

Combined Background Note for S4W-04270 – S4W-04274:

1. The MSP has set down five written questions related to current issues which Labour has about the Edinburgh Trams project. These questions are doubtless prompted by the continuing attempts to;
 - criticise Ministers for the decision that Transport Scotland should resign its seat on the Tram Project Board in 2007 and
 - force a reverse in the decision not to set an early date for a Public Inquiry into the Trams project.
2. Evidence about the reasons for Transport Scotland resigning from the Tram Project Board in 2007 has already been given to the PAC on 2 March 2011. Parliament has also been advised by the Cabinet Secretary for Infrastructure and capital Investment that the important priority is to ensure that the project is delivered and finalised in the best way possible. Ministers will then decide the remit and timetable for and the composition of that inquiry at a later date..

Scottish Government Grant and Conditions:

3. Against Ministers' advice that the costs of this project were in danger of running out of control etc, Parliament agreed on 27 June 2007 that the Scottish Government should continue to financially support the project to the limit agreed by the previous administration and that the City of Edinburgh Council were otherwise fully responsible for the project.
4. The decision of Parliament was accepted and grant support the City of Edinburgh Council's capital costs of Phase 1a of the Edinburgh Tram project (Newhaven to Edinburgh Airport) was continued up to a maximum of £500m, subject to conditions precedent;
 - Continuing investment from CEC of £45m and no requirement for operational subsidy.
 - All project risk remains with CEC in terms of programme and cost over-run, including all aspects of project management during construction
 - The Scheme BCR remains at least at 1.
 - The overall contract price remains within the overall affordability limit of £545m (SG £500m and CEC £45m)
5. Additional conditions agreed by CEC included the submission of regular (4 weekly) progress and financial reports to Transport Scotland. Progress and spend were monitored by Transport Scotland to inform and agree continuing release of grant. These reports were further supported by 4 weekly progress meetings between Transport Scotland and CEC at project manager level together with quarterly high level project reviews at Director level. Reports to Ministers were made regularly as required by key project developments

Transport Scotland's Resignation from the Tram Project Board:

6. Transport Scotland was represented on the Tram Project Board until June 2007 when, following Auditor General's first report and Parliament's vote to support the

project, it was decided to discontinue this level of involvement. Funding had been agreed following the vote in Parliament, the business case well advanced, the governance structure in place, the procurement strategy had been agreed and was underway and advance contracts had been let. City of Edinburgh Council remained the owner, and Transport Scotland as funder did not have the same oversight role for the trams project as it has for Scottish Government national transport projects. Audit Scotland's 2007 report "Edinburgh Transport Projects Review" stated that: "Arrangements in place to manage the project appear sound with ;

- A clear corporate governance structure for the project
- Clearly defined project management
- Sound financial management and reporting
- Procedures in place to actively manage risks
- A clear procurement strategy aimed at minimising risk and delivering successful project outcomes."

Extract from PAC Official Report 2 March 2011

7. "In 2007, with the Scottish Government having confirmed its funding position, capped at £500m, Transport Scotland was clearly in the role of funder on behalf of Scottish Ministers. The City of Edinburgh Council was the owner and Tie.Ltd was the project director.

The Scottish Government considered it was good governance for Transport Scotland to withdraw from the Tram Project Board and for these roles to be separated out to avoid a situation in which Transport Scotland was part of a project board that might make representation to itself as funder".