



From: Alan Coyle
To: John Ramsay

Tram Project Briefing – 17th October 2008

1 Introduction

- 1.1 This paper is intended to give you an update on the main issues/workstreams associated with the tram project and issues arising from the tram Project Directors (PD) review meeting.

2 Funding Agreement with Transport Scotland (TS)

- 2.1 TS have now contributed £196.9m to the project to facilitate spending to the end of period 9 (period ending 6th December 2008). The latest cash application to TS is for £7m with the Council contributing £632k.

3 MUDFA

- 3.1 Revision 7 of the MUDFA programme is still not agreed with Carillion, currently they are on version 9 of Revision 7. The planned figures reported in the period report are of little relevance to measure against as they represent Revision 6 of the MUDFA programme. Spend currently stands at £43.9m including risk against a budget of £55.4m which represents 79% spend on the budget. The anticipated final costs (AFC) for MUDFA are currently forecast at £57m which represents a projected overspend of £1.6m. The risk allowance currently stands at £5.6m. Due to the complex problems with Traffic Management (TM) at the Mound and the subsequent changes to make the TM workable the knock on effect for MUDFA completion would be September 2009. However the MUDFA team are currently looking at ways to mitigate the problem.
- 3.2 Poor reinstatement of roads continues to be a concern at St Andrews Square and Leith Walk. The audit of BO materials which has contributed to elements of the poor reinstatement is currently ongoing.
- 3.3 Progress in Period 7 has been slow compared to the current version of Revision 7, overall 1228 linear metres down. Progress on the main areas compared to the current version of Revision 7 are;
- Haymarket 604 linear metres down
 - The Mound 190 linear metres down
 - London Road 125 linear metres down
 - Gyle 242 linear metres down

- 3.4 The table below highlights current MUDFA progress. Note the planned total relates to Rev 6 programme, note the updated Rev 7 which will be available in the next period.

		Period 7 (14.09.08 - 11.10.08)	Overall Performance to Date			
		Actual	Planned	Actual	Variance	Percentage Complete
	Metres	3231	36939	27400	-9539	74.18
TOTAL	Chambers	25	168	187	19	111.00

There is potential for a further claim of £2.75m from Carillion, with £1.75m looking extremely likely and included in the current forecast.

4.0 Infraco

- 4.1 Slow mobilisation of Infraco continues to be highlighted by tie. Against the period 7 four weekly plan only 20% progress has been achieved. The slow procurement of sub contractors and lack of BSC staff have been highlighted as causes for the slow progress.
- 4.2 Design issues have been raised in the period as a major risk. To date there are approximately 25 locations where BSC have alleged works have been delayed due to design.
- 4.3 Cumulative Infraco progress against planned activities show there has only been 10% progress overall on activities that should have started. In terms of cumulative progress on finished activities progress overall is 2%. The four prime Infraco risks identified by tie this period are:
- MUDFA do not finish diversion works prior to commencement of Infraco
 - Lack of visibility of design changes between Nov 2007 and May 2008
 - Lack of effective engagement from BSC towards tie and third parties such as Forth Ports, Network Rail and BAA.
 - Failure of BSC to effectively resource up for the project
- 4.4 84 failed milestones have now accrued to the value of £9.186m. Actual spend in period 7 was £1.134m against a forecast of £2.404m.
- 4.5 The outturn for 2008/09 is now forecast at £54.2m which is down £13.2m on the previous period projection.

- 4.6 Variations of £5.575m have been submitted by Infraco of which tie has agreed £157k. As with MUDFA, any potential claim would be subject to clause 2.24 of the operating agreement. The Infraco Anticipated Final Cost (AFC) line is forecast currently at £250.9m against a budget of £246.7m, an adverse variance of £4.2m. tie have a two week workshop coming up with Infraco with a view to agreeing a revised programme which will cement the financial forecasts and provide greater clarity.
- 4.7 The risk allowance for Infraco currently stands at £7.7m which is 3.1% of the total budget.
- 4.8 As agreement is yet to be reached on a revised contract programme, tie have been running a live programme in the background based on their view of current progress which includes design and MUDFA issues. The table below highlights the impact.

Section	Description	Contract	Live Forecast
Section A	Depot Completion	25/10/2010	05/11/2010
Section B	Test Track Available	23/04/2010	08/12/2010
Section C	All Phase 1a Construction Complete	17/01/2011	29/07/2011
Section D	Open for Revenue Service	16/07/2011	25/01/2012

5.0 Tramco

- 5.1 Tramco is currently showing no variance on the final AFC. Budget stands at £58.1m, there is no risk allowance for Tramco. The second review of the Tram mock up has taken place and will arrive in Edinburgh early December 2008.

6.0 SDS (Systems Design Services Contract)

- 6.1 Progress on Issue for Construction (IFC) packages Prior/Planning/Technical Approvals are highlighted in the table below. The current AFC for SDS is £27.2m which is an adverse variance of £375k as a result of incentivisation costs and MUDFA related future design changes.

		Period 7 (14.09.08 - 11.10.08)				Overall Performance to Date			
		Planned	Actual	Variance	Percentage Complete	Planned	Actual	Variance	Percentage Complete
	IFC Packages submitted to tie Prior Approvals/Planning Applications Submitted	15	11	-4	73.33	109	77	-32	70.64
	Prior Approvals/Planning Applications Submitted	0	2	2	200.00	71	66	-5	92.96
	Granted	3	4	1	133.33	71	60	-11	84.51
	Design Packages Finished	1	1	0	100.00	317	314	-3	99.05
	Technical Approvals Submitted	1	1	0	100.00	94	87	-7	92.55
TOTAL	Technical Approvals Granted	19	15	-4	78.95	86	72	-14	83.72

7 Cashflow/Spend Profile

- 7.1 Transport Scotland funding is capped at £120m for 2008/09 with tie's current spend forecast £138.8m. It is now unlikely given programme slippage that the TS funding cap will present a borrowing problem for the Council. TS have contributed £196.9m funding to date with forecast spending for the next period of £7m. The next two financial years provide TS funding of £120m and £149m respectively with the balance of funding up to the maximum of £500m provided in 2010/11.
- 7.2 The project AFC reported to Transport Scotland remains at £512m. Over the next two weeks tie have a series of meetings with BSC to align the V26 programme, which the contract was price on, with the V31 programme. This could mean a change to the AFC. There are sensitivities already known which may impact on the AFC of £512m.
- 7.3 The following table attempts to quantify some of the sensitivities around the £512m AFC.

£m	Description
512.0	Anticipated Final Cost as per Contract Price
6.2	Phase 1b Costs incurred in the event 1b does not proceed. These costs relate to £3m Design Costs Agreed by Transport Scotland in Financial Year and £3.2m demobilisation costs.
518.2	

8.0 External Interfaces/Risks

8.1 Management of key interfaces with other known projects will be key as the project develops. The major projects currently known are:

- Waverley Steps/Roof (Transport Scotland)
- Gogar Station (Transport Scotland)
- St James Centre Re-development (CEC/Henderson Global)
- Haymarket Interchange
- Haymarket Station Re-furbishment (Network Rail/Scotrail)
- Haymarket Hotel (Tiger Developments)
- RBS Tramstop (RBS)
- National Portrait Gallery.