

Governance, Risk and Best Value

Committee name

3pm, Tuesday, 6 November 2012

Edinburgh Tram Project Update

Item number

Report number

Wards

All

Links

Coalition pledges

P18

Council outcomes

CO7, CO8, CO22

Single Outcome Agreement

SO1

Sue Bruce

Chief Executive

Alan Coyle, Major Projects Manager



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Executive summary

Edinburgh Tram Project Update

Summary

The Chief Executive is tasked with reporting tram project progress to the Council's new Governance, Risk and Best Value Committee on a quarterly basis.

The governance arrangements which were revised following the Settlement Agreement in September 2011 continue to work well, with good cooperation between the Council, Transport Scotland and the main contractors, which can be evidenced by the steady pace of progress.

The project remains on course to be delivered in line with the revised programme and budget, with a cost of work done to period 6 2012/13 of £669m.

Recommendations

The Governance, Risk and Best Value Committee is asked to:

1. note:
 - (a) the effectiveness of the project governance arrangements and the supporting evidence;
 - (b) the key programme dates for the remainder of the project;
 - (c) the breakdown of cost of work done to date; and
 - (d) the draw down to date against the risk allowance; and
2. agree the format contained in this report as the template for future reporting of financial information in relation to the tram project to this committee.

Measures of success

Delivery of the project within the revised programme and budget.

Financial impact

The projected financial implications remain as reported to and agreed by the Council in August and September 2011.

Equalities impact

There is an ongoing full equalities impact assessment being undertaken in relation to the Edinburgh Tram project to ensure that as implementation progresses the equalities impact assessment is maintained.

Sustainability impact

As part of a broader sustainable transport strategy within the city it is anticipated that the tram will make a positive overall contribution to the environment by encouraging modal shift from private vehicles to public transport and mitigating the impacts of population growth and commuter and visitor generated traffic.

Consultation and engagement

There is a substantial commitment to consultation and engagement through the project implementation team, in conjunction with the Convenor and local elected members. There are however no consultation or engagement requirements arising as a result of this report.

Background reading / external references

Appendix 1 – Tram Project Update report to the Council meeting of 25 October 2012

Appendix 2 - Client target programme

Appendix 3 – Financial breakdown of the cost of work done to period 6 2012/13

Appendix 4 - City of Edinburgh Council 2 September 2011 – Edinburgh Tram Project report

Appendix 5 - Minute of City of Edinburgh Council 2 September 2011

Appendix 6 - City of Edinburgh Council 30 June 2011 – Edinburgh Tram Project report

Edinburgh Tram Project Update

1. Background

- 1.1 The purpose of this report is to update the new Governance, Risk and Best Value Committee on the Edinburgh Tram Project. The report covers the period from 27 January 2012 to 31 October 2012. Financial information is reported to the end of period 6 2012/13.
- 1.2 The last update was provided to the Audit Committee on 26 January 2012. As a result of the timing of the local government elections, the formation of the new Council administration and the summer recess period, there has been no further report to the Audit Committee since that date, although there has been regular monthly reporting to the All Party Oversight Group. In future, it is intended to report quarterly to the Governance, Risk and Best Value Committee.
- 1.3 As requested at the Council meeting on 25 October 2012, this report provides more detailed financial information on the cost of work done and further interpretation of the figures set out in the Edinburgh Tram update report to Council (Appendix 1).

2. Main report

2.1 General

- 2.1.1 In the Edinburgh Tram update report to Council on 25 October 2012 officers highlighted that there would be a further report to the new Governance, Risk and Best Value Committee on the tram project.
- 2.1.2 It is intended that there will be a report to this committee every quarter for the remainder of the project.

2.2 Governance arrangements

- 2.2.1 The revised governance arrangements for the project continue to be managed in a cooperative and progressive manner.

2.2.2 There have been no items of dispute in the period covered by this report. The independent certifier has ruled on four matters in relation to commercial valuations and two matters of contractual interpretation. This was reported previously to the Audit Committee on 26 January 2012. There have been no challenges to any of these rulings which would otherwise have required escalation to the Joint Project Forum.

2.3 Programme

2.3.1 The tram project is being delivered in line with the client target programme ("Client Target Programme"). The Client Target Programme takes account of all project workstreams including the utilities works and the CAF contract for tram vehicles.

2.3.2 The key dates relating to the Client Target Programme are included in Appendix 2 of this report. The Client Target Programme is currently being reviewed and will be reported again to this committee in the next quarter.

2.4 Finance

2.4.1 The tram project remains in line with the revised budget of £776m, consisting of the base budget of £742m and a risk allowance of £34m, as approved by Council in September 2011.

2.4.2 The cost of work done on the project to the end of period 6 for the financial year 2012/13 was £669m.

2.4.3 A summary of the cost of work done was provided to Council on 25 October 2012. A more detailed breakdown of the cost of work done is included in Appendix 3. It is proposed that the revised template as set out in Appendix 3 will be the standard template for reporting to the Governance, Risk and Best Value Committee for the remainder of the project.

2.4.4 Appendix 3 covers the cost of work done since the beginning of the project. The figures in the period prior to the Settlement Agreement were drawn from tie Ltd's reporting. Since the signing of the Settlement Agreement and the introduction of the revised governance arrangements for the project in September 2011, the Council has taken over the formal reporting responsibilities.

2.4.5 The figures which have formed the historical accounts of tie Ltd and the Council have been externally audited, without qualification by Audit Scotland and accountancy firm, Geoghegans.

2.4.6 In order to ensure appropriate transparency, the intention has been to carry out 6 monthly external auditing of the figures. As we are now midway through the financial year, it is intended to arrange now for that external audit to be carried out in relation to the cost of work done figures forming Appendix 3 of this report.

- 2.4.7 Officers have been instructed to seek budget savings where possible. This practice is consistent with the value engineering culture that has been established within the project and will continue to be a key focus of the management of the tram project.
- 2.4.8 The sum drawn down against the risk budget of £34m, for approved changes as at period 6 of financial year 2012/13 is £15.1m.
- 2.4.9 The most significant reasons for risk contingency drawdown to date are as follows:
- (a) utility diversions - £9.4m of the amount drawn down to date relates to the net effect of undertaking these diversions; and
 - (b) the second significant area of draw down relates to enabling works for Edinburgh Gateway at a cost of £3.4m. There will be a corresponding grant contribution from Transport Scotland.
- 2.4.10 In the context of the Council's statutory duty of best value and the principles of accountability, officers are taking legal advice on matters of recourse against third parties in relation to the historic failings of the project. Early indications are that there may be potential for recovery but further work is required to assess the costs and benefits of pursuing action and a further report will be made to the Finance and Budget Executive Committee in due course.
- 2.4.11 In preparation for operations, detailed negotiations have been taking place with Lothian Buses in relation to running passenger services. The discussions are proceeding constructively and agreed heads of terms are targeted for January 2013.

3. Recommendations

- 3.1 The Governance, Risk and Best Value Committee is asked to:
- 3.1.1 note:
- (a) the effectiveness of the project governance arrangements and the supporting evidence;
 - (b) the key programme dates for the remainder of the project;
 - (c) the breakdown of cost of work done to date; and
 - (d) the draw down to date against the risk allowance; and
- 3.1.2 agree the format contained in this report as the template for future reporting of financial information in relation to the tram project to this committee.

Sue Bruce

Chief Executive