



4 Week Period Reporting Pack

Project Title:
Edinburgh Tram Project

Reporting Period:
Period 4 2007 / 2008

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Signature:.....

Date:.....

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1 Executive summary

1.1 *Previous period update*

1.1.1 Delivery

MUDFA

Works on Section 1A commenced as planned on 9th July (Ocean Drive) and are going well. Agreement has been reached with Forth Ports to continue off road work on Section 1A throughout the embargo period to minimise any disruption to Forth Ports.

Designs due from SDS in the period were not delivered to schedule. The impact of the delays is being managed carefully to ensure works can start in the following period as per the plan.

Identification of areas for slit trenches to validate the locations of existing services were agreed with SDS and Adien. These are now being arranged with work planned to commence next period.

Advance works

Depot

Good progress continued through the period with the programme running approximately two weeks ahead of schedule. The unexploded bomb survey was completed and **tie** await the report.

Invasive species

The initial treatment cycle was completed on 12th July.

Land and property

Tranche 3 GVD notices were issued

IPR temporary

Works have not started on the temporary carpark as a decision on future proofing the design for EARL was outstanding. Following the decision on EARL, a review of the preferred lay-out for the total IPR site and of the associated costs is ongoing. It is currently intended that the site will be made permanent.

IPR 2

Tenders have been received and evaluated. Contract award is pending a decision on IPR temporary.

1.1.2 Traffic management

TRO strategy

CEC political transport spokespeople have been briefed on the TRO Strategy. The Council Solicitor has now agreed the strategy approved by the Tram Project Board. Consideration of the treatment of Greenways is ongoing.

Other traffic management activities

Work continues on some TRO work programme early actions, e.g. Statement of Case.

The traffic modelling completed the base model re-calibration and this has been provisionally signed off, pending the final due diligence report. Coding of the PD 1 tram design was advanced and model tests commenced. St Andrews Square advance design of the west side traffic measures (for early implementation) has been started.

1.1.3 Engineering, approvals and assurance

Critical issues

The 'critical issues' are items which are preventing SDS from achieving their programme. These have been the subject of concerted effort over the last few weeks. There are now only one high and one low status items remaining. For each of those, a way forward has been found which will facilitate final closure.

Design assurance

V17 of SDS' programme is the first one that it has been possible to construct since the successful resolution of virtually all of the long-outstanding critical issues and RFIs. Hence, it is the first time that SDS has been able to demonstrate to **tie** an achievable programme that has not been accompanied by caveats linked to the resolution of outstanding issues.

After joint examination of the SDS programme V17, it has been agreed that it will be slightly revised to give structural design elements a lower priority than other design elements. This will facilitate their earlier completion, with consequent improvements in the overall review process. This is acceptable as the review process for structures is more straightforward than, for example, roads layout design, which involves more interfacing design key elements, such as utilities and traffic modelling.

Each of the 18 design packages will be large and, in some cases, will follow each other in a very short space of time. To avoid review overload, it has further been agreed that the 18 packages will be sub-divided into more digestible sub-packages which match the "Prior Approval" and "Technical Approval" milestones. Each of those sub-packages will be accompanied by as much associated design assurance information as is possible. This means that when the 18 final design assurance packs are submitted for review, the workload will be manageable.

1.1.4 Commercial and procurement

Procurement programme

The revised procurement programme was presented to the Board and the Project is now progressing procurement against this programme. The headline dates are as follows:

- A recommendation to award Infraco and Tramco contracts will be presented to a special Tram Project Board on, or around, 25th September 2007. This is subject to completion of due diligence on design, confirmation of the Phase 1b option price and negotiation of the remaining Infraco, Tramco and SDS alignment issues to facilitate novation.
- Issue of the Contract Award notification for the Infraco and Tramco contracts on 11th January 2008.
- The overall completion of the Phase 1a works has been maintained at 1st quarter 2011 through mobilisation of Infraco and Tramco in October 2007 and by undertaking further advance works

The procurement milestone summary is included in section 2.6.2 showing progress to date.

Infraco

Both bidders are now committed to the revised programme and are working to it.

- Initial evaluation has been concluded, including initial normalisation.
- Queries arising from the initial evaluation have been sent to bidders and responses have now been received.
- Contract negotiations on key contract issues are well advanced and are being resolved satisfactorily.
- Indicative drainage designs have been issued.

Tramco

Negotiations on contract terms have been concluded with both bidders. Those with Douglas have been resolved satisfactorily. Those with the other bidder less so, but a final position has been reached.

The BAFO document has been sent out and is due to be returned on 3rd Aug.

MUDFA

The previously approved EARL / Tram design capture process phase 1 is currently being re-scoped to cater for the Tram requirements only. The commercial implications associated with the removal of the EARL works and the subsequent re-scoping of the Tram design and construct requirements only are currently being assessed.

OCIP

Approval to place the OCIP was granted at the last Board and it was placed on 23rd July. Notifications have been sent to unsuccessful bidders.

Value engineering

The VE opportunities were reviewed at the last Tram Project Board. This allowed savings to be accrued in relation to the Murrayfield structures flood defence allowance, and agreement in principle was given to proceed with other savings opportunities. Full support from CEC will be required to crystallise these saving opportunities

A meeting was held with Scoop to review with them opportunities for VE on structures. They have provided further information identifying the areas to be developed. A similar meeting is planned with Roley.

The resolution of the trackform solutions is key to both finalisation of Infracore bid evaluations and to delivering VE savings. Given the importance of this to the Project, Steven Bell has been assigned to lead this.

The table below sets out the current position of value engineering initiatives.

	Number of initiatives	Value (£m)
Savings banked	13	8.7
Areas still under consideration	90	23.3
Initiatives no longer under consideration	30	-
Total	133	32.0

SDS changes and claim

As previously reported, a claim has been received from SDS for the sum of £2.2m for the period to 31 March 2007. A further claim indication has been

given for the period to 1 June. These claim issues should be resolved before finalisation of novation arrangements. The programme backstop date for this is the end of October. The preferred timescale for resolving the historical issues is settlement by the end of August and a programme is being agreed with SDS to this end. However, it should be noted that further time will be required if a satisfactory solution cannot be settled by that time. A paper will be put to the August Board setting out proposals for settlement.

The production of designs to a programme and standard to meet the needs of the procurement programme remains a concern.

Other procurement activities

Preparation of a procurement plan for the advance delivery of the depot piling works has been completed.

1.1.5 Finance and Business Case

A programme for the completion of the Final Business case has been prepared. Following discussions at the Board, this programme has been revised and will be presented to the Board in August. This programme is fully aligned with the Procurement Programme and supports the assumptions on approval requirements contained therein.

1.2 Key issues for forthcoming period

1.2.1 Delivery

MUDFA

- Design is required to commence construction in McDonald Rd – Iona St on 6th August.
- Design is also required to commence works order preparation for Section 5A on 20th August

Advance works

Depot

- The Phase 2 contract is to be awarded and works are to commence.

Invasive species

- The second treatment cycle is to commence on the 20th August, dependent on the level of re-growth and the weather forecast.

Land and property

- Issue Tranche 4 GVD notices.
- Prepare Tranche 5 GVD notices.

IPR temporary

- A decision will be made on future following redesign options for IPR.

IPR 2

- The contract award for IPR2 is dependent of redesign to take account of no EARL.

1.2.2 Traffic management

- A review of the TRO Strategy with regard to Greenways needs to be undertaken. **tie**'s preferred option is now to revert the red regulatory lines on Tram affected Greenways sections to yellow regulatory lines. This is to remove what is now seen as an unacceptable project risk caused by the indeterminate period that the approval of an amended Greenways Order by Scottish Ministers may entail. There are also policy issues to work through with CEC in terms of producing a consistent decriminalised enforcement regime. A report will be submitted to the August Board.
- The traffic modelling will continue test runs to highlight Tram route issues involving some alternative scenarios at key junctions. The modelling is also intended to highlight the wider area traffic management scope.
- The TRO activities will continue work on 'early actions'. It is intended to commence the SDS provisional TRO design and scheduling for the Tram route in mid August.
- Completion of design for the early implementation of St Andrews Square traffic management measures.

1.2.3 Engineering, approvals and assurance

- Weekly monitoring of SDS deliverables continues, in combination with the critical issues meeting, which focuses on programme as well as critical issues and the delivery of MUDFA designs.

The greatest risks foreseen to the achievement of the design programme are:

- The perpetuation of “what-if” exercises that divert key resource away from design and its management – usually, this is a by-product of continual debate on road layout design, traffic modelling and structural finishes.
- The need to carefully control design review to ensure that it is focussed on answering the question “does the offered design meet the agreed requirements?” rather than “is it how I would have done it?”.
- The diversion of critical SDS resource onto other projects.

1.2.4 Commercial and procurement

Infraco

- Issue of final bid information updates as agreed with bidders.
- Agreement of bid normalisation with bidders.
- Conclusion of negotiations on contract terms.
- Negotiations to deliver savings on Infraco margins and overheads.
- Reviews and negotiations to resolve Infraco / Tramco interface issues (commercial, technical and programme).

Tramco

- Return of BAFO bids.
- Final commercial negotiations to reduce prices.
- Reviews and negotiations to resolve Infraco / Tramco interface issues (commercial, technical and programme).

MUDFA

- Formalisation of renegotiated preliminaries valuation and incentivisation terms ongoing.
- Preparation and agreement of C4 estimates with statutory utilities.
- Preparation and agreement of work sector budgets / targets with MUDFA Contractor.

Advance works

- Finalisation of the procurement strategy for advance piling works at depot and mobilisation of Infraco and Tramco prior to contract award.

OCIP

- Final resolution of insurance issues with Infraco and Tramco bidders.
- Prepare recommendation on professional indemnity insurance and financial loss insurance.
- Place OJEU notice for broker services

Value engineering

- Resolution of Trackform and identification and agreement with Infracore bidders of opportunity for savings on structures. Delivery of further recommendations on VE savings.

1.2.5 Finance and Business Case

- Further detailed planning is underway for the completion of the FBC for approval by CEC and TS. Buy-in to the proposed approach is required from all key stakeholders to achieve the approvals milestones.

1.3 Cost

	COWD - Period	COWD (YTD)	COWD YTD + f/cast to year end	AFC
Phase 1a	£ 9.6m	£28.6m	£119.6m	£501.8m
Phase 1b	£ 0.04m	£ 0.9m	£ 1.0m	£ 92.0m
Phase 1a+1b	£ 9.6m	£29.5m	£120.6m	£593.8m

- The COWD in the period relates primarily to the continued development of the design, the value of 2nd Tranche of the GVD Land acquisition (CEC and s.75 Land, non cash), the ongoing advance works and the commencement of MUDFA on-street works.
- Costs for Phase 1b relate purely to finalising design works as previously agreed by the Board.
- The forecast COWD for the year includes a total of £19.7m in relation to land costs, reflecting the latest valuation by the District Valuer.
- The COWD forecast for the year also includes allowances for further advance works in October, as per the assumptions underlying the Procurement Programme.

1.4 Health, safety, environment and quality

No accidents were reported in the period and the accident frequency rate (AFR) for the project remains 0.00.

Four site inspections were completed in the period, two at the depot and two at utility diversion sites. Minor findings were reported at the utility diversion site. Three safety tours were completed. One serious finding was reported regarding the lack of a site traffic management plan at Gogarburn depot advance works. One minor incident was reported in the period.

1.5 Stakeholder and communication

Now that Scottish Executive approval has been granted for the Trams for Edinburgh Project to proceed, the stakeholder strategy and plan will continue since it was in abeyance due to the political uncertainty.

A number of wider community meetings were held to introduce the preliminary design for the Edinburgh Trams and a number of community liaison meetings are planned for the following period. The Stakeholder Team has worked with the AMIS team to ensure that obligations on customer liaison have been delivered now that the MUDFA works have commenced.

As part of the Business Rates Relief Support Scheme, customer information packs have been sent out to those concerned with the August works.

1.6 Approvals / decisions / support required

Decisions / support required from TS:

- Support in streamlining the approval process for Infraco and Tramco contract award approvals.
- Letter of comfort for Infraco bidders (required for August).
- Confirmation of funding draw-down to permit finalisation of payment arrangements with bidders.
- Clarification of funding / process to achieve funding for the whole of 07 / 08.
- Resolution of TS / CEC funding and risk sharing agreements.
- Confirmation that the EARL alignment will not be protected between the depot and airport.

Decisions / support required from CEC:

- Support in streamlining the approval process for Infraco and Tramco contract award approvals.
- Resolution of TS / CEC funding and risk sharing agreements.

Decisions / support required by others:

- Resolution of Ingliston Park and Ride Phase 2

2 Progress

2.1 General / overall

2.1.1 Land and property

- Tranche 3 of GVD notifications (CEC owned land excluding ATC hut, Guided Busway and land with advertising hoardings) is to be issued the w/c 9th August 2007. The notice period has been extended to 35 days, prior to CEC taking ownership of the land, to ensure all parties have been informed.
- The Land team have added a 4th and 5th tranche of GVD notifications – these are now reflected within the programme. Tranche 4 (comprised of 41 plots – land around Gogarburn, SRU, non- FP land at Ocean Drive and Haymarket Yards) is expected to be ready for issue in early August. Tranche 5 (design dependant land – focuses on key locations at Roseburn, Gogar, Gyle, Lindsay Road and Fast Link) can be expected in November 2007.
- A number of short-term leases have been offered to businesses on Roseburn Street with a termination date of 31st October 2007. Rolling leases will be assessed on monthly basis following this and these will be extended to maintain rental income.
- Leases with BAA and NR are still being pursued. Meetings are arranged over the coming weeks with both stakeholders. Both are beginning to move in a positive direction.
- Forth Ports Section 75 agreements have been discussed in recent weeks – these are moving forward.
- **tie** and CEC have met to discuss the asset management lease proposed by CEC for the management of all Tram land. The lease is being re-drafted by D &W to reflect any alterations.

2.1.2 Network Rail

Discussions continue with TS and NR with regard to contract, scope and programme of NR activities including, but not limited to:

Immunisation

- It has been indicated to the project team that TS would not take part in the arrangements. Urgent work is underway to assess the implications of this change in strategy and define an appropriate action plan. Possession dates that are already booked for Dec 2008 / Jan 2009 have been shared with the Infraco bidders for information. These possessions are to finalise the testing and commissioning following completion of the NR immunisation project.

- This work has to be completed prior to the energisation of the Gogar depot, which is currently programmed for late November 2009.

Relocation of existing lineside equipment

- **tie** have previously booked a possession for December 2007 to allow NR to relocate existing lineside equipment. Advised 19th July via NR that no cost will be incurred by Tram Project if this possession is not used or cancelled.

Relocation of diesel storage tanks at Haymarket depot

- NR have verbally advised that the programme will commence in June 2007 and will be completed in Dec 2007 – no update available.

General

- A possession booking procedure is under preparation and should be concluded in the period. Now that “*Latest no-cost cancellation dates*” and “*costs if cancelled later than these dates*” are available, this can be issued.
- Discussions continue between **tie** and NR on preparation of an asset protection agreement (APA) document.

2.1.3 OCIP

- Issue of intention to place notice for OCIP was made on 10th July 2007 and the OCIP was placed on Monday 23rd July 2007.

2.2 Procurement consultant

- Infraco contract is programmed to move to preferred bidder status in September 2007 and award in late January 2008.
- Tramco contract is programmed to move to preferred bidder status in September 2007 and award in late January 2008.

2.3 Design

Parsons Brinckerhoff submitted version 17 of the Design schedule on 19th July 2007 progressed to a data date of 2nd July 2007. This enables the Tram Master Programme to be updated with achieved progress and / or slippage.

This in turn drives the programme through many logic strings which results in the constant “live” scheduling of amongst others, utilities construction, traffic

management, advance works (non-depot), advance works at the Gogar depot site and structures construction within Infraco package.

The issue of full design packages “for construction” for the full section to inform the Infraco procurement process has been revised between V16 and V17 as follows:

- Section 1 Newhaven to Haymarket
 - V16 – 25Feb08 – V17 – 24Jun08
- Section 2 Haymarket to Roseburn Junction
 - V16 – 04Feb08 – V17 – 26Feb08
- Section 3 Roseburn Junction to Granton Square
 - V16 – 07Jan08 – V17 – 25Feb08
- Section 4 Future
- Section 5 Haymarket to Gogar
 - V16 – 23May08 – V17 – 22Jul08
- Section 6 Gogar depot
 - V16 – 08Feb08 – V17 – 22Feb08
- Section 7 Depot to airport
 - V16 – 05Feb08 – V17 – 22Feb08

2.4 Financial / funding / procurement strategy

Nothing to report this period.

2.5 Parliamentary process / approvals

This phase is now complete.

2.6 Procurement construction works

2.6.1 Negotiations and award of contracts

- Infraco contract is programmed to move to preferred bidder status in September 2007 and award in late January 2008.
- Tramco contract is programmed to move to preferred bidder status in October 2007 and award in late January 2008.
- Negotiations between TS and NR to agree a contract, workscope and programme continue to be a concern.

2.6.2 Procurement milestone summary

See table below

Board date	Milestone	Due date	Delivered date	Comment
12 th July	Conclude initial review Return of Update Package 3 Initial normalisation of price Draft evaluation	03/07/07 06/07/07 15/06/07 10/07/07	05/07/07 29/06/07	Bidders proposing to return on 7/8/07 To be finalised by 17/08/07
9 th Aug	Conclude negotiation of contract terms Infraco final bid proposals Updated evaluation	17/07/07 07/08/07 09/08/07		Ongoing, progressing well To be finalised by 17/08/07
6 th Sept	Conclude final negotiations with bidders Presentation of evaluation to evaluation panel Presentation of evaluation to TPB Procurement sub committee	27/08/07 03/09/07 06/09/07		
4 th Oct	TPB Endorsement of Conditional Recommendation to Award	25/09/07		
1 st Nov	Conclusion of final facilitated negotiations Conclusion of negotiations for final deal CEC Council meeting to endorse recommendation	01/10/07 22/10/07 13/11/07		(Approval between 7/11 and 13/11)
29 th Nov	Conclusion of due diligence on critical design items Conclusion of negotiations for Phase 1b option	19/11/07 27/11/07		
20 th Dec	Conclusion of due diligence on non critical design items Approval of final deal by TPB sub committee Transport Scotland approval of conditional recommendation	17/12/07 17/12/07 18/12/07		
24 th Jan	CEC and TS approval of Final Deal Issue Of Contract Award Notice	11/01/07 11/01/07		
21 st Feb	Financial Close	28/01/08		Award of Infraco and Tramco and effect novations

Note: This is subject to confirmation or adjustment following clarification from Transport Scotland on their role in ongoing approval process

2.7 Construction works

2.7.1 Utility diversions

- Main utility workscope commenced the w/c 9th July 2007 at WS2 Newhaven Road – Ocean Drive.

2.7.2 Advanced work

Gogar depot

Due to the lengthy nature of these works, this is the critical area in the programme. In order to have the depot built and commissioned ready for the first tram delivery in December 2009, an advance works contract has been awarded to allow for enabling works and mass excavation prior to Infracore commencement.

- Phase 1 earthworks are progressing ahead of plan (see attached graph).

Non-depot

- IPR 2 tender queries and clarifications continue – the contractor is expected to be agreed and confirmed by mid - August.
- IPR 2 – completion of informal consultation process for TRO's and commencement of formal consultation. Work continues with regard to TROs – nothing to be confirmed regarding TRO's until contractor is placed for IPR 2.
- Further meetings were held during the period to integrate St. Andrew Square re-alignment / re-prioritisation works with CEC Streetscape works and MUDFA. The draft programme has been updated and re-issued for comment.
- Invasive species – 1st Cycle of Treatment complete to Line 1a.

2.8 Testing and commissioning

This phase has not yet commenced

2.9 Handing over and service operations

This phase has not yet commenced

2.10 Network output programme interface (with Transport Scotland)

This phase has not yet commenced

2.11 Interface with other projects

- Discussions continue with SGN and NR to allow for integration of programmes, particularly with regard to works within the confines of BAA land at, or adjacent to, the airport.
- SGN have had some problems gaining planning permission for Turnhouse TRS – a recommendation from CEC planning department to approve planning permission has been made – CEC planning meeting occurs w/c 23rd July 2007. SGN has requested assistance from **tie** and CEC to help resolve access issues at the Sighthill site. Despite legal hold-ups, all materials have been bought and following planning permission and access issues being solved, SGN are confident that they can still meet the decommissioning date at Gogarburn of 25th January 2008.

3 Headline cost report

3.1 Current financial year

	COWD (YTD)	COWD YTD + forecast to year end	Funding TS authorised current year	COWD YTD + forecast to period covered by current grant letter
Phase 1a	£29.5m	£120.6m	£60.7m	£51.4m (P7)
Phase 1b		- 1	- 1	- 1
Phase 1a+1b	£29.5m	£120.6m	£60.7m	£51.4m

Note - 1) Phase 1b design costs are to be expended against Phase 1a budget as agreed by the Tram Project Board.

- The COWD YTD includes £13.4m in relation to land purchases. This sum includes CEC, s.75 and third party land acquired under the GVD process. Other key items in the COWD YTD are £5.5m for design development, £2.4m for depot advanced works and £2.1m relating to MUDFA works. All are within budget.
- The COWD YTD + forecast to year end has increased by £1.5m. This is primarily due the revised phasing attributable to placing the OCIP, where spend for Tramco and Infraco cover is phased over two years instead of three. This does not increase the full OCIP cost or the AFC.
- The Stage 1 advanced works at the depot remains ahead of programme with 123,000m³ excavated (confirmed via independent topographical survey), against a planned 101,000m³ to the end of Period 4. A works instruction for Stage 2 works is imminent pending final contract negotiations, in line with Stage 2 Board paper approved last period.
- The full forecast cost for the year is aligned the to assumptions underpinning the procurement programme and remains sensitive to the extent of advanced works undertaken prior to the award of Infraco.

3.2 Next financial year

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total FYF
Phase 1a	£25.4m	£34.1m	£23.4m	£49.3m	£132.1m
Phase 1b	£ 5.3m	£ 1.2m	£ 2.2m	£ 3.0m	£ 11.7m
Phase 1a+1b	£30.7m	£35.3m	£25.6m	£52.3m	£143.8m

Total FYF for 08 / 09 has increased by £1.5m, which is as a result of the revised phasing of OCIP (refer to section 3.1 above).

The forecasts for 08 / 09 remain sensitive to the revised programme and are predicated on achieving approvals to let the Infraco contracts to meet contract award date in January 08, with subsequent commencement of Infraco physical works in February 08.

Forecasts for Phase 1b (if approval is received) in 08 / 09 relate to design, land, costs for utility diversions and risk allowances.

3.3 Total project anticipated outturn versus total project funding

	FUNDING (total project)			Total COST (To Funders)
	TS	Other	Total	Promoter TOTAL AFC
Phase 1a	£500m	£45m ¹	£545m	£501.8m
Phase 1b	£0m	£0 ²	£0 ²	£ 92.0m ³
Phase 1a + 1b	£500m	£45m ²	£548.3m	£ 593.8m

The recent ministerial announcement on funding confirmed the position.

Notes:

1. Includes £7.3m of CEC / s.75 free issue land
2. £3.3m of CEC / s.75 free issue land are included in £45m funding from CEC.
3. Includes £2.5m of design costs for Phase 1b, to be expended against Phase 1a funding.

The increase of the Phase 1a AFC to the DFBC baseline (£500.5m) is due to rounding in underlying values and two authorised change orders:

- CEC resource allocation to the Tram Project - £0.9m
- Additional JRC modelling requirement to address wide area impacts - £0.2m

3.4 Change control

The current change control position is summarised in the table below.

	Phase 1a £m	Phase 1b £m	Phase 1a + 1b £m
Project Baseline (DFBC)	500.5	92.0	592.5
Authorised Changes	1.2	-	1.2
Current AFC	501.8	92.0	593.8
Anticipated / potential changes	4.6	-	4.6
Potential AFC	506.4	92.0	598.4

Concurrent with the programme review undertaken in previous periods, an internal review of the budget was undertaken to confirm the project estimate and take account of the assumptions for advance works underpinning the Procurement Programme. This review took account of the impact of organisational changes in **tie** following the ministerial announcement on **tie's** other projects.

The result of this review has been fully incorporated in the above project estimate.

Some of the potential changes relate to items previously discussed at the Board. However, no formal change notices have been raised. These changes include:

- Citypoint II: Fit out and costs of leasing additional office space.
- Costs of eradication of invasive species.
- Additional costs arising from the delay to commencement of the main MUDFA works to July.

As part of the internal review, opportunities have been identified to mitigate the impact of these changes. These opportunities have not yet been fully closed out; therefore the items are not removed from the potential changes list.

A number of anticipated changes relate to items excluded from the Preliminary Design Stage Project Estimate Update following a review undertaken at that time, for example the provision of a tram vehicle mock up.

Acceptance and inclusion of these items in the scheme will, all other things being equal, result in an increase in the AFC, requiring either additional

funding or increased savings through value engineering to maintain affordability.

3.5 Summary breakdown

Original estimate (including escalation)

	Base Cost	Risk	Opportunity	OB	(or)Contingency	Total
Phase 1a	£449.1m	£51.4m	£0 ¹	£0 ²	£0 ³	£500.5m
Phase 1b	£80.5m	£11.5m	£0 ¹	£0 ²	£0 ³	£ 92.0m
Phase 1a + 1b	£529.6m	£62.9m	£0 ¹	£0 ²	£0 ³	£592.5m

Latest estimate / AFC (including escalation)

	Base Cost	Risk	Opportunity	OB	(or)Contingency	Total
Phase 1a	£405.4m	£51.4m	£0 ⁴	£0 ²	£0 ³	£501.8m ⁵
Phase 1b	£ 80.5m	£11.5m	£0 ⁴	£0 ²	£0 ³	£ 92.0m
Phase 1a + 1b	£530.9m	£62.9m	£0 ⁴	£0 ²	£0 ³	£593.8m ⁵

Notes:-

1. Opportunities identified at DFBC stage were taken into the DFBC estimate.
2. OB included in risk (QRA at P90 confidence level) as agreed with TS
3. Contingency included as part of risk at present
4. Opportunities in latest estimate / AFC – savings targeted through the current value engineering exercise and negotiation strategy to maintain affordability.
5. Includes authorised changes

4 Time schedule report

4.1 Report against key milestones

The agreed baseline programme reference for this project is that given in the Period 3 report.

Milestones	Date	Act / forecast
Approval of Draft Final Business Case by CEC	21 Dec 06A	21 Dec 06A
Approval of Draft Final Business Case by Transport Minister – approval and funding for utility diversions	16 Mar 07A	16 Mar 07A
TRO process commences	16 Oct 07	
Tramco - complete initial evaluation / negotiation	09 Mar 07A	09 Mar 07A
MUDFA - completion of pre-construction period of MUDFA contract	30 Mar 07A	30 Mar 07A
MUDFA - commencement of utility diversions	02 Apr 07A	02 Apr 07A
Infraco – return of stage 2 bids	08 May 07A	08 May 07A
Tramco - appointment of preferred bidder	21 Sep 07	22 Oct 07
Infraco - completion of evaluation / negotiation of bid	10 Sep 07	10 Sep 07
Infraco - appointment of preferred bidder.	25 Sep 07	25 Sep 07
Tramco / Infraco - facilitation of novation negotiation complete	22 Oct 07	19 Nov 07
Tramco / Infraco - final negotiation and appointment	11 Jan 08	11 Jan 08
Infraco - negotiation of Phase 1b complete.	30 Nov 07	30 Nov 07
Approval of Final Business Case by CEC and Transport Scotland – approval and funding for Infraco / Tramco	09 Jan 08	09 Jan 08
Tramco / Infraco - award following CEC / TS approval and cooling off period.	28 Jan 08	28 Jan 08
Construction commences on Phase 1a	26 Feb 08	26 Feb 08
TRO process complete	19 Jun 09	16 Nov 09
Construction commences on Phase 1b	29 Jun 09	29 Jun 09
Construction complete Phase 1a	08 Jul 10	09 Jul 10
Operations commence Phase 1a	Jan 11	Jan 11
Construction complete Phase 1b	Jun 11	Jun 11
Operations commence Phase 1b	Dec 11	Dec 11

Guidance for Completion:

Legend for colouring of Act/Fcast date text

Green: Act / Forecast date is ahead or in line with baseline
Yellow: Slight slippage – readily recoverable with action.
Red: Notable / significant slippage – difficult to recover, even with action.

4.2 Key issues affecting schedule

Delivery of design programme.

- As so many areas of the programme are dependant of timely and adequate design, the programme is vulnerable to slippages in the SDS programme.

Network Rail immunisation

- Following the indication that TS will not be party to the arrangements with NR, there are real concerns that this may impact Tram programme, as disruptive possessions are required to complete the process.

Network Rail relocation of lineside equipment

- See above.

Award of Infracore / Tramco contracts delayed by late design assurance.

- See above.

4.3 12 week look ahead

Please see separate file attached.

5 Risk and opportunity

5.1 Summary

As part of the overall review of the information held on ARM there have been a number of risk workshops held during the period.

Two risk workshops were held by the Risk Manager in order to review each black flag and red risk within ARM. These workshops were attended by the Project Director, the Delivery Director and the Commercial Director.

A risk workshop was held at the MUDFA office with both **tie** and AMIS representatives in attendance.

Other areas of the project which have undergone a risk review are:

- Procurement
- Tramco
- Infracore
- Depot
- TEL
- Traffic regulation orders
- JRC and land acquisition

Each risk register for the above workstreams has had a full review by the Risk Manager and the Project Manager responsible for the workstream.

5.2 Review project risk register

5.2.1 The principal changes in the risk position since the last period are:

Risks opened	8
Risks closed	27
Risks reassessed	46

5.2.2 Risks added

Of the eight risks opened in this period, the most significant ones are:

- **All five of the proposed suite of Traffic Regulation Orders are subject to public hearings:**
 - If the recommendation to amend the Local Authority Traffic Order regulations is not amended to allow any of the TROs to proceed without public hearings, **tie** will need to carry the cost of these public hearings and there is no allowance for this in the base estimate.
- **Increase in the Lothian Valuation Joint Board rateable value of the spoil site:**
 - Lothian Valuation Joint Board have increased the rateable value of Craigpark quarry, as a consequence of the Tram Project using the site as our spoil receptor. At present the quarry is rated on the same basis as the concrete batching plant that shares the site. There would be a delay to the programme from having to arrange an alternative site should a satisfactory resolution not be found.
- **Traffic modelling programme overruns:**
 - Delay in securing final signed-off design, and in particular, clarity over the extent of wider area impacts, will cause the overall traffic modelling programme to be delayed and this will impact upon delivery of the Final Business Case.
- **Delay to start of works jeopardises funding for Ingliston Park and Ride:**
 - Funding from SEStran and CEC needs to be spent prior to 31 March 2008. Delay in confirming the scope of this project will delay the start of the works, thereby jeopardising this funding.

5.2.3 Risks closed

Of the 27 risks closed during the period the most significant risks on the project were:

- **Submission of Certificate of Appropriate Alternative Development claims for plots 150 and 162:**
 - Plot 150 has been closed as agreements have been reached to allow the lease of this land to terminate naturally. Plot 162 has been closed as this land will be subject of an internal transfer within CEC.
- **Political risk to continued commitment of TS / CEC support for Tram scheme:**
 - Closed as the new administration is now supporting the scheme
- **Tram tender validities exceeded:**
 - Validity period will be 12 months from receipt of BAFO (best and final offer).

5.2.4 Risks reassessed

Of the 46 risks reassessed, the main items are:

- Price certainty is not achieved – capex impact of this risk was increased.
- Infraco refuses to accept or fully engage in novation of SDS – probability of this risk reduced.
- VE process makes TEL business case undeliverable – opex impact increased.
- Proposed amendment of traffic regulations for Tram core measures is unsuccessful thereby triggering public hearings for all TROs – capex and programme impacts increased.

5.2.5 Primary risk register

Please see separate file attached.

5.3 Opportunities

There has been no significant update to the spreadsheet provided last month although work continues to realise opportunities.

6 Health, safety, environment, quality and resources

6.1 Health and safety accidents and incidents, near misses, other or initiatives

No accidents were reported in the period.

The accident frequency rate (AFR) for the project remains 0.00.

Four site inspections were completed in the period. There were two inspections at Gogarburn depot; no findings were identified and it was reported as being a well run, organised site. The other two inspections were at utility diversion sites. Minor findings were reported regarding personnel certification and training records, contractor site inspections, fuel storage and level of first aid kit provision.

Three safety tours were completed. One serious finding was reported regarding the lack of a site traffic management plan at Gogarburn depot advance works.

6.2 Environment

One minor incident was reported in the period. A supplier's delivery wagon suffered a ruptured hydraulic hose. Approximately six litres of oil leaked onto a concrete hard standing area. It was contained and absorbent granular material and sand was used to clean the area.

The archaeological watching brief continues at Gogarburn depot advance works. No significant findings have been reported.

6.3 Quality

Two audits were planned in the period but both were postponed until next period due to the availability of auditors and auditees at convenient dates.

Close-out plans have been agreed on the two audits undertaken in the previous period. Five of the thirteen findings are closed.

No non-conformances reports were raised in the period.

6.4 Resource management

The resource management plan as approved by the Board continues to be delivered with a focus on replacing contractual staff with permanent employees and negotiating revised rates for contractors.

7 Stakeholder and communication

7.1 Stakeholder strategy / plan

Now that Scottish Executive approval has been granted for the Trams for Edinburgh Project to proceed, the stakeholder strategy and plan will continue since it was in abeyance due to the political uncertainty.

This will include our continued programme of 360° stakeholder engagement.

The strategy will continue through our work with stakeholders in terms of:

- Raising awareness,
- Maximising involvement,
- Gaining commitment.

The practicalities of this will include:

- Design consultation
- MUDFA communications
- Edinburgh's Open for Business strategy

7.2 Communication strategy / plan

As in 7.1 above, the Communication Strategy documented in the Draft Final Business Case will continue to be delivered.

7.3 Communication and stakeholder matters arising from previous period

7.3.1 Stakeholder meetings:

Two wider community meetings were held to introduce the preliminary design for the Edinburgh Trams.

26 th June – Leith Wider Community	50 attendees
28 th June – New Town Wider Community	300 attendees

Other meetings have included:

- 9th July – Tram Disability Access Group
- 12th July – Edinburgh Retail Business Forum
- 12th July – West End Traders Association
- 17th July – Haymarket Interchange Project Board

7.3.2 MUDFA:

Since the last report, MUDFA works have commenced at Tower Street to Commercial Wharf on the 9th July. The Stakeholder Team has worked with the AMIS team to ensure that obligations on customer liaison have been delivered.

A combination of 950 customer information packs and letters have been hand-delivered to business and residents in these areas.

A total of 38 contacts have come through the Trams for Edinburgh MUDFA helpline and these can be broken down into the following categories:

Public utilities	4
Access during construction	5
Traffic management issues	2
General tram and tram design issues	27

All of these enquiries received a response with 48 hours.

7.3.3 Business support scheme

As part of the Business Rates Relief Support Scheme, the Lothian Assessor has been informed of the commencement of the MUDFA works which started on the 9th July and those scheduled to commence on 6th August. Customer information packs have been sent out to those concerned with the August works.

The stakeholder team have met with Cowan and Partners regarding the small business financial support scheme and applications to relevant businesses will be hand-delivered on week beginning 20th August.

7.4 Communication and stakeholder action plan for next period

7.4.1 Community Liaison

The following presentations are planned:

- 6th August – West End Community Council
- 6th August – Leith Links Community Council
- 15th and 16th August – All Edinburgh councillors
- 16th August – Leith Harbour and Newhaven Community Council
- 22nd August – Scottish Freight Transport Association

The Stakeholder and Communication teams will continue to have weekly meetings with the following:

AMIS communications

MUDFA team

MUDFA traffic management

Tram leadership

Stakeholder and Communications Team under Corporate Affairs

Appendix 'A' Detailed cost report

Appendix 'B' Change control register

(Other information as volunteered / requested from promoter)

Appendix 'C' Risk

