

Background

The City of Edinburgh Council is engaged in the design and procurement of a tram network. The project is being delivered on the Council's behalf by **tie** ltd., a wholly owned Council Company.

The proposed tram network comprises phase 1a (Newhaven to Edinburgh Airport) and phase 1b (Roseburn to Granton Square). There is currently £545m of available funding (£500m from Transport Scotland and £45m from the City of Edinburgh Council). This is unlikely to be sufficient for both phases, so it is proposed that phase 1a is procured initially with an option to commence phase 1b at a later date (latest March 2009). Following a parliamentary decision on 27th June, the Transport Scotland funding will be capped, with the City of Edinburgh Council fully exposed to any cost overrun risk.

The procurement strategy employed by **tie** ltd was designed to reduce scheme costs by reducing risks to bidding contractors by procuring design and utilities diversions works in advance of the main contracts for design and manufacture of tram vehicles and construction of tram infrastructure. At financial close (anticipated to be January 2008), contracts for tram vehicles and design of the infrastructure (SDS) will be novated to the infrastructure contractor.

The procurement process is at an advanced stage. The infrastructure design contract (SDS) and utilities contract (MUDFA) were both let some time ago and utility diversion works are underway. In addition, an Owner-Controlled Insurance Programme (OCIP) is in place to cover some of the project risks. BAFOs have been received from Tram Vehicle and Infrastructure bidders and it is intended that the preferred bidders be recommended to the City of Edinburgh Council meeting of 25th October 2007, along with the Final Business Case v1. Following this approval, negotiations will continue with the preferred bidders with a view to getting Council approval to the final deal on 20th December 2007 and contracts being signed in January 2008, provided Transport Scotland Approval is also received.

Contract negotiations are well underway and draft contracts have been prepared for all bidders by **tie**'s legal advisers.

Assignment Objectives

- To review the contract Risk Allocation Matrix for the Infrastructure and Tram Vehicle contracts and identify those risks that remain within the public sector. DLA, the Projects and CEC's legal representatives have validated that the Risk Allocation Matrix reflects the risk allocation in these contracts.
- To assess and quantify the level of public sector risk in proposed contractual arrangement, by reference to the Risk allocation matrix, taking into account the Owner-Controlled Insurance Programme.
- To provide a reasoned explanation of the adequacy or otherwise of the available financial headroom, in view of the identified risks retained by the public sector, their probability of occurrence, impact on cost and time to the extent that these are not already provided for within the Project Risk allowances, the circumstances which would bring about the realisation of these risk and the mitigations that should be applied to reduce or avoid the risk impact. Note:- The available financial headroom is the difference between

total funding (£545m) and the Project Estimate for Phase 1a, including risk and contingency allowances.

Access to information/personnel

The following documents will be available for review

- Final Business Case v1 (available from 26th September)
- Draft Final Business Case (November 2006)
- Proposed Infrastructure Contract (preferred bidder)
- Proposed Tram Vehicle Contract (preferred bidder)
- Contract Heads of Terms and Risk Matrix prepared by **tie**'s legal advisers
- Owner Controlled Insurance Programme
- Capital Cost Estimates, incorporating BAFOs provided by bidders

Initial contact will be with Rebecca Andrew and Duncan Fraser at the City of Edinburgh Council. They will be able to arrange for meetings with relevant personnel within the Council and **tie** ltd, as is necessary to meet the assignment objectives.

Reporting Timetable

A formal report must be submitted to the City of Edinburgh Council on or before Friday 14th October 2007. This will be followed by a presentation of key findings and recommendations to Council officers and **tie** employees in the week commencing Monday 17th October.

Resources

It is anticipated that work will be carried out by qualified professionals with experience of similar large-scale infrastructure projects in the transportation sector. Tenders should include full details of all personnel to be employed on the project, a costed estimate of time (with details of rates of each individual) that will be spent and detailed methodology for undertaking the review and programme for its delivery, including schedule of meetings required with CEC and individuals from the project team.