

Edinburgh Trams Project – Actions – Draft 1

1. Consolidated Note of Actions
2. Elements to be addressed in VfM assessment

Consolidated Note of Actions

The key stakeholders have common and related interests in the project. It is envisaged that working through the following actions, separately or where applicable jointly, will enhance the development and understanding of the project.

Party	Action Required	FPU Notes & Comments	Timescale / approach / By who
Finance Transport	<p>Tie approach is a phased delivery of the lines, (initially line 1)</p> <ol style="list-style-type: none"> 1. confirm how proportion of original system funding (£375m) will be decided in relation to scope of Phase 1. 2. confirm how this is treated in respect of: <ul style="list-style-type: none"> - indexation - capping / and no further recourse to grant remaining - due diligence in respect of amount released 3. confirm how the defined / capped funding can be applied to the project, either: <ul style="list-style-type: none"> • Conventionally / up front capital • On a PPP basis (if so what assumptions are applied to changing funding from conventional to PPP grant) • Acceptability of a combination • Any related SE accounting requirements (in particular if it was applied on a PPP basis e.g. account for as a prepayment) 4. what VfM / independent review procedures will be required (particularly if non PPP) going forward. 	<p>Strongly suggest that the level of funding based on a phased delivery is made clear.</p> <p>This may in-turn promote the confirmation or further exploring of investment route.</p> <p>For example if upfront total funding requirement for Phase 1 was robustly estimated at £250m, and grant funding allocation ex Finance / Transport was £200m, then CEC would be required to meet the shortfall AND any under-funding on delivery. This could be achieved by Prudential funding or PPP</p>	David Reid / Frances Duffy
Transport Department	1. Agree phased delivery is acceptable, which may mean whole scope is delivered		Damian Sharp / John

Comment [u1]: Phase 1 is not necessarily line 1. Need to remember this

Party	Action Required	FPU Notes & Comments	Timescale / approach / By who
	<p>much later or not at all (depending on remaining grant funding)</p> <p>2. Confirm proposed delivery structure (Tie enhanced conventional procurement) is acceptable – This will require KPMG to opine</p> <p>3. Confirm scale / cost of the project (and related risk assumptions are appropriate)</p> <p>4. Explicitly confirm funding conditions / capped level to Edinburgh City Council, where applicable agreeing protocols in respect of this (i.e. any over-run being the responsibility of CEC)</p> <p>5. In conjunction with Finance Department confirm capped amount of funding on the basis of 1, 2, 3 and 4.</p> <p>6. Ensure that CEC are held responsible for procurement as main SE client rather than tie, as main SE client.</p> <p>7. Confirm approach to funding sums already released (monitoring / next release etc/ requirements)</p>	<p>FPU noted previous concerns.</p>	<p>Ramsay</p>
Tie Ltd	<p>1. Confirm appropriateness of costings, inflation assumptions and Optimism Bias. Currently pricing is based on 2003 estimates, uplifted for inflation. Tie are not signing off the robustness of these at this stage. The robustness of costs and indexation will directly influence the funding level</p> <p>2. Confirm implications of not building full scope at outset on Bills process in Scottish Parliament</p> <p>3. Confirm Risk Management strategy / Gateway review process to deliver the project (within funding / phasing constraints) is in place, and that a plan to manage and deliver key risks across</p>	<p>This will influence directly the level of funding for Phase 1 (assuming Transport agree to phased delivery approach).</p> <p>Transport may want to independently verify costings and require KPMG to opine on costings / Optimism Bias levels.</p> <p>Tie have been set up as a specialist</p>	<p>Transport to get them signed up to this</p>

Comment [u2]: Or is this something that CEC should be taking responsibility for?

Party	Action Required	FPU Notes & Comments	Timescale / approach / By who
	parties is agreed (on the basis that they all come back to Tie as promoter)	delivery vehicle and part of their remit is to set up and scope the price of delivery.	
City of Edinburgh Council	<ol style="list-style-type: none"> 1. The Council need to agree fund the difference (if any between cost of phase 1 and the level of grant funding) 2. the Council need to underwrite funding of any subsequent overspend in procurement where this is not passed to the contractor 3. The Council need to confirm the continued underwriting of revenue risk / and provide background to assumptions re these. 4. Confirm other funding contributions (developer related) 5. Confirm impact of delayed delivery of scope outside Phase 1 on Council decision-making going forward 	It is likely that phase 1 will maximise revenues to the Council.	Transport / Ministers to get them signed up to this
KPMG / Transport Finance	<ol style="list-style-type: none"> 1. To review and consider accounting implications for the Scottish Executive in more detail 2. Provide market-based advice on capacity of contractors to deliver scheme / appropriate timing of launch 		Agree with transport
Financial Partnerships Unit	<ol style="list-style-type: none"> 1. Report on the PPP VfM assessment appraisals 2. To continue to support Transport Department and Finance as the project is developed, where appropriate liaise directly with PUK 	See below	Sandy Rosie / AC / BK

2. FPU Comments on PPP Assessment

The following should be addressed. At some stage, they will need to be added to the final paper.

Ref	Comment	Action
General	Sign-up by City of Edinburgh Council to - scope - contract structure - scale of project - investment decision route is not evident.	In the main, outwith VfM Assessment, but specific Council sign off of not using PPP route should be noted in the paper / its Executive summary Other elements will be covered separately
General	Need to outline the relationship between the scope assessed in the VfM assessment and the market exercise happening now / pricing exercise in early 2006	
Phased Approach - section 1	Should make it clear level of grant funding required for this stage in text (based on estimates)	
Scope of Phase 1 section	Text refers to operating surplus – what is the extent of this surplus.	
Early Operator Involvement	Make clear whether this promotes / hinders or is neutral in respect of PPP	
Establishment of Joint Revenue Committee	- how do bus revenues play in?	
Section 3 general	Must detail: - how time and cost overruns are being dealt with (how exposed is Tie) - single point contract / lack of is not mentioned - contract monitoring (what happens) - PCG how does this protect Tie - Funding risk not detailed - tables need to show vehicles / track / integration for pre and post scenarios	
Affordability Section	- “assumed estimates are robust” – need to confirm that they are	

Comment [u3]: Should come from paper being submitted from CEC rather than tie?

Comment [u4]: Will depend on what scope is in Phase 1!

Comment [u5]: presume that this is from the perspective of CEC, although this will be at arm's length through Transport Edinburgh Limited (TEL).

Ref	Comment	Action
	we have noted in other reports that substantial cost increases are likely – if this is known it should be noted (related issue with Optimism Bias etc)	
CapEx assumptions	- outturn shown at £482m – needs to show relationship to earlier figure of £358m please show nominal values of OB / risk	