

## Transport Initiatives Edinburgh (tie) Business Plan – 2003/4

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The City of Edinburgh Council

26 June 2003

### 1 Purpose of report

The purpose of this report is, in respect of the Integrated Transport Initiative and the proposed Edinburgh Airport Rail Link, to seek approval from the Council for the contents of a draft Business Plan (with addendum) by Transport Initiatives Edinburgh (tie) for the financial year 2003/4. A further report reviewing overall financial performance of tie will be submitted to the Executive later in this financial year.

### 2 Summary

- 2.1 tie is a private company wholly owned by the City of Edinburgh Council. The company was established by the Council to assist the development, procurement, project management and implementation of certain nominated projects as determined by the Council and contained in the Integrated Transport Initiative (ITI). At the present time tie's efforts have primarily been focused on major projects in the ITI – the West Edinburgh Busway Scheme (WEBS), and three tram schemes serving north, west and Edinburgh designated Tram Lines 1 and 2 respectively. A formal offer of funding has recently been received from the Scottish Executive for the development work for Tram Line 3 serving south-east Edinburgh. tie are presently gearing up to progress this third tram proposal.
- 2.2 Following discussions between Council officials, the Scottish Executive and tie, the Transport Minister announced, on 12 March 2003, a £5 million package for tie to undertake design and engineering work and preparation for the necessary Parliamentary powers for a heavy rail link to Edinburgh Airport. Further discussions will be required with the Scottish Executive to clarify the client role and any resultant taxation implications. The work will receive no financial contribution from the City of Edinburgh Council, and be funded through a £5m grant from the Scottish Executive for which formal consent is expected shortly. The Addendum to the Business Plan is concerned with these airport rail link proposals (EARL).

- 2.3 The legal operating agreement between CEC and **tie**, identifies the requirement for an annual business plan which sets out the company's activities, costs and funding to be approved by the Council.
- 2.4 This report summarises the status of **tie**, the monitoring arrangements put in place and projects remitted to **tie**. Progress on these projects is described and staffing and accommodation discussed. A summary of costs and funding is given before financial implications, conclusions and recommendations are presented.

### **3 Main report**

#### **tie**

- 3.1 **tie** is a private limited company wholly owned by the City of Edinburgh Council, with a private sector majority board. The company was registered at Companies House in April 2002 and started operating in May 2002. The objectives of **tie** are defined in the Company's Memorandum of Association and relate to assisting the Council in developing and delivering its Integrated Transport Initiative (ITI).
- 3.2 With respect to the terms specified in the legal operating agreement between CEC and the Company, **tie** are required to submit a draft annual business plan for the following financial year which sets out the companies activities, costs and funding requirements. This plan requires the approval of the Council.
- 3.3 **tie** has submitted a draft Business Plan for financial year 2003/04 (Appendix 1). The plan also contains projections for 2004/05 based on the continuation of the programmes for the development of the ITI project. Internal **tie** costs are based on continuation of 2003/4 costs with allowance for anticipated increases. The major part of the budget relates to the development and promotion of tram routes and WEBS.
- 3.4 The Addendum to the Business Plan (Appendix 2) presents the separate projections for the airport rail link, together with ancillary information on board and management structure, resourcing, and programming for the rail link.
- 3.5 No detailed projections have been made for year 2005/06 as there are likely to be major changes in work programmes after April 2005. The Business Plan includes indicative costs likely to accrue in 2005/06, based on current information. More accurate costings will be provided in the next Business Plan.

#### **tie Monitoring**

- 3.6 **tie** confirms its commitment to high standards of corporate governance in the Business Plan. To ensure these standards are maintained the Council has put several levels of monitoring in place. These include:
- a Elected member representation on the Board and on the Remuneration committee and other committees.
  - b The Council solicitor is the **tie** company secretary.
  - c The Company articles of association were drawn up by the Council Solicitor
  - d An Operational Agreement is in place between the Council and **tie**. That agreement includes specification of the arrangements for monitoring **tie**'s activity, which are centred on the Annual business plan and its quarterly reviews.
  - e Individual project agreements.
  - f The nomination of a Council officer to liase with **tie**.

## **tie Projects**

- 3.7 The Council has directed **tie** to progress 6 key projects from its Integrated Transport Initiative as listed below:
- a A system for Road User Charging. Following approval in principle from the Scottish Executive **tie** will undertake the next stages in development, taking forward statutory procedures including the preparation and publication of a Charging Order and associated Traffic Regulation Orders. Confirmation will be the subject of a separate referendum as previously agreed by the Council.
  - b Edinburgh Tram Line 1 (serving the city centre and north Edinburgh). **tie** will undertake a stage 2 transport assessment following the Scottish Transport Appraisal Guidance (STAG) procedures. Development work will also be undertaken to obtain powers to construct Tram Line 1 by promoting a Parliamentary Order.
  - c Edinburgh Tram Line 2 (serving west Edinburgh). **tie** will undertake a stage 2 transport assessment following the Scottish Transport Appraisal Guidance (STAG) procedures. Development work will also be undertaken to obtain powers to construct Tram Line 2 by promoting a Parliamentary Order.
  - d A recent bid by CEC to the Scottish Executive for funding of Tram Line 3 (serving the south east of the city) was successful, and the Council has been awarded a total of £3.5 million from the Integrated Transport Fund. **tie** have been recently actioned by the Council to develop and integrate this scheme with Lines 1 and 2. **tie** has included costs in their draft business plan to undertake this work.
  - e West Edinburgh Busway Scheme (WEBS). **tie** will undertake development procurement and implementation of this project. Contracts for the design and build of the off road guideway sections of this scheme are in place and consultants are currently developing designs for the on street sections.
  - f SESTRAN 'One-Ticket' travel ticket scheme. This project provides a travel ticket scheme throughout the SESTRAN area and its business plan requires a significant growth in ticket sales. **tie** will provide a full time marketing manager and appropriate administrative support. This will be funded through the One-Ticket company.
- 3.8 The addition of the Edinburgh Airport Rail link (EARL) to **tie**'s portfolio has already been noted above. **tie**'s role will be to undertake design and engineering work and preparation for the necessary Parliamentary powers

## **Progress to Date**

### Road User Charging

- 3.9 **tie** met the deadline for producing its report to the Council and the Scottish Executive of 30<sup>th</sup> September 2002. Following a Council decision on 17 October 2002 the report was formally submitted to the Scottish Executive who shortly before the end of the year granted Approval in Principle to the Council to proceed with the statutory process required to introduce a charging scheme. Trials have begun on number plate identification systems required to implement a cordon-charging scheme subject to future approvals.

## Tram Lines 1 and 2

- 3.10 Consultants have been appointed for separate commissions for the development of professional engineering and environmental issues related to Tram Lines 1 and 2.
- 3.11 Joint commissions for Tram Lines 1 and 2 have been awarded for the provision of financial, legal and public relations/communications services.
- 3.12 Key tasks have mostly been completed in line with the project programme.

## WEBS

- 3.13 Consultants have been appointed to provide professional engineering services and client support. Following a tender process a contractor has been appointed for the design and build contract for the off road guideway sections.

## Public Transport Integration Issues

- 3.14 Integration of public transport is a key issue for the successful delivery of the Councils Integrated Transport Initiative. **tie** has instigated a number of initiatives to support this, some of which are still at an early stage of development. These include a transport operator forum, Transport Partnership Edinburgh: a stakeholder forum to build consensus with key sectors, and an agreement for **tie** to provide operational support to running the SESTRAN 'One Ticket' integrated ticketing scheme.

## Staff and Accommodation

### Chief Executive

- 3.15 An interim Chief Executive was appointed in May 2002 and it was expected that a permanent Chief Executive with similar curriculum vitae would be recruited before the end of 2002.
- 3.16 The **tie** board considered this matter and felt that due to the evolving role of **tie** and short term uncertainties, it would not be possible to recruit a permanent Chief Executive of the appropriate calibre at the end of the initial term of engagement of the current interim Chief Executive.
- 3.17 The board recommended extending this contract until the end of July 2003 on a 2 days per week basis with the objective of recruiting and appointing a permanent post holder thereafter. This recommendation was accepted on behalf of the Council by the Director of City Development through delegated powers that were granted to him on 2 May 2002.

### Staffing

- 3.18 A chart setting out the proposed medium-term operating structure is contained in the draft Business Plan. This makes provision for sixteen posts of which twelve are currently filled. To cope with the workload associated with the airport rail link, an additional three full-time posts and one part-time admin post are required (see Appendix 2)

- 3.19 It is anticipated that as **tie** expands a Finance/Business Director will be required to take overall responsibility for the financial management of the company. The Business Plan originally anticipated that this post would be filled in April 2004. The post now has the additional remit of the Airport Rail Link Project and has now been filled. The budget for this post has been increased from £115k to £160k per annum.

#### New Office Accommodation

- 3.20 Initially **tie** occupied Council office accommodation. The company has now moved to serviced office accommodation at 91 Hanover Street, Edinburgh.

#### Costs

- 3.21 The Initial Business Case for **tie** assumed that the interim Chief Executive would be in post until September 2002, being replaced at that time by a permanent CE. The **tie** Board has concluded that recruitment of a permanent CE should be deferred till July 2003. This extended temporary post, together with the conclusions of a review, instigated by **tie**'s Remuneration Committee of comparative salaries in the private sector, have led to an increase in staff costs of £80,000 compared to those reported to the Council on 2 May 2002.
- 3.22 A performance related staff bonus scheme has been introduced to partly compensate for differentials with private sector terms and conditions and partly to ensure that employees have a direct incentive for effective performance. This has led to an increase in staff costs of £68,000 in financial year 2003-04. The bonus scheme is centred on the achievement of key targets in the operation of **tie** and the achievement of specific project targets central to the success of **tie**. This is an evolving scheme and will be monitored closely to ensure its effectiveness. Project delivery staff are now being mainly drawn from the private sector.
- 3.23 The budget for staff training has increased from £12,000 to £24,000 in 2003-04 and £25,200 in the following year.
- 3.24 The increased costs mentioned above are compensated by an anticipated reduction in external advisor costs.
- 3.25 The Chief Executive's and Finance Director's costs will be charged in part to the EARL project. The final apportionment of these costs between individual projects remains to be determined, and may result in minor adjustments to funding requirements.

3.26 tie costs for years 2002-3 to 2004-5 inclusive (excluding airport rail link costs) are summarised below.

**Summary of tie Costs and funding 2002-3 to 2004-5**

	2002-3 £000	2003-4 £000	2004-5 £000	Total £000
<b>Costs</b>				
Congestion charging (RUC)-tie costs	996	1,052	802	2,850
Trams schemes	2,282	6,878	4,560	13,720
WEBS	832	5,801	3,267	9,900
One ticket		84	84	168
<b>Total TIE costs</b>	<b>4,110</b>	<b>13,815</b>	<b>8,713</b>	<b>26,638</b>
<b>TIE Funding</b>				
<b>Congestion Charging (RUC)</b>				
EU/SESTRAN/Private Sector	60	38	52	150
CEC CIP-S94 tie costs	0	212	0	212
CEC-Spend to Save	343	182	0	525
CEC-Revenue Funding	125	0	0	125
Scottish Executive RUC Match Funding	468	507	70	1,045
	996	939	122	2,057
<b>WEBS</b>				
PTF	1,000	4,093	1,500	6,593
Rail passenger partnership	0	220	0	220
S94 City of Edinburgh Council CIP	2,895	56	0	2,951
	3,895	4,369	1,500	9,764
<b>Tram Schemes</b>				
ITF	3,725	5,453	4,541	13,719
	3,725	5,453	4,541	13,719
One Ticket	0	84	84	168
	0	84	84	168
<b>Total available Funding</b>	<b>8,616</b>	<b>10,845</b>	<b>6,247</b>	<b>25,708</b>
<b>Funding shortfall</b>	<b>-4,506</b>	<b>2,841</b>	<b>2,337</b>	<b>672</b>
Met by:				
CEC WEBS additional contrib - CIP adjustment	-3,063	1,432	1,767	136
CEC RUC additional contrib - CIP adjustment	0	-15	246	231
Previous Revenue Funding - CIP adjustment	0	129	129	258
TIE slippage in Trams	-1,443	1,424	19	0
SE additional match fund	0	0	305	305
<b>Net shortfall</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

3.27 Additional costs totalling £5m for the design and preparation work for the airport rail link will be funded by the Scottish Executive. These are presented in Appendix 2 and are summarised below for the period 2003 -2005.

Item	£000
tie management costs	822
Technical and environmental	1761
Legal	800
Financial Advisers	200
Demand Modelling	350
Communications	500
Contingency	500
Total	5,000

#### 4 Financial Implications

- 4.1 There is no increase in tie net funding requirements from the report to the Executive in May 2002. This conclusion is based on the draft business plan supplied for 2003-4 and 2004-5 and the tie projected out-turn for 2002-3 (from tie December monitoring) and is subject to any expenditure in excess of tie projected out-turn for 2002-03 (per tie monitoring report at 31 December 2002) being contained within the tie 2003-4 budget
- 4.2 As agreed by Council on 2 May 2002, tie total funding for 2003-4 and 2004-5 requires an adjustment in the City Development CIP. A substitution of £367k will be required from projects within the 2003-2006 Capital Investment Programme, and will be addressed in a separate virement report to a future meeting of the Executive of the Council. This will also be reflected in the first quarterly monitoring statement of the Capital Programme.
- 4.3 Additional funding from Scottish Executive for £305k for RUC, as reported in the May 2002 report, is required. Approval for this is outstanding. A request has also been made to the Scottish Executive for funding of 50% of tie's client monitoring costs. The Scottish Executive are considering the request. In the meantime £80k per annum has been included in the CIP for 2003-6 for the financial years 2003-4 and 2004-5 to cover these costs. Should the approval not be forthcoming by the Scottish Executive additional funding from CEC or compensatory savings from tie would need to be identified to meet the short fall.
- 4.4 A request for all client costs will be made in respect of the Airport Rail Link.
- 4.5 Expenditure of £128,600 per annum (previously used to fund seconded staff) will continue to be funded for the time being from revenue as agreed by the Council on 2 May 2002. The longer term treatment of this will be addressed in a separate virement report to a future meeting of the Executive of the Council.
- 4.6 No detailed forecasts have been prepared for 2005/06. There is likely to be a major change in the work programme for tie after April 2005. The development stages of Tram lines 1 and 2 will be completed, and WEBS will be operational. The ITI project will have completed all approval stages and procurement of an implementing consortium will be in progress. Indicative figures have been included in the Business Plan but this will be reviewed next year in light of future developments.
- 4.7 The new business plan cost for WEBS include costs for the Southern Access Road Link which is funded by a £220k award from the Strategic Rail Authority through the Rail Passenger Partnership.

- 4.8 The cost of the Airport Rail Link (EARL) project development work will be funded by a grant from the Scottish Executive. The amount of the grant is £5 million but clarification is currently being sought on any VAT implications associated with the client responsibility for the EARL project. In the event of VAT becoming payable the budget available to **tie** will reduce by the corresponding amount. A further report will be submitted dealing with the Client and VAT issues.
- 4.9 The final overhead apportionment between projects requires to be determined by **tie** in consultation with appropriate Council's staff and may result in minor adjustments to the funding profile.

## 5 Conclusions

- 5.1 **tie** has been successfully established as an arms length company. Continuing close partnership and implementation of the **tie** Business Plan should ensure a successful outcome for all **tie** projects.

## 6 Recommendations

- 6.1 To approve the **tie** Business Plan for the financial year 2003-04 , subject to any expenditure in excess of the **tie** projected out-turn for 2002-03 (per **tie** monitoring report at 31 December 2002) being contained within the **tie** 2003-04 budget..
- 6.2 To approve the Addendum to the **tie** Business Plan for the financial year 2003-04 –.subject to further discussions taking place with the Scottish Executive on the client role and resulting tax implications and a satisfactory resolution of these issues.
- 6.3 To note that the total **tie** funding for 2003-04 and 2004-05 still requires the identification of a capital provision of £367,000 which will be the subject of a separate report by the Director of City Development.
- 6.4 To note that additional funding of £128,600 per annum will continue for the time being to be funded from revenue and will be the subject of a separate report by the Director of City Development.
- 6.5 To note that the contract of the Interim Chief Executive has been extended until the end of July 2003 on a 2 day per week basis.
- 6.6 To note that a further report reviewing the overall financial performance of **tie** will be submitted to the Executive early in the financial year.
- 6.7 To note that the approval of additional match funding from the Scottish Executive as detailed in 4.3 above is still outstanding and that should this not be forthcoming additional funding or compensatory savings would need to be identified.



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<b>Wards affected</b>	All Wards
<b>Background Papers</b>	Transport Initiatives Edinburgh Business Plan – 2003/04



transport initiatives edinburgh

**Business Plan – 2003/4**

December 2002

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## CD-ROM

1. **tie** Memorandum and Articles of Association
2. **tie**/CEC Operating Agreement
3. 'New Transport Initiative: Framework for Delivery' report to CEC,  
2 May 2002
4. CEC Approvals

## OVERVIEW

This business plan sets out the role of **tie** over the next two financial years 2003/4 and 2004/5, as well as looking at progress made during the current year. Since its establishment in May 2002, the company has been working towards:

- development of the Business Case for the Integrated Transport Initiative
- development of STAG stage 2 submission for the Integrated Transport Initiative
- progressing STAG stage 2 and Parliamentary Bills for the Tram Schemes
- procurement of the West Edinburgh Busway Scheme.

These will also form the core of the workload during the next two years, although some further projects may be added.

The future work programme is set out in Section 3, with the staffing position identified in Section 6 and the costs and funding for the year being summarised in Section 7. Appendix 5 provides a more detailed budget tabulation.

The past year's progress (2002/3) on delivering the core projects is outlined in Section 4, while Section 5 outlines the possible future evolution of the company to be addressed during 2003/4 and 2004/5.

The business plan also examines the objectives of **tie** and how the relationship between **tie** and the City Development Transport Function operates in Section 1 and Appendix 1. Section 2 deals with the important issue of Corporate Governance.

The remaining appendices provide further detail of key operational issues, including the programmes for each of the projects. For convenience, other significant documents are included on a CD-ROM provided with this plan.

## 1 Introduction to tie

**tie** was registered at Companies House in April 2002 and the first formal board meeting took place on 3<sup>rd</sup> May 2002. The Company is a private limited company with a share capital of £1,000 and is wholly owned by the City of Edinburgh Council (CEC). The objects of the company are set out in the Company's Memorandum of Association. The first of these is "to promote, support and/or effect the development, procurement and implementation of projects defined or referred to in an integrated transport strategy as determined and varied from time to time by The City of Edinburgh Council."

In effect this requires the company to:-

- Develop, finance and procure certain major transport schemes identified in the Local Transport Strategy of the Council.
- Develop the business case for congestion charging for submission to the City Council and The Scottish Executive and, on approval of that business case, to procure the implementation and operation of the scheme.
- Manage the finances arising from congestion charging and to invest these, along with other sources of public and private funding, to deliver additional transport infrastructure improvement.

The detailed legal agreement between **tie** and CEC requires **tie** to submit a business plan in draft to the Council by 31 December each year to cover the next financial year and project future years. This business plan is intended to fulfil that obligation for financial year 2003/4. The financial year starts 1 April and ends 31 March each year.

The company structure involves a board of seven non-executive directors, four from the private sector including the chairman and three from the City of Edinburgh Council. At present the company is staffed by a mixture of staff seconded from the Council, direct employees of **tie** and staff seconded to the company. It is intended to have all staff as direct company employees by the start of financial year 2003/4.

The role and responsibilities of **tie** are evolving beyond the initial work undertaken on the projects defined above. This plan makes assumptions about the more visible elements of those changes such as 1) integrating ticketing, 2) the new transport partnership, and 3) work focused upon securing development gain.

Apart from ticketing, it does not assume any move by **tie** to assume additional responsibility for activity in the wider SESTRAN area, nor any activity in transport planning or policy as was suggested by Partnerships UK in their recent report.

### Objectives of tie

**tie** is seen as a key element in improving the quality of public transport in the city and its surroundings through effective delivery of schemes identified in the Local Transport Strategy. The Local Transport Strategy (2000) set out the following vision for transport in Edinburgh.

*"Edinburgh aspires to be a city with a transport system that is accessible to all and serves all. Edinburgh's transport system should contribute to better health, safety and quality of life, with particular consideration for vulnerable people such as children, and elderly and disabled people; it should be a true Citizen's Network. The transport system should support a strong sustainable local economy."*

*“The Council will seek to maximise people’s ability to meet their day to day needs within short distances that can easily be undertaken without the need to use a car. The city should develop and grow in a form that reduces the need to travel longer distances, especially by car. Choice should be available for all journeys within the city.”*

The City has one of the fastest growing economies of any major city in the country and as a consequence is facing the prospect of significant expansion in employment and housing. Population within the City is forecast to increase by 12,000 with employment projected to grow by 24,000 in the period to 2011. For the Lothian’s as a whole, population is forecast to increase by over 30,000 in the same period and approximately 20% of the City’s workforce comes from outwith the City boundaries.

In order to cope with this projected expansion a number of transport schemes have been identified in the Local Transport Strategy. Some of these schemes would take place outside the City limits within the wider SESTRAN area. A total of 52 schemes in all are identified in the **tie** report to the Council dated 30th September 2002. The time-scale for delivery of these schemes will range over some 10 to 15 years and it is also likely that further schemes for implementation will emerge during this period.

It is intended that **tie** would take forward the procurement and delivery of a number of the projects within this ambitious programme. The projects to be delivered by **tie** will be agreed with the Council, and will focus in particular on the major schemes in the programme.

A second major element of work for **tie** is the development of the proposed congestion charging scheme. The core team that has transferred from the City Development Department to **tie** has led the development of the charging scheme to date. Securing the approval of the Scottish Executive to the establishment of the charging scheme will be predicated on the hypothecation of revenues from charging for reinvestment in transport improvements; namely those schemes identified in the Local Transport Strategy. Introduction of a charging scheme could occur in 2006.

**tie** can help to address the development and resourcing problems in procuring such an extensive range of projects by establishing a dedicated resource to provide expertise in:

- Procurement
- Project management
- Finance management

**tie** is not responsible for the strategic direction or key transport policy matters nor decisions on the level of charge to be applied. These issues remain within the control of the Council or, for those policy issues relating to their own geographical area, the neighbouring Councils.

It is not intended that **tie** replaces or duplicates the work currently undertaken by the City Development Transport Function. To ensure this does not occur, a partnership structure between **tie** and CEC has been established. This is set out in more detail in Appendix 1.

## 2 Corporate Governance

**tie** is committed to high standards of corporate governance to ensure the company provides value for the public money it receives and is effective in achieving the objectives required by its shareholder and client, the City of Edinburgh Council. This is achieved through both internal and client monitoring procedures. The structures are in place to ensure these objectives.

The major elements are:

### **The Board**

Under its Chairman Ewan Brown, the Board meets regularly to review the overall strategy for the company, outputs produced in the name of the company, and to monitor financial performance. The company secretary is Eddie Bain, Council Solicitor. There is also a Remuneration Committee chaired by Jim Brown to monitor and approve staff salaries and conditions.

### **The legal framework between tie and the City of Edinburgh Council.**

As well as the company Memorandum and Articles of Association, there is a detailed Operating Agreement setting out the respective responsibilities of the two bodies, including financial reporting requirements.

Key financial monitoring arrangements are:

- 1) A monthly review by the **tie** board of performance and financial returns, compared to programme and budget. This regular monitoring is aimed at ensuring both that the company is delivering projects remitted to it to budget and on schedule, and that appropriate procurement routes are being followed to ensure that value for money is being achieved for the client.
- 2) The **tie**/CEC operating agreement provides the framework for external monitoring by the Council. **tie** provides returns to CEC on a monthly basis through the invoicing process. This allows CEC to monitor progress against **tie**'s annual business plan approved by the Council. Additionally, updated budget forecasts are provided every quarter. These returns are supplemented by regular liaison meetings between **tie** and CEC, including Finance officials, allowing any variations to the plan to be explored.

### 3 tie Key Workstreams

The purpose of this business plan is to identify the operating costs and sources of income for tie over the next 12 months and indicate expenditure and income up to 2004/5. These have been summarised in a cash flow model contained within Appendix 5. The assumptions underlying these costs and their sources have been set out in Section 7.

These costs are based on tie undertaking the following principal workstreams:-

- 1) Development of the next stages of the Integrated Transport Initiative project, assuming that an approval in principle is received from the Scottish Executive by the end of 2002. The next stages of development will include taking forward the statutory procedures including the preparation and publication of a Charging Order and associated Traffic Regulation Orders, and preparation for a public inquiry. An application for approval in detail will be required by late 2004. Appendix 2 contains an outline programme for the development of the charging scheme.
- 2) Development of the STAG stage 2 submission and Parliamentary Order for Edinburgh Tram Line One and related public transport modelling. Consultants have been appointed for technical and environmental advice and this business plan is based on the most up to date consultants' cost estimates. An estimate for internal project management costs involved have been separately identified in Section 7 and Appendix 5.
- 3) Development of the STAG stage 2 submission and Parliamentary Order for Edinburgh Tram Line Two (West Edinburgh) has been included as a project for tie to progress in accordance with the ministerial announcements on 5th March and 29th July. Consultants have been appointed for technical and environmental advice and this business plan is based on the most up-to-date consultants' cost estimates.
- 4) The development of both Tram Line 1 and Tram Line 2 require advice on Legal, Financial and Public Relations issues. These three work streams have been procured to cover both lines 1 and 2 and the costs in this plan are based on the most up-to-date estimates from these consultants. The funding awarded by the Scottish Executive to cover the work outlined in paragraphs 2, 3 and 4 amounts to:
  - Tram Line 1 - £6.025m
  - Tram Line 2 - £5.000mA programme for the development of these schemes is included as Appendix 3.
- 5) The City of Edinburgh Council has made a submission to the Scottish Executive for Public Transport Funding to cover the development of Tram Line 3 through to parliamentary approval. This business plan assumes that line 3 will be developed by tie and the costs included are based on the submission for Public Transport Fund monies. A recent announcement by the Scottish Executive indicates that this project will be funded from the Integrated Transport Fund as follows:
  - Tram Line 3 - £3.500m
- 6) Development of the West Edinburgh Busway Scheme (WEBS) – This scheme replaces the CERT PPP proposals and received £6.093 million of funding from the Scottish Executive in the Public Transport Fund bidding round in August 2001. This funding, together with existing Challenge Funding, capital consent and developer contribution was forecast by the consultants to the Council to be



sufficient to meet the external capital costs of the project. It has been assumed that the **tie** internal project management costs for this scheme will be funded by the Council. Consultants have been appointed for technical advice and a contract will be awarded for the design and build of the off road guideway section by the end of December 2002. This plan uses the most up-to-date costs available. A programme for the development of WEBS is contained in Appendix 4.

- 7) It is expected that **tie** will take over responsibility for development and ongoing management of 'One-Ticket', the SESTRAN travel ticket scheme. This provides a travel ticket scheme throughout the SESTRAN area and its business plan requires a growth in ticket sales from £50,000 in 2002/3 to £0.7m in 2006/7. To achieve this **tie** will provide a full time marketing manager and appropriate administrative support. At present the scheme is administered through a joint public/private company involving SESTRAN and transport operators. A discussion paper outlining the way forward for this project is included as Appendix 6.

The seven projects noted above represent the principal projects to be taken forward in the period to April 2007.

## 4 Progress during 2002/3

Progress on project delivery during the year has been good, with all programme targets met. Key achievements and progress in respect of tram development, road user charging, and wider transport integration issues are summarised below.

### Tram and WEBS development

Consultants have been appointed for separate commissions for the development of the engineering and environmental issues related to Tram Line 1 and Tram Line 2 and work is progressing to programme. The Line 1 contract was awarded to Mott MacDonald as the lead consultant in association with the Babbie Group, ERM and Steer Davies Gleave. Support is also provided from Gillespie's, Terraquest, Brian Hannaby and McLean Hazel. The Line 2 contract has been awarded to Faber Maunsell as the lead consultant in association with Semaly, ASH, Roger Tym & Partners, and Land Aspects.

Combined Line 1 and 2 commissions have been awarded for provision of Financial, Legal and PR/Communications services. The Financial Contract has been awarded to Grant Thornton, the PR and Communications to Weber Shandwick and Legal Services to a consortium led by Bircham Dyson Bell and including DLA and Dundas and Wilson.

Tram Line 3: The City of Edinburgh Council has submitted an application to the Scottish Executive for Public Transport Fund funding to develop the scheme to Parliamentary Approval stage. An announcement by the Executive in October indicates that the scheme will be funded from the Integrated Transport Fund.

WEBS: Professional advisers, Halcrow, have been appointed to provide client support for the off road guideway section of the project and detailed design and contract management for the on road section. Tenders have been invited for the guideway design and build contract from four contractors with a view to contract award by the end of 2002.

### Road User Charging

tie met the deadline for producing its report to CEC and the Scottish Executive of 30th September. Following a Council decision on 17 October (details included on the CD-ROM attached with this plan), the report has now been formally submitted to the Scottish Executive. An approval in principle is expected by the end of 2002.

Assuming approval is received, a programme to take forward the project has been developed and is summarised in Appendix 3. Procurement of the necessary additional advisory support has been initiated.

### Integration issues

The importance of integration in successful delivery of the Council's transport projects has been recognised and a number of initiatives taken to support this. Some of these are still at an early stage of development. These include:

- A transport operator forum to facilitate the active participation of transport operators in transport scheme development and implementation – this is currently under discussion with the operators;

- Transport Partnership Edinburgh: a stakeholder forum to build consensus with key sectors, based on a model used in Nottingham – a core group from the Council's Transport Advisory Panel is developing this;
- Agreement in principle for **tie** to provide operational support to running the 'One-Ticket' integrated ticketing scheme;
- Generating improved links with SESTRAN through a possible bid to provide administrative support for the partnership.

#### Development Gain

A specific part of **tie**'s remit is to raise funds for new transport schemes from the increase in land value arising from their construction. This will certainly involve close linkage to existing Council planning activity, but may also involve the possible establishment of specialised vehicles that can participate directly in land ownership or property development. It is likely that **tie** will collaborate with other entities to achieve this.

## 5 Future developments

**tie** has the opportunity to demonstrate a new way of managing public transport innovation. The present set of challenges in Edinburgh and the region lend themselves to a role for **tie** that should prove exciting, innovative and effective.

### The mission that **tie** could perform

The overarching objective could be to maximise new transport opportunities and create unrivalled transport infrastructure in the Edinburgh region. This would be achieved via fulfilment of the following tasks:

#### a) Public Relations and Opinion Leadership

- maintaining close understanding of the view of the general public on performance, progress and perceived priorities in the SESTRAN area;
- acting as a champion of continuous improvement and excellence in public transport provision, while maintaining effective links to the corporate sector, public bodies and the general public.

#### b) Transport Integration

- championing the integration of public transport services tram/bus, park and ride, ticketing, with liaison to CEC on route structure, schedules and information provision;
- maintaining close relationships with public transport operators.

#### c) Project Delivery

- improving infrastructure with the focus on evaluating, managing, delivering projects which offer the best value to the travelling public in terms of minimising journey times and providing a superior travel experience.

#### d) Procurement and Financing

- designing and implementing the optimal strategy for projects, and, where feasible and necessary, taking a direct financing role
- raising funds for new transport schemes from the increase in land value arising from their construction. This will certainly involve close linkage to existing Council planning activity, but may also involve the possible establishment of specialised vehicles that can participate directly in land ownership or property development. It is likely that **tie** will collaborate with other entities to achieve this.

### Practical next steps

**tie** must earn its future opportunities by doing an excellent job in those activity areas that it has already been assigned.

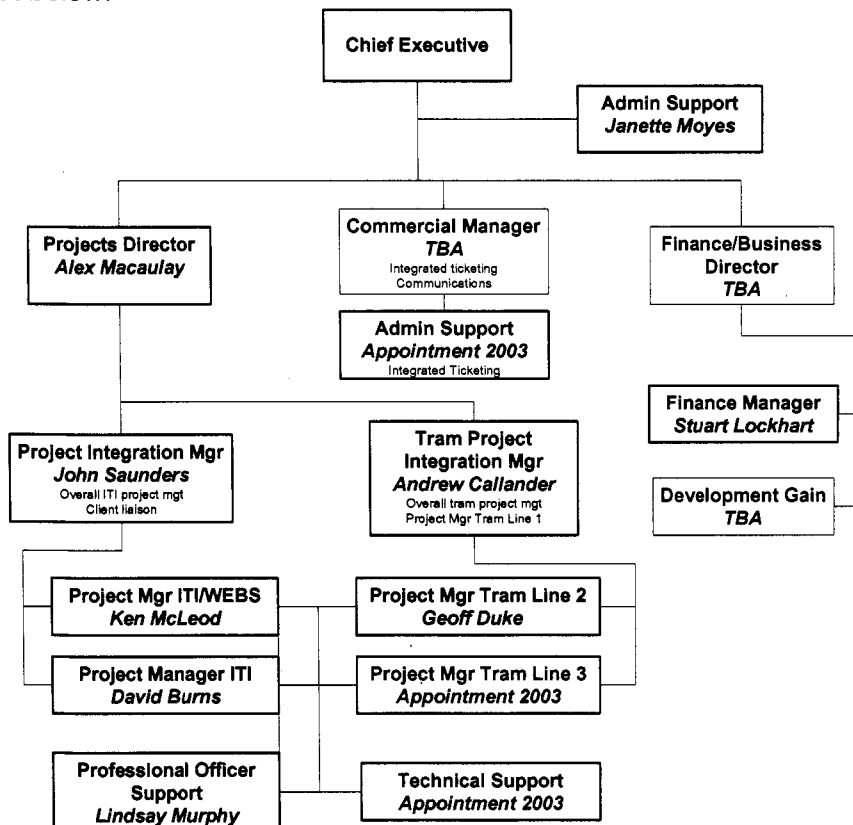
Therefore **tie** must seize the tasks that it has been given and make a conspicuous success of them. These are threefold:

- 1) Project implementation (especially WEBS), which involves public transport operators effectively
- 2) Community relationships, including Transport Partnership Edinburgh (TPE), which, with the right leadership and funding, should affect positively all that **tie** is trying to do
- 3) Integrated ticketing, where there is much room for visible achievement

We must pursue these tasks energetically and deploy the right resources (people and money) to make them successful. This conclusion informs this business plan.

## 6 Staffing and accommodation

**tie** is owned 100% by the City Council. In the first instance therefore staff have been seconded from the Council and will be transferred to **tie** with anticipated effect from 1st January 2003. The chart below sets out the proposed medium-term operating structure for **tie** staff assuming a continuation of the role as defined in section 5. However, initially the staffing requirements will not be as substantial. Details of the envisaged initial requirements of **tie** to meet the workstreams set out in section 5 are set out below.



At the present time (Dec 2002) 9 of the posts on the staff chart have been filled in order to progress the work streams currently committed to **tie**. These are:

- Projects Director
- Project Integration Manager
- Project Manager ITI/WEBS
- Project Manager ITI
- Tram Project Integration Manager (includes responsibility for Line 1)
- Project Manager Tram Line 2
- Finance Manager
- Professional Officer Support (Trams)
- Admin Support

The further posts of: 1) Admin support for Ticketing, 2) Project Manager Tram Line 3 and 3) Technical Officer support will need to be filled by 1st April 2003.

In addition to the above it is anticipated that as **tie** expands a Finance/Business Director will be required to take overall responsibility for the financial management of the company and in particular to deal with the contractual and funding arrangements of the projects. At present the financial administration is seen as relatively straightforward and it is proposed that this is resourced through the Finance Manager. Company secretarial arrangements are dealt with by the City Council, but

**tie** will need to consider how it wishes to procure these services in the longer term. The appointment of a Commercial Manager will be contingent on the growth plan for the 'One-Ticket' scheme. Finally, it may in the longer term be appropriate to appoint an officer to take responsibility for development gain issues – this will depend on how these matters are dealt with in the longer term.

In addition to the executive staff required **tie** has a board of directors comprising representatives from the private sector as well as representatives of the City Council. The City Council has nominated three members being the Executive Member for Transport, the Executive Member for Finance and the Administration Group Secretary. The representatives from the private sector comprise a non-executive Chairman, one representative from Scottish Enterprise Edinburgh & Lothian and two others. The private sector directors will be remunerated for their contribution at an annual rate of £25,000 for the Chairman and £7,500 per external director although some directors, including the chairman, have waived their remuneration.

#### Chief Executive

Due to the uncertainties presented by the 2003 elections, and the evolving role of **tie**, the **tie** board did not feel that it would be possible to recruit a permanent Chief Executive of the appropriate calibre at the end of the initial term of engagement of the current interim Chief Executive.

It was therefore agreed to extend this contract until the end of July 2003 on a 2 days per week basis with the objective of appointing a permanent job incumbent thereafter.

#### Employee salary package and bonuses

**tie** has undertaken a comparison of salaries and benefits with other private sector employers and noted that there are a number of differences where **tie**, offering as it does a package that is closely related to that of CEC, is less competitive.

<i>Condition of employment</i>	<i>CEC</i>	<i>tie</i>	<i>Private</i>
Salary	Lower	Medium	Higher
Pension	Good	Good	Moderate
Car	No	No	Yes
Holidays	Up to 40	35	30-35
Bonus	No	*	Yes

Certain employees have been hired from the private sector and the absence of a car and bonus would be perceived as a significant disadvantage to the **tie** package. **tie** has therefore decided to offer a performance related bonus of 10% of base salary (15% for Director level staff) partly in compensation for the absence of a car benefit, but also to ensure that employees have a direct incentive for effective performance during the year.

#### Company offices

The company has moved into serviced office accommodation at 91 Hanover Street and acquired the necessary IT hardware and software for efficient operation.

## 7 Costs and funding

This section summarises the sources and calculation of the costs and funding contained within the cash flow set out in Appendix 5.

### Costs

Summary of costs included in the cash-flow for 2003/04 and timing of outflows:

	2003/4	2003/4	
	This Plan	Previous Plan	
Category	£	£	Timing
Staff costs	745,549	624,800	Monthly
Non Executive Directors and Chairman	15,000	47,500	Quarterly
Office Accommodation	49,200	49,200	6 Monthly
Overdraft Interest	6,877	15,700	Monthly
IT and Office Equipment	19,400	10,180	Monthly
Training	24,000	12,000	Monthly
Market Research	-	6,000	Monthly
Sundries	24,000	5,000	Monthly
Legal and Financial	20,000	20,000	Monthly
External Project Costs	12,912,606	8,289,670	Profiled
<b>Total cash outflow</b>	<b>13,816,631</b>	<b>9,080,050</b>	

The following paragraphs detail the position in respect of each of the cost components identified in the summary table above.

#### **Staff costs**

Staff costs include costs for staff in post as well as costs for additional staff to resource the tie work programme. All staff costs are inclusive of social security and the employer's contribution to the Local Government Pension Scheme in accordance with the CEC Staff Conditions of Service. Salary levels from January 2004 onwards have been inflated in line with RPI.

The previous plan understated the remuneration packages for company staff which have now been revised in line with prevailing market conditions.



Total staff costs included in the cash-flow:

	2003/4	2003/4
	This Plan	Previous Plan
	£	£
Current Council Staff	-	128,600
Project Management	516,226	331,400
Chief Executive, Finance & Secretarial Support	229,323	164,800
<b>Total</b>	<b>745,549</b>	<b>624,800</b>

### Non Executive Directors

In addition to the three Council representatives (who will receive no remuneration from **tie**) there are three non-executive directors and a chairman sitting on the **tie** board. Their costs have been included in the cash-flow as follows taking account of the fact that not all will take their fee:

	2003/4	2003/4
	This Plan	Previous Plan
	£	£
Non Executive Director 1	7,500	7,500
Non Executive Director 2	7,500	7,500
Non Executive Director 3	-	7,500
Chairman	-	25,000
	£15,000	£47,500

### Office Accommodation

The costs for office accommodation have been extracted directly from the contract for the serviced office space at 91 Hanover Street now occupied by **tie**. Total office accommodation costs included in the cash-flow are:

	2003/4	2003/4
	This Plan	Previous Plan
	£	£
14 Person office and meeting room	£49,200	£49,200
	£49,200	£49,200

### External Project Costs including project management & technical advisors

Included within this category are the external financial, technical, legal and environmental advisors costs required for the Edinburgh Tram Schemes, Road User Charging (RUC) and West Edinburgh Busway (WEBS) Projects. Cost information for the Tram Schemes is taken from the PTF applications and current contract projections excluding the internal project management costs which are included in the staff costs category above. Costs included for RUC are taken from the internal CEC budget prepared for the next three years.

External project costs for WEBS are taken from the technical advisor's expenditure estimates. The spend profiles are taken from an amalgamation of

the projected spend from the various consulting studies that have been commissioned.

Total external project costs included in the cash-flow:

	2003/4	2003/4
	This Plan	Previous Plan
	£	£
Edinburgh Tram Line 1	1,733,533	1,650,000
Edinburgh Tram Line 2	1,767,206	2,000,000
Edinburgh Tram Line 1+2 JC	1,825,867	-
Edinburgh Tram Line 3	1,015,000	-
One-Ticket	84,000	-
Road User Charging	803,000	623,000
Company Development Programme	-	-
WEBS	5,684,000	4,016,670
	<b>12,912,606</b>	<b>8,289,670</b>

### IT and Office Equipment

The costs in the cash-flow for IT and office equipment is inclusive of the following items:

	2003/4	2003/4
	This Plan	Previous Plan
	£	£
Maintenance/Support	11,400	2,180
Computer Equipment	5,000	5,000
Fax/Photocopier	3,000	3,000
	19,400	10,180

These costs are based on existing hardware and software support contracts for IT and Office equipment which are more expensive than previously anticipated.

### Training

A training budget figure of £14,000 has been established for the year 2003/2004. It is anticipated that this cost will be incurred to meet the training needs of the including attendance at seminars and conferences as well as any office-based training required for staff. In addition to this, a further £10,000 has been provided for management training.

### Sundries

The sundries budget is made up of costs previously absorbed within CEC whilst located in their premises for insurance (£8,500), telephone (£3,000) and postage (£1,000). In addition, travel expenses, catering and any other sundries are also included and these are estimated, in total, at £24,000 for the year. The same level is used for future years inflated by RPI.

### Financial and Legal

The financial and legal budget of £20,000 includes financial services such as accounting, auditing, company secretarial and payroll outsourcing costs. This has been kept at the same level for future years inflated by RPI.

## **Overdraft Interest**

Due to the timing lapse between **tie** incurring costs and receiving funds from CEC, **tie** will at times require an overdraft facility to fund the mismatch between costs incurred and revenues received. Banker's facilities have been secured and interest charged is calculated at 1.0% over the bank's base rate (currently 4.0%) of the overdrawn balance and the cost is included in the month following the month in which the overdraft facility has been used. The previous plan applied a 7.5% interest rate. Interest received has not been included in the model since the amounts are not material.

## **VAT**

Consideration has been given to the treatment of VAT and the cost model reflects the position that **tie** will charge VAT to CEC for the services it provides.

## **Funding**

The cash flow assumes that **tie** will invoice CEC monthly in arrears for its management and other costs incurred in developing the schemes. It should be noted that it is essential to the security of the CEC funding sources that the risk of slippage in project timescales is minimised.

CEC has access to five main sources of funds which are summarised below:

### **Costs funded by Scottish Executive Integrated Transport Fund (ITF)/ Public Transport Fund (PTF)**

The funding for the external advisors and internal project management costs for Edinburgh Tram Line One is to be funded by the ITF based on the 2001 award.

The funding for the external advisors' costs together with internal project management costs, for Edinburgh Tram Line Two is funded by the ITF as supported by the Ministerial announcement on 5<sup>th</sup> March and 29<sup>th</sup> July.

The funding for the external advisers costs together with internal project management costs for Edinburgh Tram Line Three is to be funded by the ITF in accordance with the submission prepared by Ove Arup for CEC.

The money for WEBS will come partly from existing Capital Consent granted to the City for CERT which has been carried over to this project and also the successful PTF application made in August 2001 for this project.

### **Costs funded by City of Edinburgh Council**

CEC is currently part funding the costs of developing the New Transport Initiative. The Council currently funds 50% of the total cost of the NTI after deduction of contributions from the EU, SESTRAN or other third parties.

### **Contribution from the Scottish Executive for NTI development.**

The assumed contribution from the Scottish Executive is equal to the amount funded by the CEC.

### **EU Contributions**

EU contributions have been included as a source of funding as contributions have been earmarked for the development of the congestion charging scheme.

## **SESTRAN**

Contributions towards the development of the New Transport Initiative from SESTRAN are also included.

The funding sources outlined above, with the exception of that for Tram Line 3, were approved by CEC following a report on 2<sup>nd</sup> May 2002.

### **Projections for 2004/05**

Projections for both costs and funding for 2004/05 are outlined in detail in Appendix 5. These are based on continuation of the programmes for development of the ITI project and the 3 tram lines, and construction of WEBS. Internal **tie** costs are based on continuation of 2003/04 with allowance for anticipated cost increases. The most significant additional cost is the full year salary for the Finance/Business Director with anticipated appointment during 2003/04.

### **Projections for 2005/06**

No detailed forecasts have been prepared for 2005/06. There is likely to be a major change in the work programme for **tie** after April 2005. The development stages of Tram lines 1 and 2 will be completed, and WEBS will be operational. The ITI project will have completed all approval stages and procurement of an implementing consortium will be in progress.

At this stage therefore, the following programme and costs are anticipated:

- ITI procurement: external advisor costs - £500,000.

The procurement of the congestion charging implementation will be a major exercise, requiring substantial external advice, including technical, financial and legal. A notional figure of £0.5m is suggested for this stage. Currently there is no agreement for funding support from the Scottish Executive beyond April 2005, and this should be sought as soon as possible. If successful, this would reduce the requirement for CEC funding to a notional £250,000 (plus **tie** internal costs – see below). **tie** will develop a more robust cost estimate for this stage of the ITI project for the 2004/05 business plan.

- Tram lines 1 and 2

It is hoped that these will move into the implementation stage in 2005/06. This will again involve significant external advisor costs for procurement. On the basis that funding is successfully found for implementing trams, it is assumed that these and **tie's** internal costs would be financed from this funding.

- Tram line 3: total development costs - £980,000

Tram line 3 will still be in the development stage in 2005/06. This will be covered by the £3.5m award made in December 2002. As at 31 December 2002 the year by year budget has still to be agreed with the Scottish Executive. CEC's bid document suggested costs of £980,000 for the year 2005/06.

- WEBS

There should be no **tie** costs attributable to WEBS after April 2005.

- **tie** internal costs - total £630,000

It is anticipated that staff and overhead costs to support the above projects would remain broadly at the levels of 2004/05, with a small allowance for cost increases. The bulk of these, apart from an estimated 25% allocated to the ITI project, would be funded from project budgets. The call on CEC funds would therefore not exceed £160,000, and would be 50% of this if the Scottish Executive agree match funding for this stage of the ITI.

- Summary for 2005/6

<i>Project</i>	<i>External funding</i>	<i>CEC funding</i>
Integrated Transport Initiative	£250,000	£250,000
Tram Lines 1 and 2	Full	Nil
Tram Line 3	£980,000 (ITF)	Nil
WEBS	Nil	Nil
<b>tie</b> internal costs	£550,000	£80,000

## Appendix 1. Relationships with the City of Edinburgh Council

The diagram below represents how the relationship between **tie** and the City Council, SESTRAN and the Scottish Executive operates. The key working relationship is between **tie** and the Transport Function of the City Council Development Department on a day to day basis but the strategic role of The Scottish Executive is fundamentally important to the success of the projects.

In considering how the relationship between **tie** and the Transport Function operates the key roles of each should be borne in mind. These are:-

- **tie** – procurement, project management and delivery, finance management
- Transport Function – development of transport policy and the specification and prioritisation of projects to be delivered

The ITI operational structure diagram below illustrates this at a high level. There are three formal interfaces between the City Council and **tie**.

Firstly, the Partnership Liaison Group which meets quarterly. The members of this Group include the Deputy Minister, a senior civil servant, the Chairman of **tie**, the Director of City Development, the Director of Finance and the Executive Member for Transport. The key functions of this group are:-

- Ensuring that both **tie** and the City Council fulfil their appropriate roles
- Monitoring of project progress
- Review of transport policy fit with **tie** projects
- Liaison with Scottish Executive

At the level below this an operating committee comprising senior staff from the City Development Department and **tie** and including the chairman of **tie** and the executive member for transport has been established to deal with strategic operational issues between **tie** and CEC.

Finally a Partnership Liaison Officer has been appointed to act as the day-to-day interface between **tie** and the Transport Function. The nominated individual to fulfil this role is the Project Integration Manager. This is a key role in ensuring that the activities of **tie** and the Transport Function do not overlap.

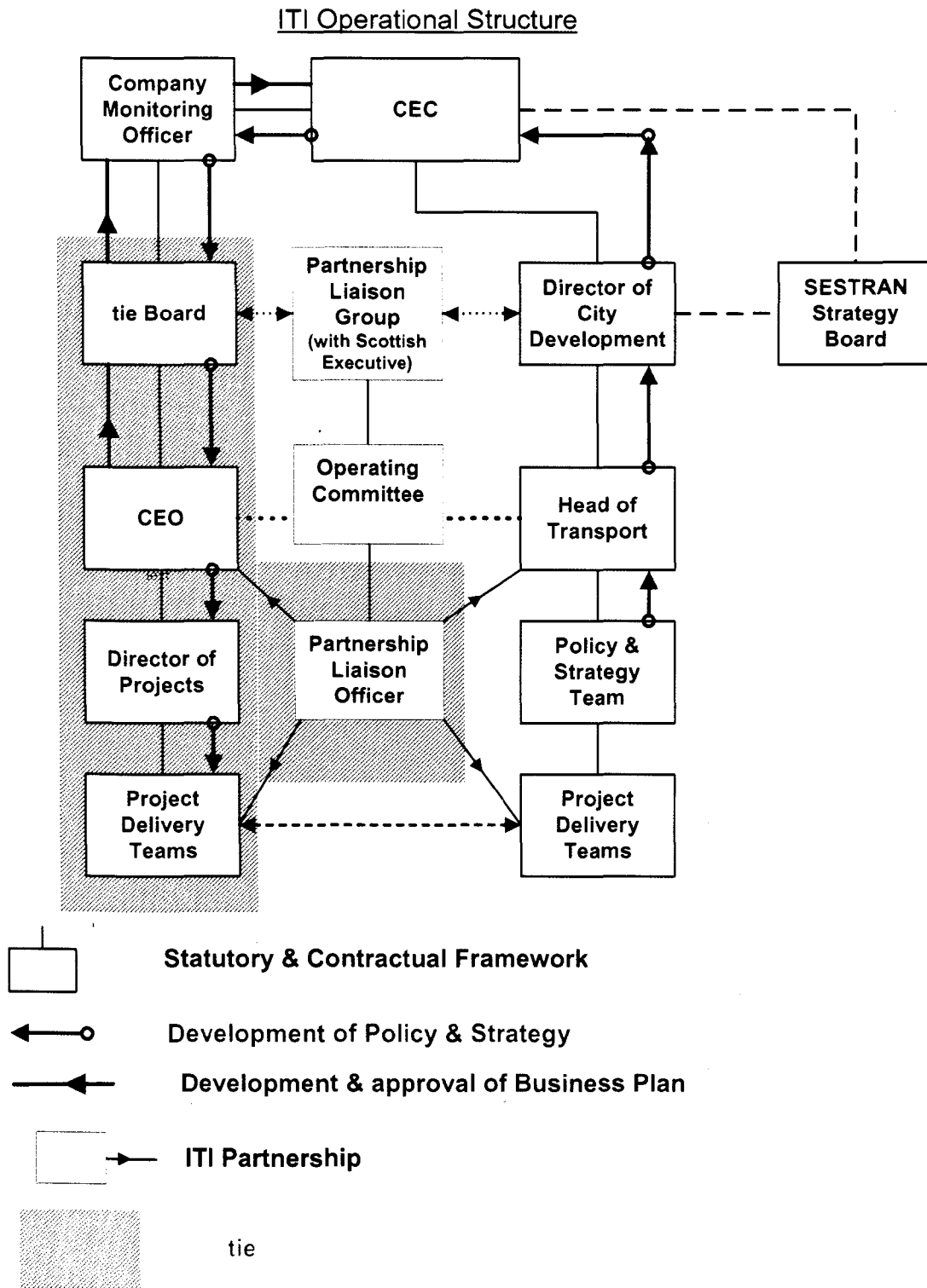
The operational structure diagram also illustrates how the necessary linkage to SESTRAN will be affected. A SESTRAN Advisory Board has been established, which provides input to the Council on wider policies and project priorities covering the region outwith the City. As this is a policy body it will interface through CEC and the Director of City Development.

Given the City Council's role as the policy setting entity it is intended that it will take projects through the conceptual and outline scheme configuration stages up to Scottish Transport Appraisal Guidance stage 1 level. Assuming a project receives approval to proceed from stage 1 the next stream of work will require close liaison between the Transport Function and **tie**.

The second stage of project development requires detailed technical, financial and legal work which is the principal function of **tie** and external experts. However there are also public consultation requirements and key political issues to be addressed at this stage which means that a partnership arrangement is required to progress the projects effectively. The section on partnership agreements below is the outcome of discussions between the two teams to map out how such a partnership might operate.

The final stage will be the actual procurement phase of the project. tie will manage this phase and the related financing and legal issues using its own and external resources as appropriate depending on the scale and nature of the project.

The key objective of the partnering process is to set clearly defined tasks for tie and the Transport Function. Partnership agreements will establish the key roles and responsibilities.



## Partnership agreements between CEC and tie

For Major Projects remitted to **tie**, partnership agreements are being developed between CEC and the company. These are based on the following principles, agreed with CEC.

The relationship between **tie** and the Council (as represented by City Development's Transport Function - TF) are based on the principle of **partnership**, with both organisations engaging in a co-operative and proactive environment. The objective of both partners is to avoid recourse to legal or other agreements except in exceptional circumstances of inability to reach agreement.

The Council's intentions in establishing **tie** are that:

- CEC maintains full responsibility for the development of transport policy and the specification and prioritisation of projects to be delivered. The Council must also remain the ultimate client for any project to maintain principles of democratic accountability, requiring an involvement in areas where there is interface or impact on the public and stakeholders.
- **tie** takes full responsibility for the procurement, project management and delivery of the specified projects, and should have the maximum amount of freedom in undertaking these responsibilities.

The remainder of this section suggests how these intentions can be translated into practical arrangements to underpin the partnership objective.

Any major infrastructure project can be seen as having three stages of development:

Stage 1: Concept and outline scheme configuration up to STAG1 appraisal.

Stage 2: Detailed development and definition including STAG2 appraisal and completion of statutory processes.

Stage 3: Procurement and delivery including potential maintenance and operational arrangements.

Stage 1 should remain the full responsibility of CEC, although **tie** could be asked to assist on a consultancy basis if required.

Stage 2 is the most difficult to define, as major technical workstreams are combined with inevitable political decisions that have to be made at this stage that must remain with the Council. However, the aim should be to manage this process in order to provide accountability while minimising risks of delay. It is here that the partnership concept is most crucial. The approach for this stage aims to provide **tie** with the maximum degree of flexibility, defining key milestones where agreement between the partners is required. Guiding principles are:

- TF is responsible for:
  - ◊ monitoring the overall programme
  - ◊ specifying quality and user standards for the end product (i.e. the tram system)
  - ◊ approvals at key milestones as defined in a project agreement
  - ◊ ensuring value for money.
- **tie** is responsible for:
  - ◊ delivery of outputs specified in a project agreement to time and to budget
  - ◊ provision of information to the Council (TF) as required

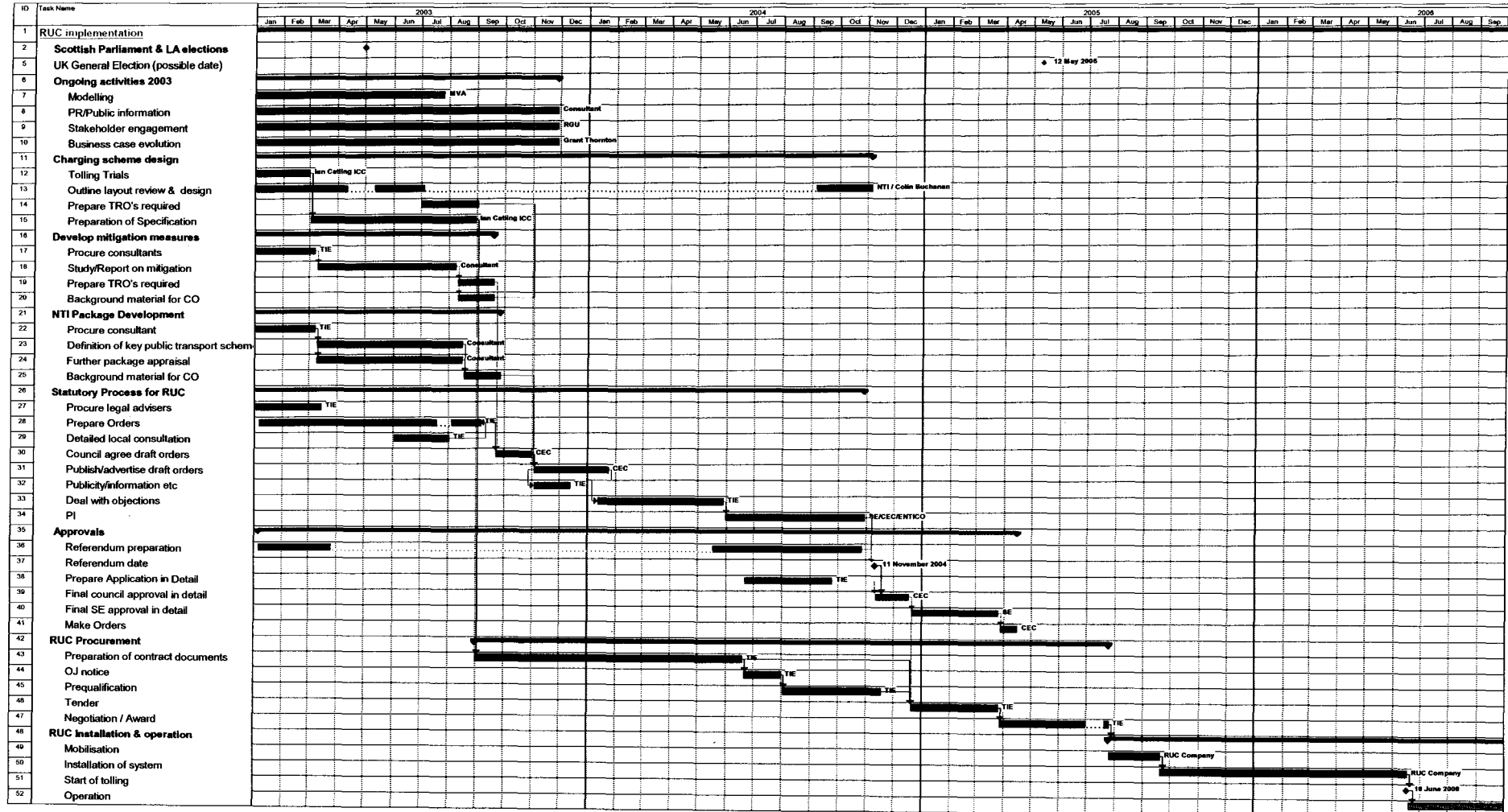


- For each project, a Project Agreement will be drawn up and agreed between TF and **tie** setting out the programme, budget and key milestones. Each project will be managed by a Project Manager employed within **tie**, to be endorsed by TF.

Stage 3 will be the full responsibility of **tie** once procurement arrangements are agreed with the Council. The Council would simply maintain a high level monitoring role at this stage.

## Appendix 2. Outline Programme of the Charging Scheme

### CONGESTION CHARGING: DEVELOPMENT PROGRAMME TO 2006

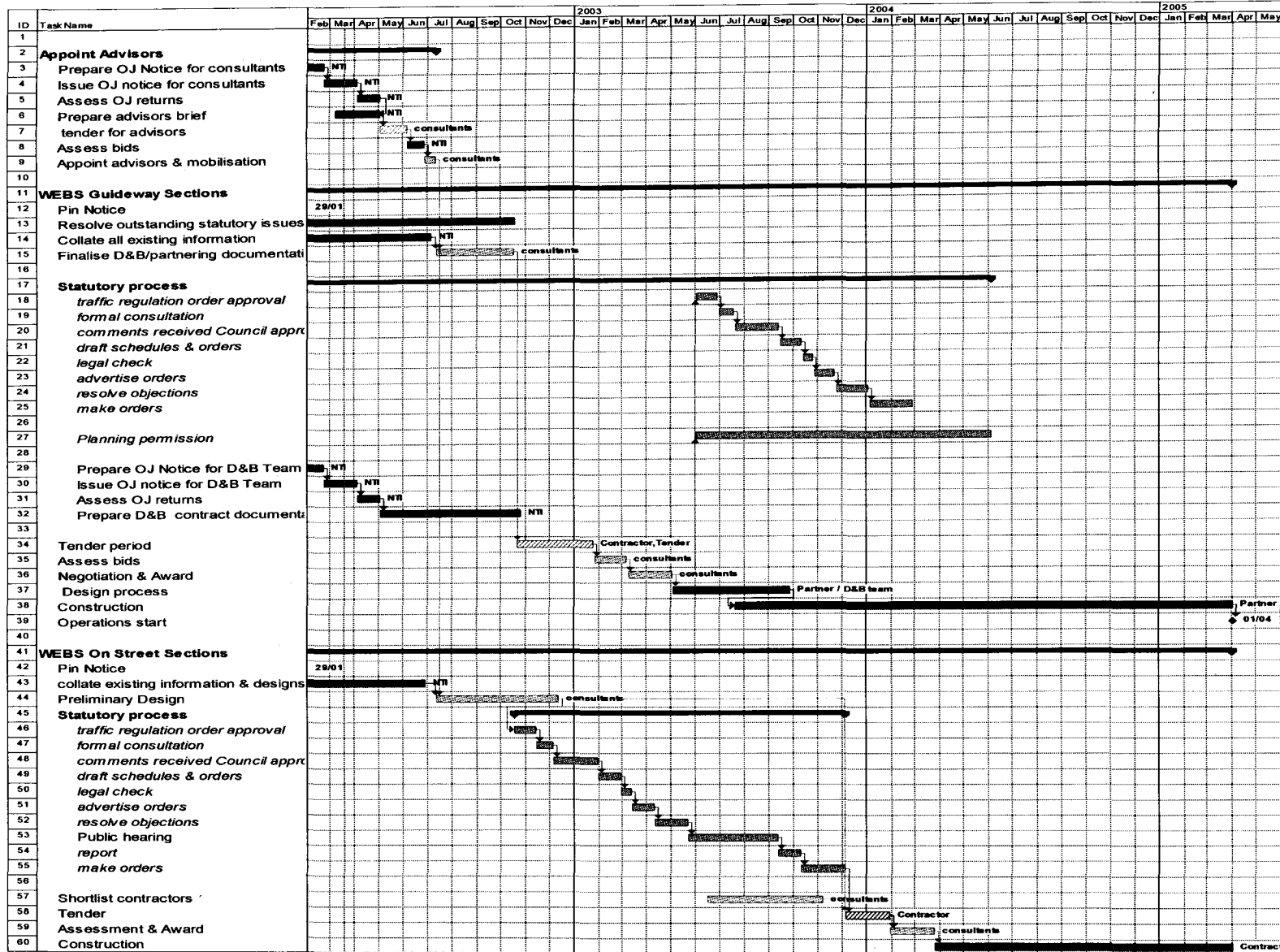


### Appendix 3. Outline Programme of Tram Scheme

#### EDINBURGH TRAM: LINES 1 and 2 – Development programme

ID	Task Name	Start	Finish	2003	2004	2005
0	<b>i.e. - Overall Programme</b>	<b>29-05-00</b>	<b>01-04-09</b>	[Gantt bar spanning 2003, 2004, and 2005]		
1	RUC Implementation	29-05-00	19-07-07	[Gantt bar]		
106	<b>WEBS Programme</b>	<b>29-05-01</b>	<b>05-11-04</b>	[Gantt bar]		
109	Appoint Advisors	29-05-01	19-07-02	[Gantt bar]		
118	WEBS - On Street Sections	19-06-01	05-11-04	[Gantt bar]		
136	WEBS - Offstreet Sections (Halcrow)	12-09-02	30-06-04	[Gantt bar]		
1	Existing Works	12-09-02	05-09-02	[Gantt bar]		
3	Orders, Planning & Documentation	12-09-02	05-09-02	[Gantt bar]		
6	Guideway Design Phase 1	12-09-02	20-09-02	[Gantt bar]		
19	Guideway Design Phase 2	16-09-02	27-09-02	[Gantt bar]		
25	Bridge Design	09-09-02	27-09-02	[Gantt bar]		
26	Landscaping & Environmental (Bullfinch Package - Gillespies)	21-09-02	20-09-02	[Gantt bar]		
33	Prequalification & Tender Selection	12-09-02	27-09-02	[Gantt bar]		
36	Contract Preparation & Award	12-09-02	10-01-03	[Gantt bar]		
41	Maintenance	02-12-02	31-01-03	[Gantt bar]		
43	Contract Management	13-01-03	30-06-04	[Gantt bar]		
137	<b>Tram Line programme</b>	<b>19-11-01</b>	<b>01-04-09</b>	[Gantt bar]		
1	LINE ONE & TWO Procure Financial Advisors	19-03-02	11-10-02	[Gantt bar]		
10	LINE ONE & TWO Procure Communications Advisors	08-02-02	11-10-02	[Gantt bar]		
19	LINE ONE & TWO Procure Legal Advisors	04-03-02	18-10-02	[Gantt bar]		
29	LINE ONE & TWO Procure Public Transport model	02-09-02	14-03-03	[Gantt bar]		
39	<b>Technical and environmental Programme</b>	<b>19-11-01</b>	<b>01-04-09</b>	[Gantt bar]		
1	TRAM LINE ONE - Northern loop	19-11-01	30-09-05	[Gantt bar]		
2	Procure Tech & Env. Advisors	19-11-01	28-06-02	[Gantt bar]		
12	<b>Tram Line 1 - Mott MacDonald</b>	<b>01-07-02</b>	<b>08-09-03</b>	[Gantt bar]		
1	Preferred Route Selection - Work Package 1	01-07-02	27-09-02	[Gantt bar]		
56	STAG 2 Approval - Work Package 2	01-07-02	08-09-03	[Gantt bar]		
333	Environmental Assessment (ERM) - Work Package 3	02-07-02	05-09-03	[Gantt bar]		
343	Consultations - Work Package 4	23-09-02	29-09-03	[Gantt bar]		
353	Deliverables	01-07-02	02-09-03	[Gantt bar]		
13	LINE ONE Parliamentary Process	02-09-03	30-06-05	[Gantt bar]		
15	Submit Bill	02-09-03	02-09-03	[Gantt bar]		
16	Pre-Introduction: Bill lodged	02-09-03	25-11-03	[Gantt bar]		
17	Objection period	25-11-03	20-01-04	[Gantt bar]		
18	Preliminary Stage: principles	20-01-04	08-06-04	[Gantt bar]		
19	Consideration Stage: details & evidence	08-06-04	01-03-05	[Gantt bar]		
20	Final Stage: referrals & amendments	01-03-05	26-07-05	[Gantt bar]		
21	Bill passed & royal assent	26-07-05	30-08-05	[Gantt bar]		
22	LINE ONE Royal Assent	30-08-05	30-08-05	[Gantt bar]		
23	<b>TRAM LINE TWO - West Edinburgh</b>	<b>29-01-02</b>	<b>28-10-05</b>	[Gantt bar]		
24	Procure Tech & Env. Advisors	29-01-02	17-09-02	[Gantt bar]		
34	<b>Tram Line 2 - Faber Maunsell</b>	<b>16-09-02</b>	<b>05-12-03</b>	[Gantt bar]		
1	Dependencies (WEBS & LINE 1)	01-11-02	02-06-03	[Gantt bar]		
8	Preferred route - Work Package 1	16-09-02	30-09-03	[Gantt bar]		
20	STAG 2 Approval - Work Package 2	25-11-02	15-10-03	[Gantt bar]		
46	Environmental Assessment (ERM) - Work Package 3	25-11-02	05-09-03	[Gantt bar]		
50	Consultations - Work Package 4	11-10-02	04-07-03	[Gantt bar]		
54	Deliverables	25-10-02	05-12-03	[Gantt bar]		
35	LINE TWO Parliamentary Process	31-10-03	28-10-05	[Gantt bar]		
38	Submit Bill	31-10-03	31-10-03	[Gantt bar]		
39	Pre-Introduction: Bill lodged	03-11-03	23-01-04	[Gantt bar]		
40	Objection period	26-01-04	19-03-04	[Gantt bar]		
41	Preliminary Stage: principles	22-03-04	06-08-04	[Gantt bar]		
42	Consideration Stage: details & evidence	09-08-04	29-04-05	[Gantt bar]		
43	Final Stage: referrals & amendments	02-05-05	23-09-05	[Gantt bar]		
44	Bill passed	26-09-05	28-10-05	[Gantt bar]		
45	LINE TWO Royal Assent	28-10-05	28-10-05	[Gantt bar]		
46	<b>TRAM LINE ONE &amp; TWO Procurement</b>	<b>30-08-05</b>	<b>01-04-09</b>	[Gantt bar]		

# Appendix 4. Outline Programme for WEBS



**Appendix 5. Operating Cost Projections**

**BUSINESS PLAN FINANCIAL MODEL**

**City of Edinburgh Council  
New Transport Initiative**

**2003/4**

**2004/5**

**TRANSPORT INITIATIVES EDINBURGH LIMITED**

**Business Case  
Financial Model**

**Year 2 (2003-2004)**

The detail contained within this document has been prepared by Transport Initiatives Edinburgh.

Transport Initiatives Edinburgh Ltd Business Case - Financial Model Year 2 (2003-2004)															Framework for Delivery - 2nd May 2002 Budget		
	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Month 13	Month 14	Totals A	Totals B	Variance A-B
<b>Cash inflow:</b>																	
Invoice CEC monthly in arrears	763,769	803,493	897,567	947,313	991,359	1,191,619	1,067,542	1,088,763	1,392,559	1,370,758	1,387,287	1,132,480	1,137,813	1,141,563	15,313,886	-	-
Invoice One Ticket monthly	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	98,000	-	-
Total cash inflow	770,769	810,493	904,567	954,313	998,359	1,198,619	1,074,542	1,095,763	1,399,559	1,377,758	1,394,287	1,139,480	1,144,813	1,148,563	15,411,886	-	-
<b>Cash outflow:</b>																	
Current Council Staff	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	128,600	128,600
Project Management	42,534	42,534	42,534	42,534	42,534	42,534	42,534	42,534	42,534	44,473	44,473	44,473	44,473	44,473	516,226	331,400	184,826
Chief Executive, Finance & Secretarial support	18,898	18,898	18,898	18,898	18,898	18,898	18,898	18,898	18,898	19,748	19,748	19,748	19,748	19,748	229,323	164,800	64,523
Non Executive directors			3,750			3,750			3,750			3,750			15,000	47,500	-32,500
External Advisors:																	
Edinburgh Tram 1	192,693	230,526	260,793	167,327	70,504	73,690	123,000	123,000	123,000	123,000	123,000	123,000	123,000	123,000	1,733,533	1,650,000	83,533
Edinburgh Tram 2	144,340	144,080	154,037	148,307	110,309	125,789	179,945	158,934	153,340	129,375	159,375	159,375	159,375	159,375	1,767,206	2,000,000	-232,794
Edinburgh Tram 1+2 Joint Commission	45,803	61,803	61,803	221,803	231,803	231,803	224,883	222,500	241,250	115,250	83,583	83,583	83,583	83,583	1,825,867	0	1,825,867
Edinburgh Tram 3	84,583	84,583	84,583	84,583	84,583	84,583	84,583	84,583	84,583	84,583	84,583	84,583	84,583	84,583	1,015,000	0	1,015,000
One Ticket	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	84,000	0	84,000
Company Development Programme	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WEBS	285,833	285,833	285,833	429,833	429,833	429,833	640,833	640,833	640,833	538,167	538,167	538,167	538,167	538,167	5,684,000	4,016,670	1,667,330
Road User Charging:																	
Communications	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000	150,000	30,000
Evaluation	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	50,000	0	50,000
Financial & Organisational	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	50,000	300,000	-250,000
Modelling	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	300,000	50,000	250,000
Charging scheme design	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	100,000	50,000	50,000
Package configuration	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	100,000	50,000	50,000
Match funding	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	20,000	20,000	0
Expenses	250	250	250	250	250	250	250	250	250	250	250	250	250	250	3,000	3,000	0
Accommodation	4,100	4,100	4,100	4,100	4,100	4,100	4,100	4,100	4,100	4,100	4,100	4,100	4,100	4,100	49,200	49,200	0
IT and Office Equipment:																	
Maintenance/Support	950	950	950	950	950	950	950	950	950	950	950	950	950	950	11,400	2,180	9,220
Computer Equipment	5,000														5,000	5,000	0
Fax/Photocopier	250	250	250	250	250	250	250	250	250	250	250	250	250	250	3,000	3,000	0
Other admin:																	
Training	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000	12,000	12,000
Market Research	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6,000	-6,000
Sundries	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000	5,000	19,000
Legal and Financial	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	20,000	20,000	0
<b>Total costs</b>	<b>904,567</b>	<b>953,140</b>	<b>997,114</b>	<b>1,198,168</b>	<b>1,073,347</b>	<b>1,095,763</b>	<b>1,399,559</b>	<b>1,376,165</b>	<b>1,393,071</b>	<b>1,139,480</b>	<b>1,137,813</b>	<b>1,141,563</b>			<b>13,809,754</b>	<b>9,064,350</b>	<b>4,745,404</b>
Net cash inflow/outflow before interest	-133,798	-142,647	-92,547	-243,856	-74,988	102,855	-325,017	-280,402	6,488	238,278	256,475	-2,083					
Simulated VAT cashflow impact	-147,549	-156,049	-15,539	-42,880	305,140	18,577	-57,087	-11,427	1,792	41,908	149,524	292	187,878	101,176			
	-281,347	-298,697	-108,086	-286,736	230,152	121,432	-382,104	-291,829	8,280	280,186	405,999	-1,791	187,878	101,176			
Interest on overdraft calculation		-1172	-1245	-450	-1195	0	0	-1592	-1216	0	0	0	-7	0	-6,877	-15,700	8,823
Funding required from CEC	904,567	954,313	998,359	1,198,619	1,074,542	1,095,763	1,399,559	1,377,758	1,394,287	1,139,480	1,137,813	1,141,563	7	0	13,816,631	9,080,050	4,736,581

COST INPUTS AND ASSUMPTIONS					CASHFLOW PROFILING:	
Staff costs	Gross	NI	S/A	Total	Cost per month	Qtrly cost
<b>Project Management</b>	416,827	34,597	58,984	510,408	42,534	
<b>Chief Executive, Finance &amp; Secretarial support</b>	186,858	15,509	24,403	226,770	18,898	
<b>Total</b>	603,686	50,106	83,387	737,178	61,432	
All staff are assumed to be members of the Lothian Pension Fund (employer contributions for new starts currently 14.7%). Proposed salary increases of 5% are incorporated in January 2004 for all staff.						
<b>Non Executive Directors</b>						
Non Exec 1	7,500					1,875
Non Exec 2	7,500					1,875
Non Exec 3	-					-
Chairman	-					-
<b>Total</b>	15,000					3,750
<b>Serviced Office Space (including rent, rates, heat &amp; light and facilities mgt)</b>						
Total office space cost	49,200				4,100	
<b>Project Management External costs</b>						
Edinburgh Tram 1	1,733,533				profiled	
Edinburgh Tram 2	1,767,206				profiled	
Edinburgh Tram 1+2 Joint Commission	1,825,867				profiled	
Edinburgh Tram 3	1,015,000				84,588	
One Ticket	84,000				7,000	
Company Development Programme	-				0	
WEBS	5,684,000				profiled	
<b>Total</b>	12,109,606					
<b>Other 3rd party costs (Road User Charging)</b>						
Communications	180,000				15,000	
Evaluation	50,000				4,167	
Modelling	50,000				4,167	
Financial & Organisational	300,000				25,000	
Charging Scheme Design	100,000				8,333	
Package Configuration	100,000				8,333	
Match funding	20,000				1,667	
Expenses	3,000				250	
<b>Total</b>	803,000					
<b>Sundries</b>						
Travel	2,000					
Postage	1,000					
Stationery (Pre-printed & Copy Paper)	3,000					
External Printing Costs	3,000					
Telephone/Fax	3,000					
Insurances-(Contents, Money, Emp Liab, Pub Liab)	1,300					
Insurances-Personal Accident/Travel	600					
Insurances-Directors & Officers	600					
Insurances-Professional Indemnity	6,000					
Catering	500					
Bank Charges	1,200					
Miscellaneous	1,800					
<b>Total</b>	24,000				2,000	
<b>Market Research</b>						
Training	24,000				9	2000
<b>IT and Office Equipment:</b>						
Network/PC Support (Byteback)	4,200					
Misc Hardware Support (Printers etc.)	1,200					
SUN Account Support	3,000					
Leased Line Annual Support	3,000					
<b>Total</b>	11,400				950	
Hardware	5,000				5,000	
Fax/Copier	3,000				250	
<b>Legal and financial advisors</b>						
Monthly Payroll Production	600					
Audit Fees	10,000					
Taxation	3,400					
CEC-Company Secretarial/Legal	6,000					
<b>Total</b>	20,000				1667	
Overdraft Interest rate (1% over the Bank's base rate)	5.00%					

Note: Interest gain on positive cash balances is not considered to be material and has been ignored in this model.



**TRANSPORT INITIATIVES EDINBURGH LIMITED**

**Business Case  
Financial Model**

**Year 3 (2004-2005)**

The detail contained within this document has been prepared by Transport Initiatives Edinburgh.

Transport Initiatives Edinburgh Ltd Business Case - Financial Model Year 3 (2004-2005)																Framework for Delivery - 2nd May 2002 Budget	
	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Month 13	Month 14	Totals A	Totals B	Variance A-B
<b>Cash inflow:</b>																	
Invoice CEC monthly in arrears	763,769	803,493	1,175,839	1,173,871	896,532	736,173	736,173	739,923	477,858	477,839	481,589	479,204	427,857	841,425	10,211,544	-	-
Invoice One Ticket monthly	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	98,000	-	-
Total cash inflow	770,769	810,493	1,182,839	1,180,871	903,532	743,173	743,173	746,923	484,858	484,839	488,589	486,204	434,857	848,425	10,309,544	-	-
<b>Cash outflow:</b>																	
Current Council Staff	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	132,500	
Project Management	44,661	44,661	44,661	44,661	44,661	44,661	44,661	44,661	44,661	46,697	46,697	46,697	46,697	46,697	542,037	308,500	
Chief Executive, Finance & Secretarial support	28,176	28,176	28,176	28,176	28,176	28,176	28,176	28,176	28,176	29,486	29,486	28,439	28,439	28,439	340,992	228,500	213,529
Non Executive directors			3,750			3,750			3,750			3,750			15,000	47,500	-32,500
External Advisors:																	
Edinburgh Tram 1	43,125	43,125	43,125	43,125	43,125	43,125	43,125	43,125	43,125	43,125	43,125	102,854			577,229	1,240,345	-663,116
Edinburgh Tram 2	59,375	59,375	59,375	59,375	59,375	59,375	59,375	59,375	59,375	59,375	59,375	9,375	9,375	9,375	612,500	1,300,000	-687,500
Edinburgh Tram 1+2 Joint Commission	88,583	88,583	88,583	88,583	88,583	88,583	88,583	88,583	88,583	88,583	80,250	431,295			1,397,375	0	1,397,375
Edinburgh Tram 3	112,213	112,213	112,213	112,213	112,213	112,213	112,213	112,213	112,213	112,213	112,213	112,213	112,213	112,213	1,346,556	0	1,346,556
One Ticket	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	84,000	0	84,000
Company Development Programme	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WEBS	736,000	736,000	455,139	301,333	301,333	301,333	43,000	43,000	43,000	41,000	41,000	41,000			3,083,139	4,477,580	-1,394,441
Road User Charging:																	
Communications	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333			100,000	50,000	
Evaluation	0	0	0	0	0	0	0	0	0	0	0	0			0	0	
Financial & Organisational	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167			50,000	300,000	
Modelling	24,080	24,080	24,080	24,080	24,080	24,080	24,080	24,080	24,080	24,080	24,080	24,080			288,962	0	
Charging scheme design	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667			20,000	0	
Package configuration	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333			100,000	100,000	
Match funding	0	0	0	0	0	0	0	0	0	0	0	0			0	0	
Expenses	250	250	250	250	250	250	250	250	250	250	250	250			3,000	3,000	0
Accommodation	4,667	4,667	4,667	4,667	4,667	4,667	4,667	4,667	4,667	4,667	4,667	4,667			56,000	49,200	6,800
IT and Office Equipment:																	
Maintenance/Support	998	998	998	998	998	998	998	998	998	998	998	998			11,970	2,180	9,790
Computer Equipment	5,000														5,000	5,000	0
Fax/Photocopier	262	262	262	262	262	262	262	262	262	262	262	262			3,150	3,000	150
Other admin:																	
Training	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100			25,200	12,000	13,200
Market Research	0	0	0	0	0	0	0	0	0	0	0	0			0	6,000	-6,000
Sundries	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100			25,200	5,000	20,200
Legal and Financial	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750			21,000	20,000	1,000
<b>Total costs</b>	<b>1,182,839</b>	<b>1,177,839</b>	<b>900,728</b>	<b>743,173</b>	<b>743,173</b>	<b>746,923</b>	<b>484,839</b>	<b>484,839</b>	<b>488,589</b>	<b>486,185</b>	<b>427,852</b>	<b>841,329</b>			<b>8,708,309</b>	<b>8,290,305</b>	<b>418,004</b>
<b>Net cash inflow/outflow before interest</b>	<b>-412,070</b>	<b>-367,346</b>	<b>282,111</b>	<b>437,698</b>	<b>160,359</b>	<b>-3,750</b>	<b>258,333</b>	<b>262,083</b>	<b>-3,731</b>	<b>-1,346</b>	<b>60,737</b>	<b>-355,125</b>				<b>-8,290,305</b>	
Simulated VAT cashflow impact	-194,250	-193,375	50,026	76,067	364,516	0	45,208	-57,774	0	350	-79,858	-61,677	61,542	184,197			
	-606,321	-560,722	332,137	513,765	524,876	-3,750	303,542	204,309	-3,731	-996	-19,121	-416,803	61,542	184,197		<b>-8,290,305</b>	
Interest on overdraft calculation		-3032	-2804	0	0	0	-19	0	0	-19	-5	-96	5	0	-5,968	-14,600	8,632
Funding required from CEC	1,182,839	1,180,871	903,532	743,173	743,173	746,923	484,858	484,839	488,589	486,204	427,857	841,425	-5	0	8,714,277	8,304,905	409,372

COST INPUTS AND ASSUMPTIONS					CASHFLOW PROFILING:	
Staff costs	Gross	NI	S/A	Total	Cost per month	Qtrly cost
<b>Project Management</b>	437,669	36,327	61,933	535,929	44,661	
<b>Chief Executive, Finance &amp; Secretarial support</b>	277,502	23,033	37,574	338,109	28,176	
Total	715,171	59,359	99,508	874,038	72,836	
All staff are assumed to be members of the Lothian Pension Fund (employer contributions for new starts currently 14.7%). Proposed salary increases of 5% are incorporated in January 2005 for all staff.						
<b>Non Executive Directors</b>						
Non Exec 1	7,500					1,875
Non Exec 2	7,500					1,875
Non Exec 3	-					-
Chairman	-					-
Total	15,000					3,750
<b>Serviced Office Space (including rent, rates, heat &amp; light and facilities mgt)</b>						
Total office space cost	56,000				4,667	
<b>Project Management External costs</b>						
Edinburgh Tram 1	577,229				profiled	
Edinburgh Tram 2	612,500				profiled	
Edinburgh Tram 1+2 Joint Commission	1,397,375				profiled	
Edinburgh Tram 3	1,346,556				112,213	
One Ticket	84,000				7,000	
Company Development Programme	-				0	
WEBS	3,083,139				profiled	
	<u>7,100,799</u>					
<b>Other 3rd party costs (Road User Charging)</b>						
Communications	100,000				8,333	
Evaluation	-					
Modelling	50,000				4,167	
Financial & Organisational	288,962				24,080	
Charging Scheme Design	20,000				1,667	
Package Configuration	100,000				8,333	
Match funding	-					
Expenses	3,000				250	
Total	<u>561,962</u>					
<b>Sundries</b>						
Travel	2,100					
Postage	1,050					
Stationery (Pre-printed & Copy Paper)	3,150					
External Printing Costs	3,150					
Telephone/Fax	3,150					
Insurances-(Contents, Money, Emp Liab, Pub Liab)	1,365					
Insurances-Personal Accident/Travel	630					
Insurances-Directors & Officers	630					
Insurances-Professional Indemnity	6,300					
Catering	525					
Bank Charges	1,260					
Miscellaneous	1,890					
	<u>25,200</u>				2,100	
<b>Market Research</b>						
Market Research	-				0	
<b>Training</b>						
Training	25,200				2100	
<b>IT and Office Equipment:</b>						
Network/PC Support (Byteback)	4,410					
Misc Hardware Support (Printers etc.)	1,260					
SUN Account Support	3,150					
Leased Line Annual Support	3,150					
	<u>11,970</u>				997.5	
Hardware	5,000				5,000	
Fax/Copier	3,150				262	
<b>Legal and financial advisors</b>						
Monthly Payroll Production	630					
Audit Fees	10,500					
Taxation	3,570					
CEC-Company Secretarial/Legal	6,300					
	<u>21,000</u>				1750	
Overdraft Interest rate (1% over the Bank's base rate)	6.00%					

Note: Interest gain on positive cash balances is not considered to be material and has been ignored in this model.

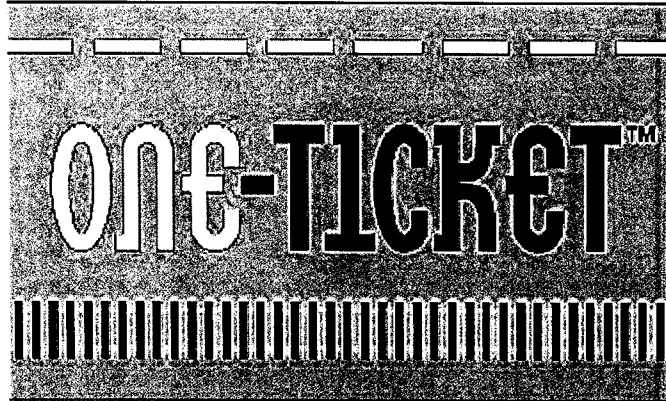
## Appendix 6. The 'One-Ticket' Scheme

### Background

The appended report outlines a possible way forward for the scheme. Within it you will see that Travel Ticket Limited expects to receive an income during the next financial year of £84,000 – £60,000 from sponsors, and £24,000 from ticket sales.

**tie's** proposal is that Travel Ticket will be managed by **tie** and that direct expenses incurred by **tie** on behalf of Travel Ticket will be reimbursed by Travel Ticket at cost by the payment of monthly invoices. **tie** will spend the £84,000 in the way best calculated to grow the business. This will free additional sums for commercial expenditure – possibly as much as £20,000. The impact on **tie's** own P&L will be neutral.

**tie** will in fact construct a new business plan for the company which it will propose should be funded by additional contributions from Travel Tickets' sponsors – CEC, SESTRAN, and the Scottish Executive. This new plan will be developed over the new two months and will be proposed to SESTRAN and Travel Ticket Limited in February. Our expectation is to double the sponsorships to a total of £120,000 for the year, giving a total budget of £144,000.



.....**WHAT NEXT?**

A DISCUSSION PAPER FOR  
transport initiatives **edinburgh**

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1. Where is ONE-TICKET now?
  2. Where on 1 April 2003?
  3. Achieving ONE-TICKET growth.
  4. Executive Summary.
- 

**David Scotney**

**Transport Planning Consultant**

16 OCTOBER 2002

## 1. WHERE IS ONE-TICKET NOW?

- 1.1 The ONE-TICKET scheme offers an array of Bus-only Traveltickets covering the whole SESTRAN area (and some neighbouring localities). It also offers Rail+Bus Traveltickets within Edinburgh and East Lothian; but the extension of these to the wider area is likely to await the letting of new rail franchises. Most of the products are focussed on Edinburgh; although there are also products covering travelling by bus purely within West Lothian.
- 1.2 The ONE-TICKETS are priced broadly with a premium of between 5% and 50% above single operator comparable products. The present objective in the medium term seems to be a premium of about 20% to 25%. At this level there seems the greatest potential to achieve a realistic degree of modal split change from the car without 'poaching' an excessive level of existing public transport users.
- 1.3 The 'public price' of ONE-TICKETS is split: 8% to agents, 12% to the company and 80% to the operators. The company is absorbing its 8% agent's fee to employers who offer loans to their staff for them to buy annual ONE-TICKETS direct from the company. The operators' proportion broadly corresponds to the premium over single operator products.
- 1.4 ONE-TICKETS are sold by some 82 agents across the area. These are primarily local authority and public transport operator's offices, with a small number of private 'corner' shops.
- 1.5 Marketing has been limited by the available finances to brief flurries at the start of the various phases. Some of the most successful advertising to achieve product recognition has been on local radio. Ongoing advertising has been limited to bus interior vinyl's and leaflet displays in agents.
- 1.6 The reimbursement of bus operators is in accordance with the requirements of the OFT guidelines. Negotiations are well advanced to achieve this for rail operators. Spreadsheets are in place to handle this cyclical process on a simple basis.
- 1.7 The ONE-TICKET scheme is administered by a joint public/private company SESTRAN Traveltickets Limited. The implementation of the scheme has been managed by a joint SESTRAN/operators working group. The Scottish Executive finances for the implementation of the scheme have been administered by East Lothian Council.
- 1.8 At present the day-to-day administration of the company, and the project management of the scheme implementation, is handled by two independent consultants on a part-time ad-hoc basis. They are assisted by four consultants: Halcrow for technical support, Atlantic PR for marketing support, Brodies for legal advice, and Scott-Moncrieff for accounting/audit services. The costs of all these consultants are paid from the Scottish Executive finances.
- 1.9 The ticket sales in this second year are at present on line to achieve an annual value of £50,000. First year sales were £1,800.
- 1.10 The company needs to achieve annual ticket sales of around £700,000 if it is to cover its administrative costs. Present support from the Scottish Executive finishes on 31 March 2003.

## 2. WHERE ON 1 APRIL 2003?

- 2.1 It is intended that from 1 April 2003 to 31 March 2006 the company will be assisted to stay in business by financial support jointly from the Scottish Executive, the SESTRAN local authorities and the main public transport operators. This will amount in the first year to £60,000, but will reduce in subsequent years as ticket sales increase to cover greater proportions of the company's costs. It is intended, at the present time, that this money will continue to be routed via East Lothian Council.
- 2.2 To achieve commercial independence by 1 April 2006 the following ticket sales will need to be achieved:

Year	2003/4	2004/5	2005/6	2006/7
Ticket Sales	£200,000	£350,000	£525,000	£700,000
12% Ticket Sales	£24,000	£42,000	£63,000	£84,000
Financial Support	£60,000	£42,000	£21,000	£0
Scheme/Company Costs	£84,000	£84,000	£84,000	£84,000

- 2.3 Assuming these figures, the day-to-day scheme/company costs will need to be managed within a ceiling of £84,000 per year. A likely split of costs within this ceiling would be:

Company Office Expenses:	
• Staff	£35,000
• Tele/Web	£1,000
• Premises	£7,000
Subtotal	£43,000
Company Operating Costs:	
• Tickets Printing	£5,000
• Marketing	£8,000
• Surveys	£8,000
Subtotal	£21,000
Company Overheads:	
• Insurance	£2,000
• Bank	£1,000
• Accountant/Auditor	£5,000
• Solicitor	£5,000
• Technical Consultant	£4,000
• Tax	£0
Subtotal	£16,000
COMPANY TOTAL	£80,000
Project Management	£4,000
OVERALL TOTAL	£84,000

- 2.4 To ensure that the company costs are maintained at the above levels the company will need to have its administration out-sourced to an allied operation, it is unlikely that costs can be held to these levels as a free-standing operation. At present I will assume that the administration will be handled by **tie** on behalf of the company, with a **tie** appointee as the Executive Director of the company.
- 2.5 It will be obvious from the above figures that the company will need to be operated at a 'hand-to-mouth' level in this period, with few resources to drive sales forward to achieve the growth required! So what can be done to speed the process?

### **3. ACHIEVING ONE-TICKET GROWTH**

- 3.1 Our target is to achieve a 1200% growth in ONE-TICKET sales in a three year period – a tall order, but we are already on line to achieve a 3000% growth in 1 year! This may seem a high target but we must remember we are only aiming at £700,000 per year; in Strathclyde and Tyne/Wear the annual sales are £12m and £14m.
- 3.2 The growth of ONE-TICKET is an integral part of achieving modal split change in all parts of the SESTRAN area as defined in the local and regional transport strategies. It is also the 'glue' to achieve an integrated public transport system both among existing modes and facilities and those being developed by the Scottish Executive, SESTRAN local authorities, tie and the public transport operators throughout the SESTRAN area.
- 3.3 The main areas which we should be concentrating on are:
- Agents
  - Marketing
  - Products

#### **Agents**

- 3.4 The present spread of 82 agents is based on short-term pragmatism and the ability of the present ad-hoc consultancy staff to service them. The latter should be overcome by the company administration being taken over by specific dedicated clerical/administrative staff.
- 3.5 The objective must be to have a ONE-TICKET agent as close at hand as is possible for the majority of the population within the SESTRAN area, relative to a reasonable cost of maintaining such coverage.
- 3.6 The present agents are local authority offices, public transport operator offices and a few independent convenience shops. The potential outlets which must be considered for the future are:
- Post Offices
  - Supermarkets
  - Petrol Stations
  - Multiple Convenience Stores (e.g. R S McColls)
  - Convenience Stores With Centralised Buying etc.
  - Independent Convenience Stores
  - Travel Agents
  - Hotels
- 3.7 Agents must also be furnished with an array of posters, door stickers, etc. to establish the presence of ONE-TICKET at the location.
- 3.8 It is not possible to develop an extended network of agents and materials with the same resources that are handling the day-to-day administration of the company.
- 3.9 It is therefore proposed that a temporary post of Business Development Manager / Sales Representative should be established for a 1 year period with the specific role of achieving a greater agent penetration and presence. The cost of this will be some £50,000, including development of materials. This would best be undertaken in the year 2003/4.

#### **Marketing**

- 3.10 Marketing in the initial development of the scheme has been more constrained by money than ideas. However the next big step should be to build on the existing tentative achievements, by widening and reinforcing product recognition and knowledge across the SESTRAN area. The primary target must be the car driver.



- 3.11 The means of achieving this could include:
- Continuing use of local radio advertising particularly at 'drive time' (possibly sponsorship of traffic/weather reports);
  - Major poster sites alongside roads (48 sheet or Adshel);
  - Advertise on pay-and-display parking tickets;
  - Sponsorship of regular features in the 'Scotsman' newspaper;
  - Roadshow / Stand at shopping centres etc.;
  - Use professional leaflet distributors (EAE Distribution?) to spread leaflets as widely as possible;
  - Better materials at agents premises;
  - Brochure / Programme Advertising (Football Programmes, Concert Programmes, Fringe brochure)
  - Sponsorship of major events (aircraft shows, bus rallies, etc);
  - Inclusion in all tourist / 'what's on' guides, etc.;
  - Inclusion of ONE-TICKET mentions in all public transport timetables, travelmaps, bus stops, etc.
- 3.12 The level of marketing included within the present company budget will not achieve any of the above; it will be restricted to reprinting leaflets, etc.
- 3.13 It is therefore proposed that a balanced marketing campaign should be instituted throughout the next three year period. This would require the ongoing services of a marketing agency plus a substantial budget for them to utilise with the agreement of the client. The overall level of resources required to make a substantial marketing impact will be £50,000 per year.

### **Products**

- 3.14 The present array of products on offer must be kept under review to ensure that they meet the needs of SESTRAN area consumers. The potential new products might include combinations of the following options:
- Rail+Bus products covering the whole area;
  - More local area products like those for West Lothian ('Falkirk/Stirling Travelareas' etc);
  - Off-peak products;
  - Weekend products;
  - Family products;
  - Transferable period tickets;
  - On-vehicle sale products.
- 3.15 It must be assumed that the company administration and project management resources will continue to develop some of the above products such as those for Rail+Bus.
- 3.16 However the real need is to undertake market research to find out attitudes to our present products (and their marketing) and to identify the potential for options such as those listed above. It is therefore proposed that a market research study be undertaken across the SESTRAN area relating to existing and potential ONE-TICKET products. This would best be undertaken in 2004/5 once additional agents have been established in year 2003/4, but to allow its outcome to be used in at least the final year of the marketing campaign (2005/6). The cost of such market research will be some £40,000.

### **Project Management**

- 3.17 If all the above are to be tackled over a 3 year period there is a need to ensure that they all work together and fit with the day-to-day operation of the scheme. It is therefore recommended that there is need for a part-time project manager to 'drive' the whole project forward. This will cost some £20,000 per year.

#### 4. EXECUTIVE SUMMARY

- 4.1 Multi-modal and multi-operator traveltickets are important components in achieving an integrated public transport system that can compete with the car.
- 4.2 ONE-TICKET is now just becoming established, rather tentatively, as the multi-modal and multi-operator travelticket in the SESTRAN local travel market.
- 4.3 It is hoped that moneys will become available from the Scottish Executive, SESTRAN local authorities, and main public transport operators to enable the continuing administration of the scheme until 31 March 2006.
- 4.4 It is assumed that the ongoing administration of the scheme will be handled by **tie** from 1 April 2003 as a complementary activity to the other transport initiatives that it is developing.
- 4.5 For the scheme to be financially self-supporting from 1 April 2006 there will need to be considerable continuing growth in sales up until that time, of a broadly comparable scale as that over the last few months.
- 4.6 To ensure that this growth does occur it is proposed that there should be a separately financed programme covering the following elements:
- a. An ongoing widening and reinforcing marketing programme aimed primarily at the car driver over the three years 2003/4 to 2005/6 at £50,000 per year.
  - b. A programme of achieving greater agent penetration and developing agent materials using a temporary Business Development Manager / Sales Representative for the year 2003/4 at a cost of £50,000.
  - c. A market research study covering existing and potential ONE-TICKET products in year 2004/5 at a cost of £40,000.
  - d. Project management of the above programmes and their integration with the day-to-day operation of the scheme at a cost of £20,000 per year.
- 4.7 The overall proposed costs are therefore:

	2003/4	2004/5	2005/6
Marketing	£50,000	£50,000	£50,000
Agent Development	£50,000		
Market Research		£40,000	
Project Management	£20,000	£20,000	£20,000
TOTAL	£120,000	£110,000	£70,000

- 4.8 The potential for ONE-TICKET in the SESTRAN area is enormous. It should provide the 'glue' which makes the initiatives planned by **tie** and others in the SESTRAN area actually integrate. Experience from elsewhere suggests that the market for ONE-TICKETS should reach some £10m annually once fully established. All we need now is to help it to happen.



transport initiatives edinburgh

**Addendum to Business Plan 2003/04**

**Edinburgh Airport Rail Link**

**April 2003**

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1. Introduction
2. Board, Management and Governance Structure
3. Project governance
4. Additional recruitment needs
5. Procurement Strategy
6. Project Schedule
7. Costs

## OVERVIEW

This addendum to the Business Plan sets out the changes to the management and cost structure of **tie** resulting from the addition of the Edinburgh Airport Rail Link (EARL) to the active projects of the company.

Since its establishment in May 2002, the company has been responsible for the following components of Edinburgh's Integrated Transport Initiative:

- Approval for the Integrated Transport Initiative
- Progression of Parliamentary Bills for Tram Schemes
- Procurement and Implementation of the West Edinburgh Busway

**tie** has also assumed responsibility for administration of SESTRAN's One-Ticket scheme.

**tie** has skills in UK and European procurement, project management, financial management and the management of specialist advisers on transport planning, project finance, engineering and legal issues.

**tie** has a unique position as an arms length private but CEC-owned company. **tie** is not established for profit, and its goals are completely aligned with the Council and its other public sector stakeholders in the delivery of transport projects.

At a senior level, **tie** has in place an Operating Board, Chief Executive and Executive Management with existing links to all the transport organisations of the SESTRAN region.

At an operating level, cross-fertilisation of knowledge and experience between the ITI and EARL teams should yield significant benefits. These include project and risk management, procurement, financing and the Parliamentary approval process. It will also be possible to strengthen the management of **tie** since a proportion of the costs of shared resource will be assumed by the rail project. Within that opportunity, the board of **tie** has elected to recruit a part-time Finance Director for the balance of the 2003/4 financial year.

There is therefore logic in **tie**'s appointment by the Scottish Executive, via its shareholder the City of Edinburgh Council, to project manage, and procure the further development of EARL.

The objective is to submit the necessary Private Bill for EARL to the Scottish Parliament by Q1 2005.

## **1. Introduction**

The Minister announced in March 2003, through the award of £5 million Scottish Executive funding, his commitment to proceed with further development of the Edinburgh Airport Rail Link (EARL). This funding is directed at the preparation and submission of a Private Bill to the Scottish Parliament to secure Royal Assent for the construction of the line.

The preferred option for Edinburgh is the "Runway Tunnel" option, involving a link from the west of Edinburgh Park, under the airport terminal and runway, to the Winchburgh - Dalmeny chord. The present estimate of project cost lies between £368 and £505 million. This option will permit diversion of existing rail services to run via a new airport station, delivering through train service to Fife, Aberdeen, Stirling, Inverness, Glasgow, Edinburgh and the South.

The addition of this project to **tie**'s existing portfolio presents new challenges, not only in project management, but also in commercial contract development, procurement and finance. It also creates important opportunity for **tie** to develop a critical mass of rail expertise to attract the award of other pending rail projects within the SESTRAN area.

## **2. Board, Management and Governance Structure**

### Board

**tie** recognises that its principal obligation is to its stakeholder, CEC, for the timely delivery of the ITI including trams, congestion charging and other transport and infrastructure improvements.

It has already been mooted by the Scottish Executive that a seat on the board of **tie** might be made available to a representative of SESTRAN in order to facilitate transport development and integration in the SESTRAN area as a whole.

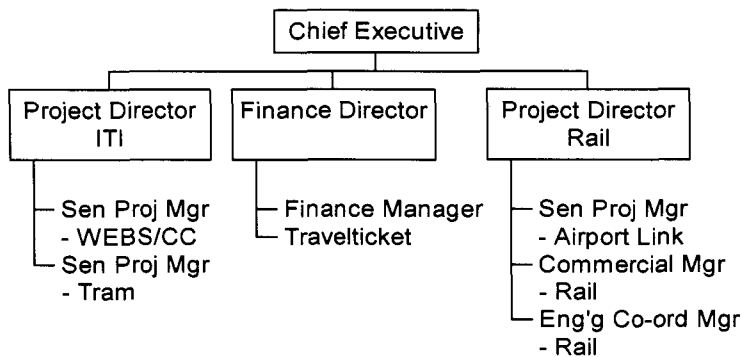
The purpose of this would be to ensure that **tie** is perceived by neighbouring authorities to be responsive to the interests of South East Scotland as a whole, and not only to the needs of Edinburgh.

### Management

The involvement of large UK wide organisations in EARL i.e. SRA, Network Rail and BAA, will present commercial challenges of a new dimension.

The roles of the chief executive of **tie** and its project directors will be clearly delineated.

The Chief Executive will have overall responsibility to the **tie** board and shareholder for delivery of the ITI and rail projects. He/she will have three main reports:



The Chief Executive will be strongly focused on communication at the highest level with the key external stakeholders (rail entities, BAA, business community, media, interest groups) and on delivering for its clients (CEC, the Scottish Executive, and other local authorities).

The Project Directors will be responsible for the procurement and timely delivery of the ITI, EARL and other projects which may be passed to **tie**.

The Part-time Finance Director will be responsible for monitoring and challenging project costs in order to maintain a continuous view of project viability and for defining innovative approaches to project funding.

### 3. Project governance

The **tie** Board will be required to consider varying matters that involve differing groups of stakeholders. It will therefore be necessary for the Board to maintain a distinction between matters that relate specifically to **tie** as a company, vs. those that relate to the projects under **tie**'s leadership.

It is therefore proposed to establish two steering groups, one for Edinburgh's ITI, and a second for EARL. The Board of **tie** will lead both of these groups under the chairmanship of the **tie** Chairman. The proposed terms of reference and group composition are shown below:

	<b>tie Board</b>	<b>ITI Steering Group</b>	<b>EARL Steering Group</b>
Terms of reference	<b>tie</b> financial performance, business plan approval and monitoring, governance, staffing, remuneration, political issues	Project plans, procurement, appointment of consultants, monitor progress, action if needed, project finance, external stakeholders and consultations	Project plans, procurement, appointment of consultants, monitor progress, action if needed, project finance, external stakeholders and consultations
Chairman	<b>tie</b> chairman	<b>tie</b> chairman	<b>tie</b> chairman
Membership	<b>tie</b> directors, <b>tie</b> secretary	<b>tie</b> directors <b>tie</b> CE / FD / PD, CEC staff	<b>tie</b> directors <b>tie</b> CE / FD / PD, CEC staff, ScotEx, SRA, BAA
Observers	<b>tie</b> CE/FD/PD, CEC staff, Scot Ex (optional)	Scot Ex PUK, CEC staff	NR, Scotrail, SEEL (optional), PUK (not yet appointed), CEC staff
Meeting frequency	Monthly	Every two months	Every two months

**Selected acronyms:** CEC = City of Edinburgh Council; SRA = Strategic Rail Authority; BAA = British Airports Authority; PUK = Partnerships UK Limited

The plan is that a monthly **tie** board meeting will coincide, on an alternating basis, with one of the two steering groups. Each meeting would start with a formal **tie** board session, followed by the addition of the appropriate participants for the steering committee in question.

Separate minutes will be kept for each meeting so that confidentiality of board proceedings can be maintained.

#### 4. Additional recruitment needs

The rail work stream suggests the following needs for recruitment:

<b>Position</b>	<b>Timing</b>	<b>Remarks</b>
Airport Link Project Manager	2Q2003	Reporting to Rail Project Director (see below), senior project manager to assume responsibility for the EARL project team. Initial responsibility for engineering feasibility studies leading to STAG 2 appraisal of the project. (Position filled pro tem by Richard Hudson, former Railtrack project manager, employee of First Engineering, assigned to <b>tie</b> and formerly responsible on



		interim basis for Tram Line 3.)
Rail Commercial Manager	2Q2003	Reporting to Rail Project Director (see below), senior commercial manager who understands the commercial interfaces within the rail industry and the statutory and contractual environment. Able to maintain effective continuous relationships and negotiate multilateral commercial arrangements with counterparts in Network Rail, TOCs, BAA, etc. Part time requirement until other projects adopted, or until the later detailed commercial stages of airport link project. (Position presently filled by Alan Somerville, former Commercial Director of Scotrail, who is working for <b>tie</b> on a per diem basis.)
Rail Project Director	3Q2003	Reporting to Chief Executive, experienced executive with outstanding experience in the rail industry combining both successful project delivery and higher level strategic awareness and demonstrated competence. Should have the potential to be considered for promotion to the role of <b>tie</b> Chief Executive within 3-5 years. Will oversee multiple rail projects and should be hired early in order to secure <b>tie</b> 's role in further projects.
Chief Executive	3Q2003	Reporting to Board of <b>tie</b> , a good communicator with excellent high level relationship skills, proven track record of delivery, preferably with rail industry experience and Scottish awareness. A full time commitment will be required, especially with the advent of other rail projects. (Position presently filled on an interim basis by Michael Howell.)
Finance Director	3Q2003	New appointment (initially part time) responsible to Chief Executive to facilitate successful financing of ITI and Rail Projects as projects pass from engineering feasibility to procurement. Experience and credibility with major PPP/PFI projects, preferably within Scotland. Overall responsibility for the finance and administrative function of <b>tie</b> when appointed full time.
Rail Engineering Co-ordination Manager	4Q2003	Reporting to Rail Project Director, very experienced railway engineer with multi-disciplinary experience in civil, signaling, electrification and permanent way technologies, with ability to ask right questions in wide variety of disciplines. Good lateral integrative skills. (An alternative but more expensive solution would be to hire 2-3 less senior engineering specialists.)

It has been provisionally agreed with CEC that early appointment of a strong leader of the Rail Projects Team would be beneficial in two respects:

1. The appointment will allow the **tie** board and Chief Executive to retain focus on Edinburgh's own ITI projects.
2. A strong candidate would attract the right people to his/her own permanent team and it is probable that other rail projects would be awarded to **tie**. This would thereby facilitate the critical mass of rail competence that, it has been agreed, is needed for SESTRAN projects.

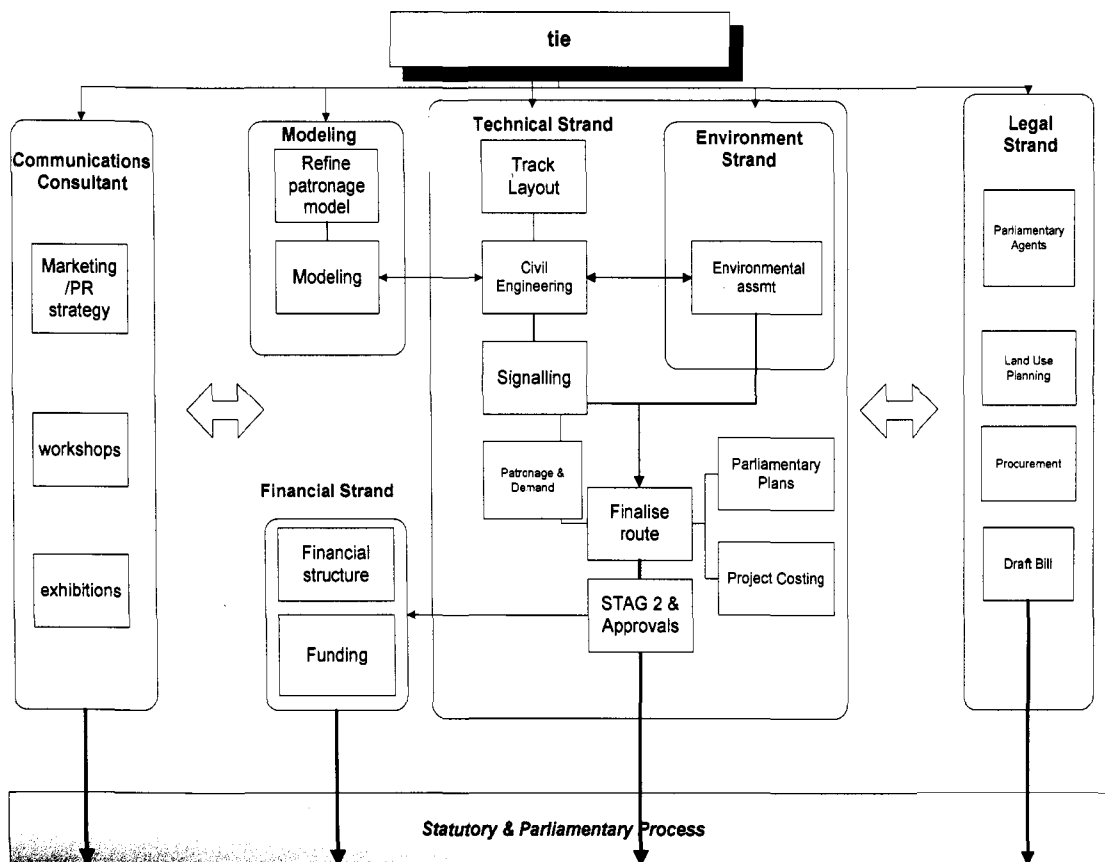
The above appointments have been incorporated into the expense plans shown below.

## **5. Procurement Strategy**

**tie** has considered the tasks that must be undertaken to deliver a robust business case for the submission of the EARL Bill and the following chart indicates our proposed procurement strategy.

We envisage procuring the work in five strands:

1. Technical Consultants to conduct the engineering feasibility, environmental impact and the production of parliamentary plans.
2. Legal Advisers to draft the bill, deal with land issues and advise on procurement.
3. Financial Advisers to deal with funding and carry out the detailed financial appraisal
4. Transport Modelling Consultants to carry out demand and patronage studies.
5. Communications advisers to deal with public participation, enquiries and media issues.



**Edinburgh Airport Rail Link – Proposed Procurement Strategy**

The chart above shows the technical workstreams. It does not show the very important commercial work (service provision, timetabling and the associated contractual matrix) that will precede the technical activity. This will largely be delivered in-house using **tie**'s own expertise.

## 6. Project schedule

We have produced an initial outline schedule, which is attached as Appendix 1. This indicates, at this stage, that the bill will be lodged by March 2005. We believe that this is consistent with the Scottish Executive's desire to open the rail link by 2010.

However, the programme is indicative at this stage and will be developed further over the next few weeks when further information has been assimilated.

## 7. Costs

The existing **tie** business plan was prepared for two financial years, 2003/4 and 2004/5.

Appendix 2 shows the present estimate of additional costs linked to **tie**'s assumption of rail project responsibility over these two years:

<b>tie</b> management costs	£0.8m
Technical & Environmental	1.8
Legal	0.8
Financial Advisers	0.2
Demand Modelling	0.4
Communications	0.5
Contingency	0.5
Parliamentary Support	<u>0.0</u>
	<u>£5.0m</u>

Please note that the Scottish Executive has approved £5m of funding at this stage. **No additional funding is required from CEC.**

### Summary

£m	2003/4	2004/5
Existing <b>tie</b> business plan	13.8	8.7
Rail addendum	1.5	3.5
New total	15.3	12.2

If approved by the Scottish Executive as submitted, there will be no additional funding required from CEC's own resources during the next two years.

Note: It will be necessary to revisit the consolidated budget for 2005/6 at the end of this present financial year. We anticipate continuing rail expenditure in the order of £1.5 m for the achievement of parliamentary powers in that year. This will require continuing dialogue with the Scottish Executive. However, it should be noted that additional rail projects, such as Airdrie/Bathgate, Stirling/Alloa and Waverley will absorb rail overheads and should significantly ameliorate the position.

Transport Initiatives Edinburgh Ltd  
 Business Case - Financial Model  
 2003-2005

	2003-2004	2004-2005	TOTAL
<b>DECEMBER 2002 BUSINESS PLAN</b>			
<b>Cash outflow:</b>			
tie management (staff) costs	584,079	613,485	1,197,564
Executive Directors	161,470	269,544	431,014
Non Executive directors	15,000	15,000	30,000
External Advisors	12,912,606	7,662,761	20,575,367
Accommodation	49,200	56,000	105,200
IT and Office Equipment:	19,400	20,120	39,520
Other admin	48,000	50,400	98,400
Legal and Financial	20,000	21,000	41,000
<b>Total costs</b>	<b>13,809,755</b>	<b>8,708,310</b>	<b>22,518,065</b>
Interest on overdraft	-6,877	-5,968	-12,845
<b>Funding required from CEC</b>	<b>13,816,632</b>	<b>8,714,278</b>	<b>22,530,910</b>

**ADDENDUM TO BUSINESS PLAN - APRIL 2003**

<b>Cash outflow:</b>			
tie management (staff) costs	293,358	320,559	613,917
Executive Directors	141,234	66,500	207,734
Non Executive directors	0	0	0
External Advisors	1,070,000	3,040,649	4,110,649
Accommodation	15,000	15,000	30,000
IT and Office Equipment:	5,000	5,000	10,000
Other admin	13,600	14,100	27,700
Legal and Financial	0	0	0
<b>Total costs</b>	<b>1,538,192</b>	<b>3,461,808</b>	<b>5,000,000</b>
Interest on overdraft	0	0	0
<b>Funding required</b>	<b>1,538,192</b>	<b>3,461,808</b>	<b>5,000,000</b>

**CONSOLIDATED "NEW" BUSINESS PLAN - APRIL 2003**

<b>Cash outflow:</b>			
tie management (staff) costs	877,437	934,044	1,811,481
Executive Directors	302,704	336,044	638,748
Non Executive directors	15,000	15,000	30,000
External Advisors	13,982,606	10,703,410	24,686,016
Accommodation	64,200	71,000	135,200
IT and Office Equipment:	24,400	25,120	49,520
Other admin	61,600	64,500	126,100
Legal and Financial	20,000	21,000	41,000
<b>Total costs</b>	<b>15,347,947</b>	<b>12,170,118</b>	<b>27,518,065</b>
Interest on overdraft	-6,877	-5,968	-12,845
<b>Revised Total Funding Required (2003-2005)</b>	<b>15,354,824</b>	<b>12,176,086</b>	<b>27,530,910</b>

**COST INPUTS AND ASSUMPTIONS - RAIL PROJECTS**

Staff Costs	Start Date	Year 1	NI	SA	Total	Monthly	Year 2	NI	SA	Total	Monthly	2 Year Total
EARL- Project Manager	Apr-03	60,000	4,980	9,900	74,880	6,240	63,000	5,229	10,395	78,624	6,552	153,504
Rail Commercial Manager	Apr-03	78,000	-	-	78,000	6,500	65,625	5,447	10,828	81,900	6,825	159,900
Rail Engineering Co-ordination Manager	Jan-04	-	-	-	-	-	-	-	-	-	-	-
Admin Support (Part Time)	Sep-03	9,000	747	1,485	11,232	936	9,450	784	1,559	11,794	983	23,026
Rail Projects Director	Apr-03	90,000	7,470	14,850	112,320	9,360	94,500	7,844	15,593	117,936	9,828	230,256
Bonuses	Apr-03	19,950	1,656	-	21,606	1,800	27,983	2,323	-	30,305	2,525	51,911
		256,950	14,853	26,235	298,038	24,836	260,558	21,626	38,375	320,559	26,713	618,596
Serviced Office Space					15,000	1,250				15,000	1,250	30,000
<b>Sundries</b>												
Travel					1,000	83				1,500	125	2,500
Postage					200	17				200	17	400
Stationary					500	42				500	42	1,000
External Printing Costs					500	42				500	42	1,000
Telephones					1,000	83				1,000	83	2,000
Insurances (contents, emp.liab, pub liab)												
Insurances (personal)												
Insurances (PI)												
Catering					100	8				100	8	200
Bank Charges					300	25				300	25	600
Training					10,000	833				10,000	833	20,000
IT and Office Equipment					5,000	417				5,000	417	10,000
					331,638	27,636				354,659	29,555	686,296
Interest on Overdraft												686,296
<b>External Costs</b>												
Technical & Environmental					500,000	41,667				1,260,649	105,054	1,760,649
Legal					100,000	8,333				700,000	58,333	800,000
Financial Advisers										200,000	16,667	200,000
Modeling					250,000	20,833				100,000	8,333	350,000
Communications Consultant					50,000	4,167				450,000	37,500	500,000
Parliamentary Support												
Contingency					170,000	14,167				330,000	27,500	500,000
					1,401,638	116,803				3,395,308	282,942	4,796,945

**COST INPUTS AND ASSUMPTIONS - EXECUTIVE DIRECTOR COSTS**

Staff Costs	Start Date	Year 1	NI	SA	Total	Monthly	Year 2	NI	SA	Total	Monthly	2 Year Total
Executive Directors - Additional Costs		180,000	0	0	180,000		85,199	-6,748	-11,951	66,500		226,500

**Note:**

All Executive Director (Chief Executive and Finance Director) costs will be split 50/50 between Rail and Non Rail projects.

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RAIL PROJECTS	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	TOTAL
<b>Cash Inflow</b>													
Invoice CEC monthly in arrears		26,700	26,700	26,700	73,367	73,367	74,303	74,303	174,303	199,303	204,303	219,303	1,172,655
<b>Cash Outflow</b>													
Staff Costs	23,900	23,900	23,900	23,900	23,900	24,836	24,836	24,836	24,836	24,836	24,836	24,836	293,358
Office Accommodation	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	15,000
<b>Sundries</b>													
Travel	83	83	83	83	83	83	83	83	83	83	83	83	1,000
Postage	17	17	17	17	17	17	17	17	17	17	17	17	200
Stationary	42	42	42	42	42	42	42	42	42	42	42	42	500
External Printing Costs	42	42	42	42	42	42	42	42	42	42	42	42	500
Telephones	83	83	83	83	83	83	83	83	83	83	83	83	1,000
Catering	8	8	8	8	8	8	8	8	8	8	8	8	100
Bank Charges	25	25	25	25	25	25	25	25	25	25	25	25	300
Training	833	833	833	833	833	833	833	833	833	833	833	833	10,000
IT and Office Equipment	417	417	417	417	417	417	417	417	417	417	417	417	5,000
<b>External Costs</b>													
Technical & Environmental								100,000	100,000	100,000	100,000	100,000	500,000
Legal									10,000	20,000	35,000	35,000	100,000
Financial Advisers													
Modeling				27,778	27,778	27,778	27,778	27,778	27,778	27,778	27,778	27,778	250,000
Communications Consultant									15,000	10,000	10,000	15,000	50,000
Parliamentary Support													
Contingency				18,889	18,889	18,889	18,889	18,889	18,889	18,889	18,889	18,889	170,000
<b>Total Costs</b>	26,700	26,700	26,700	73,367	73,367	74,303	74,303	174,303	199,303	204,303	219,303	224,303	1,396,958
<b>Net Cash Flow Before Interest</b>	-26,700	0	0	-46,667	0	-936	0	-100,000	-25,000	-5,000	-15,000	-5,000	-224,303
Simulated VAT cashflow impact	-490	-490	-490	-8,657	-8,657	-8,657	-8,657	-26,157	-30,532	-31,407	-34,032	-34,907	-193,130
<b>Overdraft</b>	-27,190	-490	-490	-55,323	-8,657	-9,593	-8,657	-126,157	-55,532	-36,407	-49,032	-39,907	-417,433
Interest on Overdraft	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Funding Required from CEC</b>	26,700	26,700	26,700	73,367	73,367	74,303	74,303	174,303	199,303	204,303	219,303	224,303	1,396,958

EXECUTIVE DIRECTORS COSTS	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	TOTAL
<b>Cash Inflow</b>													
Invoice CEC monthly in arrears	0	0	7,900	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	127,900
<b>Cash Outflow</b>													
Staff Costs	0	7,900	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	141,234
<b>Total Costs</b>	0	7,900	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	141,234
<b>Net Cash Flow Before Interest</b>	0	-7,900	-5,433	0	0	0	0	0	0	0	0	0	108,766
Simulated VAT cashflow impact	0	0	0	0	0	0	0	0	0	0	0	0	-24,716
<b>Overdraft</b>	0	-7,900	-5,433	0	0	0	0	0	0	0	0	0	84,050
Interest on Overdraft	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Funding Required from CEC</b>	0	7,900	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	13,333	141,234

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RAIL PROJECTS	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	TOTAL
<b>Cash Inflow</b>													
Invoice CEC monthly in arrears	224,303	277,942	277,942	277,942	277,942	287,942	272,942	277,942	287,942	297,942	297,942	282,942	3,341,666
<b>Cash Outflow</b>													
Staff Costs	26,713	26,713	26,713	26,713	26,713	26,713	26,713	26,713	26,713	26,713	26,713	26,713	320,559
Office Accommodation	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	15,000
<b>Sundries</b>													
Travel	125	125	125	125	125	125	125	125	125	125	125	125	1,500
Postage	17	17	17	17	17	17	17	17	17	17	17	17	200
Stationary	42	42	42	42	42	42	42	42	42	42	42	42	500
External Printing Costs	42	42	42	42	42	42	42	42	42	42	42	42	500
Telephones	83	83	83	83	83	83	83	83	83	83	83	83	1,000
Catering	8	8	8	8	8	8	8	8	8	8	8	8	100
Bank Charges	25	25	25	25	25	25	25	25	25	25	25	25	300
Training	833	833	833	833	833	833	833	833	833	833	833	833	10,000
IT and Office Equipment	417	417	417	417	417	417	417	417	417	417	417	417	5,000
<b>External Costs</b>													
Technical & Environmental	105,054	105,054	105,054	105,054	105,054	105,054	105,054	105,054	105,054	105,054	105,054	105,054	1,260,649
Legal	58,333	58,333	58,333	58,333	58,333	58,333	58,333	58,333	58,333	58,333	58,333	58,333	700,000
Financial Advisers						10,000	15,000	20,000	30,000	40,000	40,000	25,000	200,000
Modeling	20,000	20,000	20,000	20,000	20,000								100,000
Communications Consultant	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	450,000
Parliamentary Support													
Contingency	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	330,000
<b>Total Costs</b>	<b>277,942</b>	<b>277,942</b>	<b>277,942</b>	<b>277,942</b>	<b>287,942</b>	<b>272,942</b>	<b>277,942</b>	<b>287,942</b>	<b>297,942</b>	<b>297,942</b>	<b>282,942</b>	<b>277,942</b>	<b>3,395,308</b>
Net Cash Flow Before Interest	-53,639	0	0	0	-10,000	15,000	-5,000	-10,000	-10,000	0	15,000	5,000	-53,639
Simulated VAT cashflow impact	-43,965	-43,965	-43,965	-43,965	-45,715	-43,090	-43,965	-45,715	-47,465	-47,465	-44,840	-43,965	-538,081
	-97,604	-43,965	-43,965	-43,965	-55,715	-28,090	-48,965	-55,715	-57,465	-47,465	-29,840	-38,965	-591,720
Overdraft	-615,037	-559,002	-602,968	-646,933	-702,648	-730,738	-779,703	-835,418	-892,883	-940,348	-970,188	-1,009,153	
Interest on Overdraft	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Funding Required from CEC</b>	<b>277,942</b>	<b>277,942</b>	<b>277,942</b>	<b>277,942</b>	<b>287,942</b>	<b>272,942</b>	<b>277,942</b>	<b>287,942</b>	<b>297,942</b>	<b>297,942</b>	<b>282,942</b>	<b>277,942</b>	<b>3,395,308</b>

EXECUTIVE DIRECTORS COSTS	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	TOTAL
<b>Cash Inflow</b>													
Invoice CEC monthly in arrears	13,333	5,542	5,542	5,542	5,542	5,542	5,542	5,542	5,542	5,542	5,542	5,542	74,292
<b>Cash Outflow</b>													
Staff Costs	5,542	5,542	5,542	5,542	5,542	5,542	5,542	5,542	5,542	5,542	5,542	5,542	66,500
<b>Total Costs</b>	<b>5,542</b>	<b>5,542</b>	<b>5,542</b>	<b>5,542</b>	<b>5,542</b>	<b>5,542</b>	<b>5,542</b>	<b>5,542</b>	<b>5,542</b>	<b>5,542</b>	<b>5,542</b>	<b>5,542</b>	<b>66,500</b>
Net Cash Flow Before Interest	7,792	0	0	0	0	0	0	0	0	0	0	0	33,500
Simulated VAT cashflow impact	0	0	0	0	0	0	0	0	0	0	0	0	-11,638
	7,792	0	0	0	0	0	0	0	0	0	0	0	21,863
Overdraft	7,792	7,792	7,792	7,792	7,792	7,792	7,792	7,792	7,792	7,792	7,792	7,792	
Interest on Overdraft	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Funding Required from CEC</b>	<b>5,542</b>	<b>5,542</b>	<b>5,542</b>	<b>5,542</b>	<b>5,542</b>	<b>5,542</b>	<b>5,542</b>	<b>5,542</b>	<b>5,542</b>	<b>5,542</b>	<b>5,542</b>	<b>5,542</b>	<b>66,500</b>



