



**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>

**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 tie 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 tie 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</b>	<b>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</b>	<b>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	Tramstops: 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

## 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 headline 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	
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		
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		Approval to recommendation pulled forward to Council meeting 25/10/07
	Conclusion of negotiations for final deal	22/10/07		
	CEC Council meeting to endorse recommendation	13/11/07		
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		

Yes  
 No

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

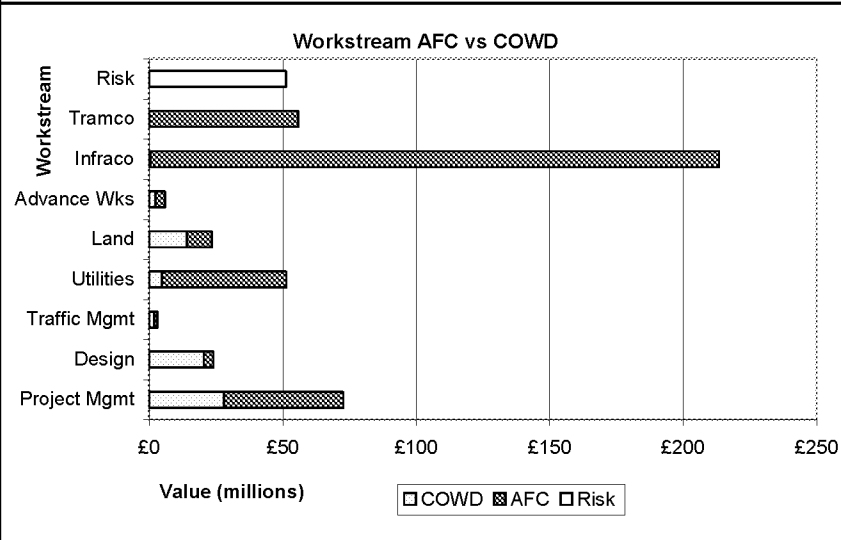
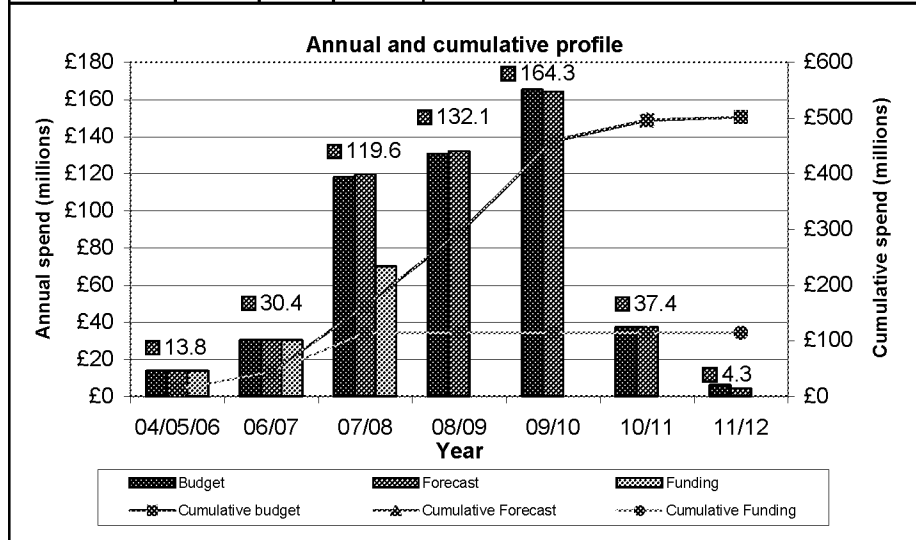
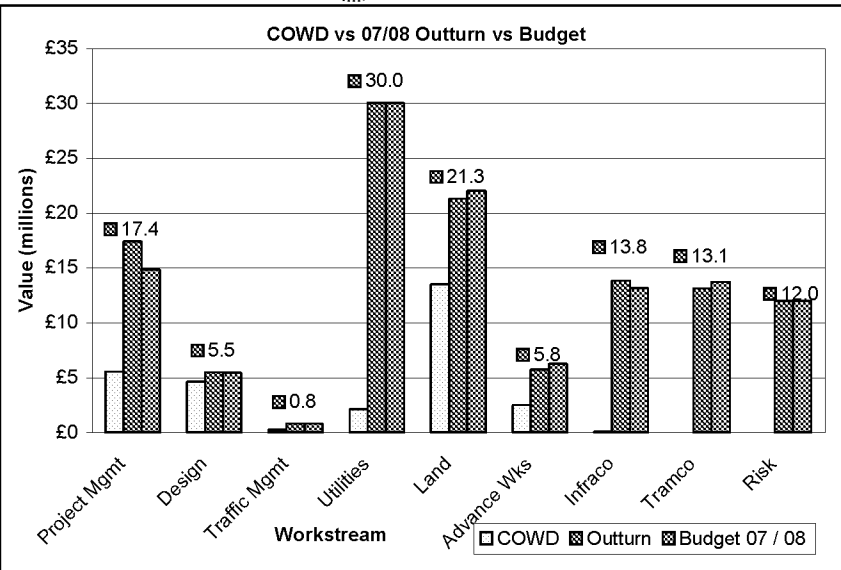
	COWD (YTD)	COWD YTD + forecast to year end	Funding TS authorised current year	COWD YTD + forecast to period covered by current grant letter
Phase 1a	£29.5m	£120.6m	£60.7m	£51.4m (P7)
Phase 1b		- <sup>1</sup>	- <sup>1</sup>	- <sup>1</sup>
Phase 1a+1b	£29.5m	£120.6m	£60.7m	£51.4m

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.

# Phase 1a only

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.



**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

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.
- Infracore 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	21	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	21		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 timscales	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	21		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	25		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	H		SUC Liasion	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	H		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

**Paper to:** TPB                      **Meeting Date:** 9 August 2007  
**Subject:** SDS Update – P4  
**Agenda Item:**  
**Preparer:** D Crawley

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## FOR INFORMATION ONLY

### 1.0 Introduction

The purpose of this paper is to provide an update on design progress and the performance of SDS in the delivery of design works.

The last few periods have seen continual slippage, which has now been arrested, and the factors behind this are described and recommendations made to mitigate further risk. The factors discussed are critical issues, design deliverables progress, design assurance, the SDS claim and risks.

A summary position is:

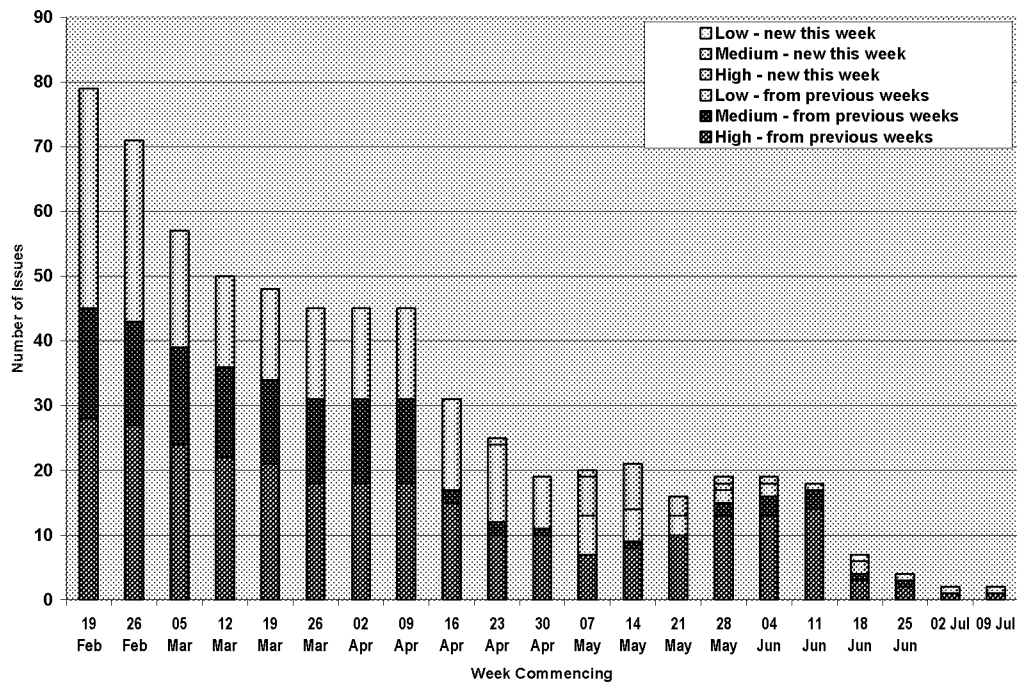
SDS have now arrested delay, but are not able to recover lost time and the programme of deliverables, which is still able to support the procurement programme effectively, will be made '*just in time*'. As there is no float left in the programme, it is very vulnerable to the effects of any additional delay. Meanwhile, the SDS claim is being progressed. The settlement of this claim is an important enabler of progress and will significantly mitigate risk to delivery.

### 2.0 Critical issues

The 'critical issues' are items which may prevent SDS from achieving their programme. These items are not always within their control and they have been the subject of previous reports and concerted effort to remove them. This has now been substantially achieved since 28 June 2007. The chart below shows the progress over time in reducing the total number of critical issues.

The remaining critical issue concerns the Lindsay Road junction at Ocean Terminal, which is now being progressed.

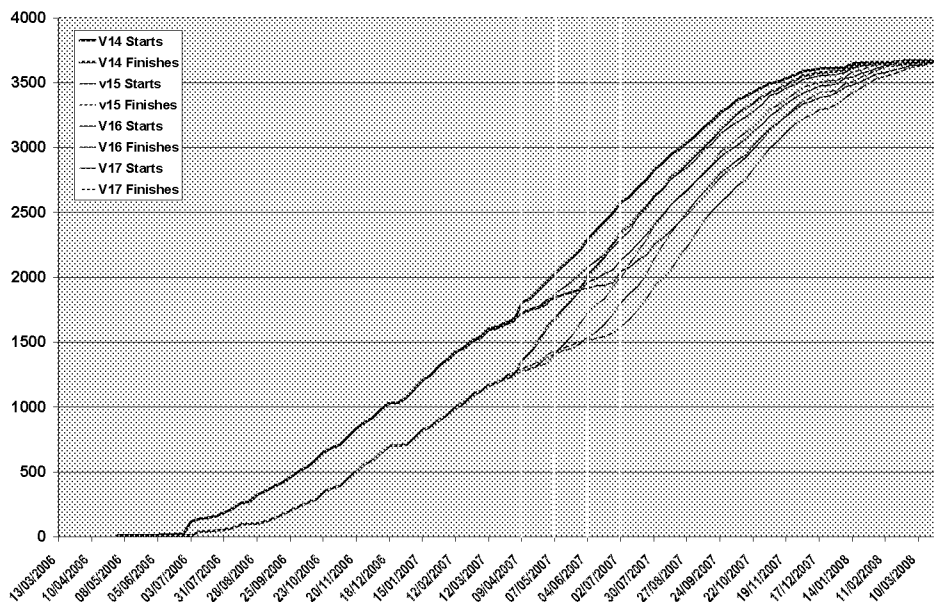
The removal of these critical issues has been greatly assisted by focused effort from CEC and TEL in producing pragmatic solutions to intractable design problems. This has enabled SDS to proceed with other dependent design works. It should be noted that **tie** are proceeding at risk (to some degree) 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, the risk will be manageable.



### 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.

Variations 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:

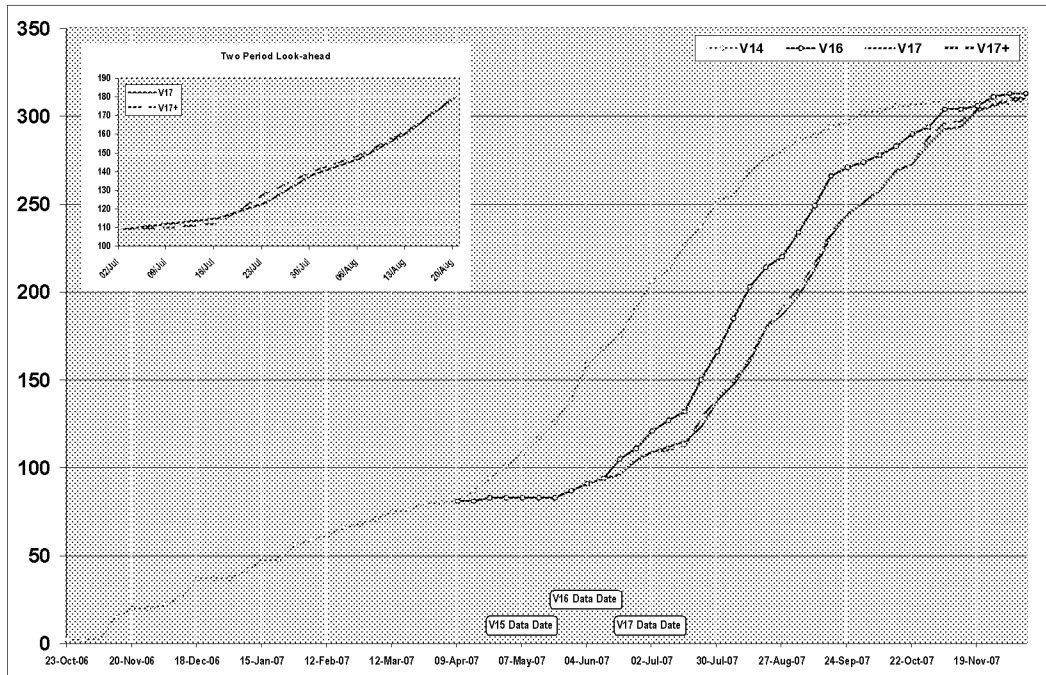
- The slippage has been occurring at approximately the rate of one period per period for the last three periods. However, this slippage has now been effectively arrested as a consequence of the removal of the last high-impact critical issue on 28 June 2007.
- Since the last effective critical issue was 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 Infracos 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.

It is likely that the change in behaviour necessary to underpin successful delivery (i.e. finding solutions which mitigate the effects of the many external events which naturally impact on the project, and working flexibly) will be enabled by settlement of the SDS claim. It is the case that SDS is the only means of delivery available to **tie** and, as such, within the limits of sensible settlement, a solution must be found.

**5.0 Risks to achievement**

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.
- The failure to settle the SDS claim.

**Proposed**                      Name David Crawley                      Date: 03-08-2007  
    Title Director, Engineering Approvals & Assurance

**Recommended**            Name Matthew Crosse                      Date: 03-08-2007  
    Title Project Director

**Approved**                      .....    Date: .....  
    David Mackay on behalf of the Tram Project Board



**Paper to:** TPB                      **Meeting date:** 9 August 2007

**Subject:** Advance works – Infraco and Tramco mobilisation

**Agenda item:**

**Preparer:** Geoff Gilbert / Campbell Skinner

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### Executive summary

The measures proposed are to plan for undertaking certain specified Infraco and Tramco preparatory activities and physical works in advance of the award of contracts to Infraco and Tramco in January 2008.

The strategy of early mobilisation and advance works had been agreed by the TPB in Jan 07, subject to a number of 'hold points' related to assurance of project affordability and programme envelope.

This proposal does not represent a change in either scope or costs.

There are a number of important benefits in following this strategy as follows:

- Enables Phase 1a completion date of Q1 January 2011 to be maintained.
- Avoids extra cost of delay as a result of any slippage to the above.
- Provides Infraco bidders with demonstration that **tie** and CEC are committed to the scheme.
- Provides **tie** with a period of time to work with Infraco / Tramco and build relationships across teams.
- Allows time to get all systems and processes embedded prior to the main works starting.

The Board is requested to approve the recommendations made in this paper and authorise the Project to undertake the activities listed up to award of mobilisation agreements.

### Impact on programme\*

The current headline programme for construction of Phase 1a is:

- Contract award in early January 2008 with commencement of construction immediately thereafter.
- Completion of construction and training Q1 January 2011.

From discussions with bidders during the bid process it is evident that they believe this to be an extremely challenging programme as they would expect to have a mobilisation and set up period of three months from date of contract award. Therefore anything that can be done to implement measures that will assist the

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.

These 'hold points' in the process will provide both the Board and CEC with control to ensure that any commitments made are within the overall project affordability and programme envelope at a point in time when it should be clear that there is minimal risk in awarding such agreements.

Leverage will be maintained post Conditional Recommendation and award of mobilisation contracts as

- It is not the award of a full contract.
- Full contract is conditional upon satisfying remaining issues such as facilitated negotiations, Phase 1b finalisation and design due diligence and any adjustments being subject to applying pre agreed formula.
- Recommended bidder remains in competition with the budget and knows that this must be met to avoid scheme cancellation.

**Decision(s) / support required**

The Board is requested to approve the recommendations made in this paper and authorises the Project to undertake the activities listed above up to award of mobilisation agreements.

<b>Proposed</b>	Name Geoff Gilbert Title Project Commercial Director	Date:- 1 August 2007
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<b>Recommended</b>	Name Matthew Crosse Title Project Director	Date:- 1 August 2007
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<b>Approved</b>	..... David Mackay on behalf of the Tram Project Board	Date:- .....
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**Paper to:** TPB                      **Meeting date:** 9 August 2007

**Subject:** A8 piling works – procurement plan

**Agenda item:**

**Preparer:** Geoff Gilbert / Campbell Skinner

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### **Executive summary**

The A8 piling works are on the critical path for the Infraco contract, given that the depot is the first section that needs to be completed to enable trams to be delivered and tested. Currently it is anticipated that the Infraco contract will not be signed until January 2008. The Project's programme for Infraco works shows the piling works is programmed to start on 15<sup>th</sup> November 2007 and be completed by 7<sup>th</sup> March 2008.

Primarily the piling works are required to protect the A8 as excavation of the adjacent land is undertaken for the building of the new depot. Several packages of works are being undertaken in the area of the new depot within a similar time scale. It is therefore important that the piling work is carried at the programmed time allocated in the master programme for the Infraco works to be delivered on time.

However, it may be possible to move the depot slightly northwards in the absence of EARL, such that piling work would then not be required. Although the design for the depot is currently under review, a procurement strategy is required as a fall-back position. A decision on this value engineering is expected in mid to late August 2007.

This paper seeks authority from the TPB for the proposed procurement strategy for an early start of the A8 piling works at the depot site.

Leaving the piling works as part of the main Infraco contract is now not an option, as the contract will not be signed until after the required start date for the piling works. The preferred option, and most straight forward, is to agree an advanced works contract with the preferred Infraco bidder who is due to be announced on 26<sup>th</sup> September 2007.

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

The position with the overall programme is that the piling contract is only one of a series of contracts being undertaken in the area of the depot site at Gogar during a period between 14<sup>th</sup> May 2007 and 21<sup>st</sup> March 2008.

Leaving the A8 piling works as part of the main Infraco contract is not an option if the project completion date of delivery into revenue service by Q1 2011 is to be maintained. Consideration will therefore have to be given to other alternative ways of completing the A8 piling works.



Paper to: TPB Meeting date: 9<sup>th</sup> August 2007

Subject: EICC Utility diversions

Agenda item:

Preparer: Graeme Barclay

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### Executive summary

EICC is planning to expand their frontage along Morrison Street and plans are in progress to commence these works mid 2009. It is a prerequisite that the affected services within Morrison street are diverted prior to this, at a point in time yet to be determined. Carrying out these works in conjunction with MUDFA at Haymarket (June to October 2008) are not possible due to the complex traffic management requirements at this site.

It has been requested that **tie** investigate the possibility of taking over the management responsibility for the diversionary works (excluding design) within Morrison street to ensure that potential conflicts are avoided. Prior to any decision being made, it is necessary to fully assess the quantum of the task **tie** is being asked to manage, the resource requirements and risks associated with this project. Currently, there is insufficient information available and a data capture exercise would initially be required to identify the full scope of the diversionary works and to collate all the relevant information to inform the design.

A follow up meeting is required with EICC to lay out a plan of action (proposed to be within August). This will entail a detailed action plan for the 'lead-in' elements necessary to cost and programme out the project. The initial proposal would be not to source external resource for this data capture exercise as this could be provided 'in-house' for this short period. An estimate would be provided to EICC for exercise and approval of this would be a prerequisite before any works commenced. It would be prudent to isolate this element of the works from the proposed development, should EICC not wish to pursue the matter further.

It would be essential that the budget, responsibilities and contractual arrangements were clearly delineated between the existing MUDFA contract and the EICC works.

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 G Barclay.

### Impact on programme\*

The programme of works is controlled by the available 'window of opportunity' within the MUDFA programme and the Infraco commencement. There would be no impact on either the MUDFA or Infraco programmes as cognisance of their requirements would be the critical drivers within the proposed EICC programme of

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.





**Paper to:** TPB                      **Meeting Date:** 09 August 2007

**Subject:** Review of TRO strategy – Greenways

**Agenda Item:**

**Preparer:** Keith Rimmer

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## 1.0 Executive Summary

- 1.1 The approved TRO strategy assumed, subject to review, that a Greenways Amendment Order would be promoted as part of the TRO suite of Orders for the project. That position has now been reviewed. It is concluded that the likely timescale for attaining the required approval of Scottish Ministers is now out of synchronisation with the rest of the Tram programme, including the other TROs. In the interests of risk mitigation and the harmonisation of a single enforcement regime for the Tram Route, it is now recommended that the strategy formally be amended by the TPB.
- 1.2 Within the Tram Route it is recommended that the fall-back strategy of replacing the 'Greenway' red regulatory lines with yellow regulatory lines be adopted.

## 2.0 Background

- 2.1 The TRO strategy approved in April 2007 by the TPB (and subsequently by CEC) includes a proposed provision for the retention and modification of the Greenways sections of the Tram route. This was the preferred strategy, based upon a desire for minimisation of change within the project design and a policy continuity for CEC in maintaining the use of "red lines", as these had been very successful in policy and enforcement terms. It should be noted that whilst technically the term 'Greenways' relates to the use of red regulatory lines, in the public perception it relates to the green bus lane road surface.
- 2.2 However, the approved TRO strategy paper did note that there could be difficulties with the retention of the 'red lines' and the matter would have to be re-visited later on to make a final decision. The particular difficulty emanates from the requirement under the Road Traffic Regulation Act 1984 for the revised Greenways Order to obtain the consent of Scottish Ministers. This follows the completion of the normal TRO statutory procedure and, although there is little precedence, the best advice obtained through discussion with Scottish Executive officials is that at least six months should be allowed.
- 2.3 The TRO Strategy in recognising this as a substantial and inherently risky issue proposed a fall-back position, if required, of replacing the 'red line' restrictions with 'yellow line' ones. This would not require the approval of Scottish Ministers and the necessary measures could be incorporated in the

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.

**FOISA exempt**  
 Yes  
 No

**Proposed**                      Keith Rimmer                      02 August 2007  
   Traffic Management Director

**Recommended**              Matthew Crosse                      02 August 2007  
   Project Director

**Approved**                      .....                      Date:- .....  
   David Mackay on behalf of the Tram Project Board

**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:**

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### **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.

**Decision(s) / support required**

To note notes the current position and endorses the approach being developed by the Council.

The continued support provided by **tie** Ltd and their agents is welcomed.

**Proposed** Name Date:-  
Title

**Recommended** Name Date:-  
Title

**Approved** ..... Date:- .....  
David Mackay on behalf of the Tram Project Board

## 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

	January 2006 Estimate £m	November 2006 Estimate £m
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

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

Phase 1a	Value (£000's)
Leith Docks Development Framework Area	18,000
St James Centre redevelopment	2,000
Princes Street redevelopment	1,000
Tynecastle	400
West Edinburgh Planning Framework Area	4,000
Accumulative development (small development)	1,700
<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

Element	Risks	Management action
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.