1m by CEC. The balance of grant award up to £500m of £385.2m will be subject to the terms of the New Award Letter.
4. The award of £385.2m will be on the basis that a proportionate funding mechanism is agreed. This will reflect the balance of commitment of £385.2m from the Government and the balance of commitment from CEC of £44m. This creates a ratio of 89.77% Government, 10.23% CEC to be applied to all future drawdowns until the aggregate Government funding reaches £500m. All further funding will be to the account of CEC.

Any out of sync relationship to be adjusted in subsequent quarter's payment to avoid debate around the deadline for the immediate payment and possible delay.

Variation to these terms will be permitted by agreement of both parties.

5. There is agreement that the bidder terms should be based on cash flow neutrality in their accounts as a means of limiting capital cost bids. Accordingly, the funding from the Government should be scheduled alongside the CEC contribution such that payments can be made to contractors in a manner which achieves cash flow neutrality for the contractors.

6. There may be further advantage if advance sums can be offered to contractors. However, there are public sector accounting difficulties and risk management issues which will need to be addressed if this is to be pursued.
7. It is agreed that drawdown arrangements should be kept as administratively simple as possible, consistent with proper control by all parties. Government cannot advance very large sums – eg a full year’s estimated requirement – but a quarterly structure should be workable. This will require sound forward estimates of spend and cash flows, reflecting in due course the contractual terms agreed with the successful bidders. The additional pre-Close funding (referred to as “Tranche A” of the new award) is covered below. For the period from Financial Close, using such estimates, cash drawdowns by CEC from Government should reflect an initial drawdown (“Tranche B”) of the first two quarters’ funding requirement with subsequent drawdowns to be made quarterly based on the succeeding quarter’s requirement. This should provide adequate base funding avoiding a cash shortage. The operation of this mechanism will be monitored quarterly.
8. The drawdowns will require to reflect the proportionate funding arrangement, such that each new drawdown from Government (starting with Tranche A) will be restricted to 89.77% of the full amount required, with the balance to be contributed by CEC. It is recognised that the precise arrangements need further definition to accommodate the mix of cash and in-kind (land) contribution by CEC, but the broad principle should be adhered to by both parties. The operation of the proportionate mechanism will also be monitored quarterly.
9. It is recognised that there is likely to be a substantial additional funding requirement in the period prior to Financial Close beyond the funding currently in place. This reflects continuation of the current programme, including land acquisition and utility works. Although programme slippage arising from the post-election period has moved some cost forward, the sum involved remains substantial. TS have underlined a risk that Government may not be willing to provide further funding prior to financial close, which would have extremely damaging consequences for the project. The solution lies in the progress made through procurement, preparation of FBC and in the commitments given by CEC – see below under approvals.
10. The New Award Letter incorporating Tranche A (pre-Close) funding will need to be legally completed in advance of a cash shortfall. This should be approved by both the Council and TS in late October. The commitment by both parties to funding beyond financial close will be conditional upon Close being achieved.
11. CEC and tie are examining options for leasing and debt arrangements to support overall funding. These may prove to be financially efficient

and carry other advantages. The scope of these arrangements is focussed on incremental funding for Phase 1b, but it may transpire that there is advantage in extending the facilities to encroach on Phase 1a. In the event that there is demonstrable advantage to all parties, CEC and Government will engage in good faith to conclude on appropriate action, most likely in 2008.

12. Dispute resolution process to be embedded in New Award Letter covering inter alia failure by either party to meet payment obligations. Needs to be capable of swift intervention to protect programme. Value of land needs to be agreed before Close to avoid any further debate.
13. Government is neutral to asset ownership, corporate structuring and related matters which are CEC's prerogative so long as within bounds of normal public sector good practice.

#### Comfort letters on funding to bidders

To reinforce bidder confidence and drive bids down, a comfort letter setting out the Government commitment to funding of the project should be deployed in mid / late August.

#### Contingencies

It is recognised that there is desire for a straight-forward arrangement between CEC and Government ; however, certain contingencies cannot be accepted unqualified by CEC in view of scale of financial risk relative to CEC resources. The issues and results of dialogue to date are as follows :

- a) Action taken by the Government which leads to a material extension of programme or increase in cost - incremental costs to be met by Government.

This is a major concern – stated to unacceptable to TS, too big a risk for CEC to take on unprotected.

- b) Government determines not to support the project at some stage in the future resulting in termination costs – all termination costs and CEC sunk investment to be reimbursed.

TS apparently accept need to be accountable for their failure to meet obligations.

- c) Network Rail frustrate progress of project through immunisation (or other) arrangements

Government will not underwrite this risk, but will enter into best endeavours agreement to support CEC in dialogue with NR.

CEC / tie / TEL to consider whether risk is acceptable and process manageable, allowing also for ORR potential intervention.

d) Other third party involvement – BAA plc, HMRI, HSE, other

CEC foresee potentially unacceptable risk balance and need to address further. TS unwilling to underwrite.

e) Mechanism required to protect CEC / TEL from Government action which affects materially the operational performance of the integrated bus and tram system, for example substantial financial support for Son of EARL (Tram disruption and revenue attrition).

TS unwilling to do this, also raises the issue of legality of a compensation payment in a competitive environment.

### ***Expenditure & Funding - Points for discussion and action required***

The key issues to resolve are :

- Additional Tranche A (pre-Close) funding and process to formally approve New Award Letter by end-October at the latest. The variables are 1) overall re-assessment of spend pattern including actual to date ; 2) advance works and early mobilisation investment compared to costs of delay ; 3) effect of emerging bid proposals.
- Means of handling termination cost exposure.
- Approach to contingencies

Main action points are :

- The most important next step is the submission of a draft of the New Award Letter due from TS by 14 August. This should capture all of the important matters described above. Work is underway to provide the data needed to finalise the structural terms.
- Rolling assessment of bidder submissions and effect on overall affordability, cash flow requirements and project phasing

### **Final Business Case**

1. Agreed that FBC should be DFBC amended only as necessary. Specific points to update are embedding of the no-EARL scenario as base case, reflected also in BCR calculation (work already substantially executed in support of DFBC) ; and revised capital costs based on preferred bids as necessary.

2. TS comments / tie responses on DFBC to be embedded in FBC, understood not to be fundamental, no further iterations or reporting & debate with TS needed on these matters.
3. The programme outlined below accommodates the procurement programme but the key new dimension is the suggestion that we seek to have the FBC effectively completed, based around the preferred bid, in time for the TPB meeting on 27 September. This document will be referred to as FBC Version 1, with final form FBC Version 2 as the basis for financial close. It is anticipated that there will be minimal difference between these two documents.
4. FBC to reflect same assumptions about concessionary fare support as in DFBC. Government position is that parties should be “no better and no worse off”.  
CEC position is that there must be a commitment, otherwise tram scheme cannot be approved. However, needs secondary legislation and this needs further thought. Words to be framed around no distinction between tram and bus and consistent with regime at the time.

### ***Final Business Case – Points for discussion and action required***

- A detailed programme to update the DFBC is in preparation with the objective of having a decent draft of FBC v1 in front of the TPB on 5 September.

### **Programme & Approval process**

The suggested outline Financial Close Delivery Programme (“the Close Programme”) is set out below. The procurement programme requires that the TPB meeting approves the Conditional Contract Award Recommendation on 27 September with financial close in January 2008.

The reasoning behind the Close Programme below is that :

- The preferred bid numbers should be robust, otherwise we would not be in a position to recommend a preferred bidder – if this is the case we should be able to prepare the FBC confidently around these numbers
- Approval on 27 September of the preferred bidder and of FBC Version 1 by the TPB would facilitate approval of the same proposition by the full Council on 25 October. This would enable the project team to inform the preferred bidder in formal terms, which will streamline the subsequent process and limit the scope for uncertainty and risk of

leaks. The team are confident they can sustain adequate competitive tension over the period to finalise the contractual terms.

- This acceleration avoids a disjointed two-stage process for all stakeholders and in particular the need to have key documents approved over the Christmas period
- Pressure of time will eliminate unnecessary work – the work to update the FBC is underway and an assessment is being made of the means to minimise changes from last year’s DFBC, which was the product of extensive (and costly) work. The necessary changes are largely contained in the sections on procurement process, risk transfer and affordability. These revolve around the final contractual arrangements with the bidders. All other aspects are largely as stated a year ago. Issues like EARL and any changes to TEL operational assumptions can be captured in new sensitivity sections. TS’s previous comments on the DFBC were largely benign and easily incorporated.
- Approval of the FBC Version 1 and the preferred bidder in September will support approval of the New Award Letter at end-October including the application for the new pre-Close funding required. This should help TS considerably in their assessment of the grant of that additional funding, even if CEC make a contribution.
- Publication to the bidders of these additional dimensions to the programme should help rebuild confidence and help our team turn the screw on their pricing deliberations.

The summary of the proposed top-down programme is set out below. This now anticipates substantially complete FBC (Version 1) to accompany Preferred Bidder recommendation and draft New Award Letter (which includes Tranche A pre-Close funding) going before TPB on Sept 26<sup>th</sup> and full Council on Oct 25<sup>th</sup>. Careful project management should allow TS IDM to approve same on Oct 10<sup>th</sup>, followed by full council approval on Oct 25<sup>th</sup> and Cabinet approval in week beginning Oct 29<sup>th</sup>.

It is implicit in the references to FBC v1 that full agreement has been reached on all key terms of the Infraco / Tramco contracts and on the funding agreement between CEC and TS.

The critical dates are set out in summary below:

- End-July** Issue of a more detailed version of the outline programme linked to the existing procurement programme and agreement of all key tie / TEL / CEC and TS people to deliver [Done, currently under refinement]
- End August** Draft of FBC v1 available for tie / TEL / CEC review, including best estimate of preferred bid based on end-August returns from

bidders (draft revised sections will be circulated during August, Procurement Group meetings will be convened to address issues and to help manage progress and the TPB will be updated on 5 September).

- Mid-Sept Finalisation and informal approval by tie / TEL / CEC of “September Documents” : 1) FBC v1 2) preferred bidder recommendation 3) draft New Award Letter including Tranche A funding
- Possible additional TPB meeting to review final form of September Documents for submission to Council
- Sept 19<sup>th</sup> September Documents submitted to TPB
- Sept 26<sup>th</sup> TPB approval (and recommendation to TEL Board / CEC) of same [preferably alongside draft report to Council].
- Submission of September Documents to CEC Officials and extracts submitted to Government (prior review preferable and to be planned)
- Oct 1 Contracts for additional advance works and early mobilisation entered into, conditional inter alia on termination without adverse cost in event that CEC / Government do not approve FBC v1, Preferred bidder recommendation and / or Tranche A funding within New Award Letter.
- Early Oct Gateway 3 review, confirmation to TS on critical issues
- Oct 10<sup>th</sup> TS IDM reviews / approves September Document extracts, plus update on Gateway 3
- Oct 18<sup>th</sup> Report and supporting documents circulated in advance of full Council meeting on .....
- Oct 25<sup>th</sup> Full council meeting to approve FBC v1, Preferred bidder recommendation and draft New Award Letter. [Conceivable the decision incorporates a need for further assessment of risk, headroom or related matters. ]
- Oct 29<sup>th</sup> Cabinet approval of September documents including New Award Letter / Tranche A funding. [May depend on strength of Council decision.]
- Nov / Dec Completion of all contractual and funding documentation, update to produce FBC v2, official level approval by all parties

- Dec \*19<sup>th</sup> TPB approval, recommendation to TEL Board / CEC (\*date may need revised)
- Dec 20<sup>th</sup> Report to full Council, which should reflect only marginal changes to form agreed in October ; full Council approval
- Dec 21<sup>st</sup> Government sign-off conditional on all other aspects of financial close (mechanics of sign-off to be addressed). [Will depend on terms, conditionality and previous decisions.]
- To 11<sup>th</sup> Jan Finalisation of documentation, final negotiation etc

The scope of Gateway 3 to be in line with standard OGC guidelines and to be agreed in advance with TS. Report to go to IDM Board Oct 10<sup>th</sup>, all subsequent approvals dependent on all “red, hold” issues being resolved.

The key dependencies are:

- Design progress
- Procurement programme and continued bidder support in the competition
- That the Project Team and CEC officials can work effectively together to ensure CEC approvals to all aspects are executed timeously, especially planning and legal
- Council acceptance of risk transfer within Infraco / Tramco contracts and funding arrangements
- That the Gateway Review can be organised in this timeframe
- TS process
- Network Rail immunisation
- That no show-stoppers emerge anywhere

### ***Programme & Approval process – Points for discussion and action required***

- The programme has been agreed in principle by the project team and by the main stakeholders, although there are a number of specific elements which require further refinement. This dialogue is underway.
- The project will not necessarily run into insurmountable difficulty if the schedule slips. However, there will be a direct cost implication and a threat to completion in the target period of Q1 2011.
- The TPB is invited to approve the programme.

GB  
8.08.07