

Transport Edinburgh
Trams for Edinburgh
Lothian Buses

**Tram Project Board
February Report
Papers for Meeting
20th March 2007**

09.30am – 12:45pm

David Mackay (Chair)
Willie Gallagher
Neil Renilson
Bill Campbell
Bill Reeve
Andrew Holmes
Matthew Crosse
Stewart McGarrity

Norman Strachan
Alastair Richards
Susan Clark
Graeme Bissett
Jim Harries
James Stewart
Miriam Thorne (minutes)

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Tram Project Board

20 March 2007

09.30 – 12.45

Verity House, Boardroom

Agenda

- 1. Apologies**
- 2. Review of previous minutes**
- 3. Matters arising**
- 4. Project Director's Monthly Progress Report**
 - Appendix A - Safety
 - Appendix B – Risk
 - Appendix C – Financial
 - Appendix D – Papers for approval by the TPB
 - OCIP update
 - Appendix E – Papers for Information
 - Critical Issues – design update
 - Charette Structures – update
 - Foot of Leith Walk – update
- 5. Traffic Management – update**
 - Traffic Regulation Orders – update
 - Transport Model Deliverables & Project Implication
- 6. MUDFA – update**
- 7. Infraco / Tramco –update**
 - Tender evaluation & negotiation sub-committee
- 8. Value Engineering – update**
 - Project Value Engineering process and status
- 9. Tram Business Case – update**
- 10. Tram Funding**
 - TS grant funding
 - CEC contribution – paper attached
 - Development of TS / CEC funding contract, including drawdown, risk-sharing – paper attached
- 11. Stakeholder reporting**
 - Project Reporting paper
- 12. Office Co-location - update**
- 13. AOB**

Edinburgh Tram Network

Minutes

Tram Project Board

20 February 2007

tie offices – Citypoint, McAdam Room

Members Present:		Participants:	
David Mackay	DJM (chair)	Damian Sharp	DS
Willie Gallagher	WG	Fred Mackintosh (partial)	FM
Neil Renilson	NR	Matthew Crosse	MC
Bill Campbell	WWC	Steve Reynolds (partial)	SR
Andrew Holmes	AH	Stewart McGarrity	SMcG
		Graeme Bissett	GB
		Alastair Richards	AR
		Susan Clark	SC
		Jim Harries	JH
		James Papps	JS
		Steven Bell	SB
		Norman Strachan	NS
		Miriam Thorne (minutes)	MT

Apologies: Bill Reeve; James Stewart

1.0	REVIEW OF PREVIOUS MEETING	Action
1.1	Previous minutes were accepted as read	
1.2	Previous actions were accepted as completed - verbal updates and exceptions are listed below:	
1.3	<u>Action 1.2:</u> SC updated on Ingliston P&R – previous issues noted are progressing and are being resolved.	
1.4	<u>Action 3.3:</u> Project contractual structure review – discussion about approach, format & contents ongoing.	
1.5	<u>Action 3.4:</u> discussion underway – meeting arranged.	
1.6	<u>Action 3.5:</u> Value Engineering – MC/WG updated on progress,	
1.7	<u>Action 4.2:</u> Agreement on funding for cost overrun between CEC/TS outstanding. DS / AH agreed to progress this week (w/e 23 Feb 07).	DS / AH
1.8	<u>Action 4.3:</u> information on CEC funding matters included in the work undertaken by SMcG & GB – see point 14.0 below.	
1.9	<u>Action 6.2:</u> SMcG confirmed that CEC resource costs will be treated same as any other workstream within the project, including preparation of monthly progress reports, forecast and budget reviews; starting Mar 07.	
1.10	<u>Action 7.3</u> AH raised concerns that no “owner” has been assigned to ensure full discussions are held regarding working hours under MUDFA. However, WG confirmed that detailed dialogue will be held with all stakeholders on site-by-site basis.	
1.11	<u>Action 10.3:</u> MT confirmed that outline forecast of the sequence of approvals and timings has been prepared – the board noted that	

	additional meetings may be required. The Board agreed that a sub-committee should be established to address details of the Infraco/Tramco evaluation and negotiations.	
2.0	DPD update	
2.1	WG provided a summary of the last DPD meeting and highlighted the papers recommended for approval by the TPB. See points 8, 9 and 10 below.	
2.2	<u>DFBC</u> : DS confirmed that all requested information had been received by TS to inform the ministerial decision on funding.	
3.0	Infraco and Tramco evaluation and negotiation sub-committee	
3.1	Approval was sought from the Board to establish a sub-committee for the Infraco and Tramco tender evaluation and negotiations, the purposed of which will be to provide informed challenge to the evaluation and negotiation processes and reflect this debate at appropriate level to the TPB prior to key decisions in the process.	
3.2	Membership of the sub-committee will be restricted to Willie Gallagher, Neil Renilson, Matthew Crosse and Stewart McGarrity. Subject specialists will be brought into the discussion as required. WG suggested to set ½ hours aside pre-TPB to discuss matters arising plus ad-hoc meetings may also be needed.	
3.3	The sub-committee will have the remit to provide strong recommendations to the TPB on the basis that these should be approved.	
3.4	It was confirmed that the remit of the sub-committee will be restricted to procurement issues only – any decisions on physical works will be made at TPB level.	
4.0	Improving design and engineering – presentation	
4.1	MC and SR presented the presentation which outlined key achievements to date, stressed the importance of engineering capacity and capability for the current phase of the project and highlighted the programme complexities experienced.	
4.2	Key features and practical changes of the way forward are: <ul style="list-style-type: none"> - co-location of key staff - integrated teams (tie/SDS/TSS/CEC/TEL/Transdev) - move to a risk based design review process 	
4.3	The presentation and its implications were approved by the board. MC to circulate the slides relating to programme complexity and route map to success to attendees	MC- done
5.0	Decision making process	
5.1	Serious concern was raised about the speed and efficiency of decision making, particularly by stakeholders, in relation to the project. AH stressed that a robust and practical programme which takes account of stakeholder time-requirements is essential to ensure informed decision-making. DJM stressed that meeting attendees must have authority to make decisions to avoid revisiting of agreed decisions at later stages and that attendees decisions must not be “overturned” by their superiors except in exceptional	

	circumstances.	
6.0	PD progress report	
6.1	The progress report was taken as read. Key items for concern were highlighted as follows:	
6.2	<u>GVD notices</u> : CEC legal has stated that the physically signed letter will be required before they can permit the issue of notices. If this is not received before 2 March 07, the spend of £10.6m cannot be achieved in 06/07.	
6.3	DS confirmed he will make arrangements to ensure the physical letter is received by CEC immediately following the ministerial announcement. DS will also send a draft grant letter including grant conditions to AH prior to the ministerial announcement to allow CEC internal review. AH to achieve conditional sign-off of the draft letter by CEC legal	DS / AH
6.4	<u>MUDFA trial</u> : SC confirmed that the Trial Dig for MUDFA had to be delayed to 2 April due to the fact that the required TTRO's could not be issued pre-ministerial announcement and that a 28 day communications period is required between TTRO issue & commencement of works.	
6.5	<u>Network Rail Lease</u> : SC raised need to escalate the lack of engagement by Network Rail in the process. DS offered support in form of resource from his team. SC to brief WG on current status & recommended way forward	SC - done
6.6	<u>Office accommodation</u> : SMcG confirmed lease now signed for Citypoint 2 nd floor offices	
6.7	<u>Change requests</u> : 2 minor change requests were noted – approval within Project Director delegated authority.	
6.8	<u>Risk Register</u> : SC confirmed that all risks related to MUDFA form part of the project master risk register. The board requested that TRO risks previously owned by TC would be transferred to KR going forward.	
7.0	Traffic Management	
7.1	KR provided a verbal summary of the key issues facing the Traffic Management workstream and current progress as outlined below:	
7.2	<u>Exempting core measures from mandatory hearings</u> : KR confirmed that negative feedback has been received from the Scottish Executive (SE) for the request to change legislative requirements for major projects. The board decided that KR should keep pursuing discussions through approaches to the ministerial office and informal legal discussions between CEC and TS. KR to provide AH with a response to the letter received from SE to facilitate this discussion	KR / AH – done
7.3	KR advised the board of the positive progress achieved in relation to de-risking the current Traffic Management programme and establishing the wider area modelling requirements. He confirmed that the new strategy adopted of commencing Infracore under TTRO's should remove TRO from the critical path. WG requested that all updates will include clear statement of impact on delivery dates.	KR – detailed strategy currently being developed, impact on programme to be advised

8.0	Gogar Advance works	
8.1	SC presented key aspects of the paper and approval sought to implement the advance work strategy. SC explained the large range for costs is due to uncertainty how much advantage can be taken of spoil disposal sales and re-use opportunities at Ingliston P&R. These are being actively pursued.	
8.2	WG requested a discussion on the commercial opportunity for cost savings from AMIS in light of the additional work scope offered. SC/MC/WG to progress	SC / MC - ongoing
9.0	Network Rail immunisation	
9.1	SB presented highlights of the current position. Agreement was reached that TS should enter into the contract with Network Rail and that the programme should align the needs of the Tram project and the Airdrie-Bathgate projects. A technical solution was still outstanding – meetings to be held w/c 25 Feb. 07.	
9.2	The board agreed that cost and risk for this work should all be taken by TS, thus adopting option 2.5c of the paper.	
9.3	Concerns were raised about the project's control over progress where TS effectively take a project manager's role. DS confirmed that TS would be happy to perform this role, including all required reporting including to the TPB. DS / SB / MC are to discuss the practical details regarding resourcing/costs and programme	DS / SB / MC - Being progressed with TS
9.4	AR raised the question of information flow between this workstream and the Infraco bids, including alignment of commissioning strategies. SB confirmed that detail will depend on the adopted technical solution – AR / SB to discuss interface details	AR / SB - Discussed 13/3 & being actioned
10.0	ROGS – approval process	
10.1	SC presented key features of change in approval process. The board approved the recommendations to write to HMRI to advise them of the change and appoint a Competent Person.	
10.2	DS raised the question of a potential conflict of interest if TSS is to provide resources for the Competent Person. SB confirmed that these points will be covered in the detailed discussions	
10.3	AR requested aspects of the Competent Person's role regarding training and commissioning are clarified	SB - update to be provided to AR in March
11.0	Papers for information	
11.1	<u>Foot of Leith Walk</u> : NR presented current status of design solution. AH requested that any impact on the integration plans and business case projections are reported to the board	BC – review ongoing
11.2	<u>Structures Charettes</u> : WG stated that resolution of the issues is currently	SR –

	with the design teams – will be escalated to next TPB if no progress noted	progress has been noted
12.0	MUDFA	
12.1	WG appraised the board of the discussions held at the MUDFA board sub-committee. Key concerns noted are listed below:	
12.2	<u>Phase 1b issue:</u> DS confirmed that TS has no authority to confirm funding for Phase 1b and is unlikely to achieve this within the next 6 months. This is primarily due to the lack of certainty around affordability as it was currently based on the achievement of costs savings. See point 13.0 below	
12.3	WG stated that the project would take this as confirmation to re-prioritise the programme for work on Phase 1a. This would require re-programming of MUDFA programme – this is to be tied into the approach to incentivise AMIS for costs and time savings as per point 8.2	
12.4	<u>Statutory Utilities design approval:</u> WG stated that the slow turn-around currently experienced is due to initial mobilisation issues. SC confirmed close monitoring is in place.	
13.0	Funding	
13.1	DS confirmed TS current view on scheme affordability and the importance of achieving proposed savings. MC raised concerns that this view would be impacted on by the method of indexation applied to the grant. AH and DS are to hold off-line discussion on affordability levels & implications of proposed cost savings w/e 23 Feb 07.	DS / AH
14.0	CEC Tram funding	
14.1	GB presented the key aspects of the paper presented to the board, including establishment of the Project Contribution Group (PCG), identification of 8 key workstreams, and planned meetings with Forth Ports. It was highlighted that the proposal had been met with rejections by some parties within CEC. Direction was sought from the board as to the desired involvement in securing the £45m CEC contribution.	
14.2	AH confirmed that the reply received from CEC would be reviewed to allow establishing a wider strategy to secure funding up to and in excess of £45m	
14.3	DJM highlighted that the likely phasing requirements from TS for CEC contributions may lead to the need to borrow funds upfront. To minimise the costs, all efforts should be made to secure funds, including brokering commercial deals with large developers. FM suggested there may be opportunity to incentivise developers to maximise contributions.	
14.4	AH stated that additional resource may be required, however DJM stressed the need to ensure there was real opportunity for the PCG before further costs would be incurred.	
14.5	The board agreed on the need for a funding contract to be established by TS and CEC including risk allocation. This will be essential in the discussion with the Infraco & Tramco bidders. GB / SMcG to take matter of funding forward as a matter of urgency.	GB / SMcG – on going

15.0	Board dates and reporting	
15.1	DS confirmed that TS would provide required reporting templates w/c 25 February 07 – this should not add to the existing reporting cycle.	DS – done, agenda point 11
15.2	The board confirmed its acceptance to release monthly progress information to TS prior to board meetings.	
15.3	The scheduled board dates were accepted as proposed	
16.0	AOB	
16.1	It was confirmed future board meetings will be held in Verity House Boardroom.	

Prepared by Miriam Thorne, 21 Feb. 07



Transport Edinburgh
Trams for Edinburgh
Lothian Buses

DPD Sub-committee February Report Papers for Meeting 13th March

09:30am – 12:30pm

Distribution:-

Willie Gallagher (DPD Chair)
Damian Sharp
Duncan Fraser
Neil Renilson
Matthew Crosse
Bill Campbell
Graeme Bissett
Stewart McGarrity
Steven Bell

Alastair Richards
Geoff Gilbert
Susan Clark
Trudi Craggs
Jim Harries
James Papps
Keith Rimmer
Miriam Thorne
Tony Glazebrook

Edinburgh Tram Network

Minutes

Design, Procurement and Delivery Sub-Committee

13 February 2007

tie offices - Verity House, Boardroom

Directors Present:	In Attendance:
Willie Gallagher (DPD Chair) – WG Bill Campbell – BC	Matthew Crosse – MC Stewart McGarrity - SMcG Graeme Bissett –GB Steven Bell – SB Alastair Richards – AR Trudi Craggs – TC Susan Clark – SC Jim Harries - JH Andy Conway – AC Steve Reynolds - SR Keith Rimmer – KR James Papps – JP Miriam Thorne – MT Matthew Spence - MS

Apologies: Geoff Gilbert, Damian Sharp, Neil Renilson, Duncan Fraser, Mark Bourke

1.0	ACTIONS FROM PREVIOUS MEETING	Action
1.1	Previous minutes were accepted as read	
1.2	Previous actions were accepted as completed - verbal updates and exceptions are listed below:	
1.3	<u>Infraco</u> – DS stated that the bidders' request for an indemnity letter from TS cannot be provided without ministerial approval to the Business Case. Further, DS noted that this would take the form of a comfort letter rather than indemnifying the bidders. TS does however accept the principle that a comfort letter which states that funding is available, can be provided via CEC to the bidders, following ministerial approval in February 07. The letter will be provided	DS
1.4	TC confirmed that verbal update had been provided to TS on the latest date by which GVD can be issued (2 nd March) to ensure spend can be included in 2006/07.	
1.5	Invasive species – issue on funding by CEC for the eradication / treatment of invasive species on CEC land is still outstanding. Indicative prices are being obtained by tie.	

2.0	Improving Design and Engineering – presentation	
2.1	MC and SR presented the plans for improving design matters and the changed approach to engineering. The presentation was accepted by the attendees and recommended for inclusion in the TPB papers. Key highlights and points discussed at the meeting are listed below:	
2.2	WG requested the views of a number of attendees on the proposed plans. The general feeling was that improvements arising from greater collaboration were already noticeable.	
2.3	AR raised the question how sensitive the new risk based design review process would be to errors experienced. JH assured that process would be self-assuring and margin of actual error would be used to revise the process where required.	
2.4	BC requested that TEL would fully involved in the review process – MC assured that full involvement of CEC & TEL, plus AR's role as O&M director would safeguard TEL's interests.	
2.5	JP asked whether the new approach signified a change in risk attitude by TS and CEC and whether the SDS novation would still be required. MC confirmed that non-novation may signify a material change in the procurement strategy thus falling foul of procurement rules. To be ascertained.	GG - done, verbal update at Mar DPD
2.6	GB raised the question whether any changes are required to the SDS contract. MC/TC confirmed that no change is required, although the team would consider changes to deliverables, particularly risk items, where advantageous for the project.	
3.0	PD report	
3.1	SC presented the PD report – key items are outlined below:	
3.2	<u>VE</u>	
3.3	MC explained that no paper would be tabled at this DPD but work following up on a number of strands to identify saving opportunities was ongoing.	
3.4	WG requested that a paper would be presented to the next DPD which explains the process for identifying savings and how these would be taken forward. SB also requested that the paper described how alignment would be achieved between the VE exercise and the Infracore bid process.	MC – done, see paper below
3.5	WG stressed that TEL must have the opportunity to review and reject any saving proposals which will have a impact on TEL's future operations.	
3.6	<u>Milestones</u>	
3.7	SC explained that the date for the MUDFA trial dig had been moved to 2 April. This was because the required communication to small businesses and neighbouring properties can not be issued with the required 28 days notice period due to the delay in the ministerial announcement on the DFBC.	
3.8	TC explained the date for submitting final draft TRO's for CEC member approval would slip due to late delivery of designs, however, this was now off the critical path following the adoption of the new TTRO strategy.	

3.9	Tramco – MC explained that a review of the current strategy was ongoing which meant reduction to 2 bidders at this point was no longer a certainty. A meeting was to be held to discuss on 14 Feb 07.	
3.10	<u>Key issues and concerns</u>	
3.11	Network Rail: TC confirmed that Network Rail had now received the draft lease, however actual engagement by the legal team was slow – TC to update WG by end of the week on progress.	TC – done at TPB by SB
3.12	Missed Possessions: TC/ SB confirmed that a mitigation plan was being worked through to deal with any issues arising.	
3.13	JRC change request: TC raised concerns about implications for the JRC-SDS contract under the proposal to task JRC with the wider area modelling	
3.14	<u>HSQE</u> : SB confirmed he will agree level of detail to be included in the report. WG requested that all future reports will contain positive confirmation that any issues have been dealt with	SB - done
3.15	<u>Risk Register</u> : The register was reviewed – key points are outlined below:	
3.16	Risk 139/164: SC confirmed that discussions were progressing with AMIS and any opportunities identified were include in the VE exercise.	
3.17	Risk 279: TC explained that progress was being made in achieving approvals and more meetings had been scheduled.	
3.18	Risk 282: JP questioned current status. MC explained that contract mark-ups were currently with DLA and the procurement team. AR confirmed that meetings were held to ensure alignment of Tramco and DPOFA. Additionally, MC stated that a highlevel exercise was planned to review the risk allocation across all contracts – this had been discussed with James Stewart from PUK.	
3.19	Risk 349: SC confirmed that fortnightly meetings were held with SGN to review progress	
4.0	TRO & TTRO	
4.1	KR presented the TRO update paper. Although QC opinion had not been received at time of the meeting (expected 16 th Feb), feedback on the new strategy to use TTRO's to start construction had been positive.	
4.2	The new strategy would remove the risk of “mirroring” from the TRO process by e.g. inclusion of temporary design features in the TRO's and fast-tracking of hearing for mandatory items.	
4.3	KR confirmed that a detailed programme including time and resource requirements for drafting TRO's was currently being constructed. Key issue was the lack of SDS resource for area-wide items. The DPD agreed that the TRO paper should be updated for the items discussed & presented to the TPB.	
4.4	TC questioned what risk impact the TRO process would have on the Infraco bid process and how the “de-mirroring” would be reflected in the Infraco costs. KR confirmed that this work would low-cost, and MC confirmed Infraco bidders would be asked for indicative costs at the 2 nd stage of the bid process.	

5.0	Interchange update	
5.1	BC presented the update paper on the Foot of Leith Walk Interchange. He confirmed that good progress had been made over the last month and that the concept drawing was currently being designed by SDS. TC confirmed that this work was part of the change request on interchanges and had been previously approved by the TPB.	
6.0	Design issues update	
6.1	TC presented the paper on the current status. She confirmed that the existing side-agreements and LOD offer little opportunity for savings on these structures. However, a number of options were included in the current VE exercise. WG requested that the paper on VE would cover structures as well.	MC – done, see paper below
6.2	WG requested that SDS “critical issues” map would be included as a standing item on the DPD agenda	MC – done, see paper below
7.0	Depot Advance Works	
7.1	SC presented the paper seeking approval to tender for stage 1 of the advance works. Costs are anticipated within a range up to £3m, these are included in 07/08 funding. Further, the project is looking at number of spoil disposal opportunities in collaboration with the EARL project. SC to provide a verbal update at the Mar DPD.	SC
7.2	SC also confirmed that due to the simple nature of the proposed strategy, no change to the risk profile was anticipated. The paper, once updated, was recommended for approval by the TPB	
8.0	ROGS	
8.1	The paper on new regulation for railway and other guided transport systems was presented by SC. The paper outlines the requirements of the new approval process from 2010 to employ a competent person, provide a safety verification plan and implement safety management systems.	
8.2	SC explained that the “competent person” would consist of a number of responsibilities and that TSS would be approached to provide a package of services to cover these. Alternatives to TSS were also to be considered.	SC – done, Tom Condie discussing opportunities with Transdev
8.3	SMcG requested to understand how the costs were included in the Tram total budget. WG requested that details of the approach would be included in the paper to the TPB.	SC - done
9.0	Network Rail – Immunisation	
9.1	SB explained that meetings had been held with DS/SB/TC/MS. Although a technical solution was still outstanding, an agreement had been reached that TS would enter into the contract with Network Rail for immunisation works. A number of proposal for cost and risk	

	allocation was included in the paper for approval by the TPB.	
9.2	GB requested that the matter would be progressed outside the wider CEC/TS funding discussion. WG requested that end of March 07 would be included as target date to carve out necessary contract to meet programme deadlines. SB/MC/TC are to assess the likely programme impact and SB to provide a risk analysis on the issue.	SB/MC/TC March 07 date included in TPB paper. Programme impact and risk analysis underway.
10.0	EARL /TRAM Utilities and Advance Works Strategy	
10.1	The paper was noted and approved to the EARL project board	
11.0	Ingliston Park & Ride	
11.1	The paper was noted and approved for information	
11.2	TC requested information on how the programme for Ingliston P&R temporary car park would impact on the MUDFA programme. SC confirmed that different section of McAlpine would deal with Ingliston, therefore no programme impact was expected	
12.0	Infrao update	
12.1	WG updated the DPD on the receipt of 2 initial proposals from Infraco bidders. He confirmed that the analysis team had followed due process in assessment of the proposals and a report had been sent to TS. This report confirmed that the bid were consistent with the expectation of the DFBC.	
12.2	MC stated that no actual numbers could be released due to commercial sensitivity and requested that all involved in the analysis and subsequent evaluation would maintain confidentiality.	
12.3	The DPD agreed that a proposal to a Infraco / Tramco subcommittee would be presented to the TPB to allow informed discussion at the Board.	

Prepared by: Miriam Thorne
Date: 25 Feb 07

EDINBURGH TRAM PROJECT MONTHLY PROGRESS REPORT – FEBRUARY 2007

1.0 High Level Delivery Strategy

The paper approved at the February TPB set out a number of areas where the Tram Project Team was seeking to improve its approach. The four areas to benefit from these changes are:

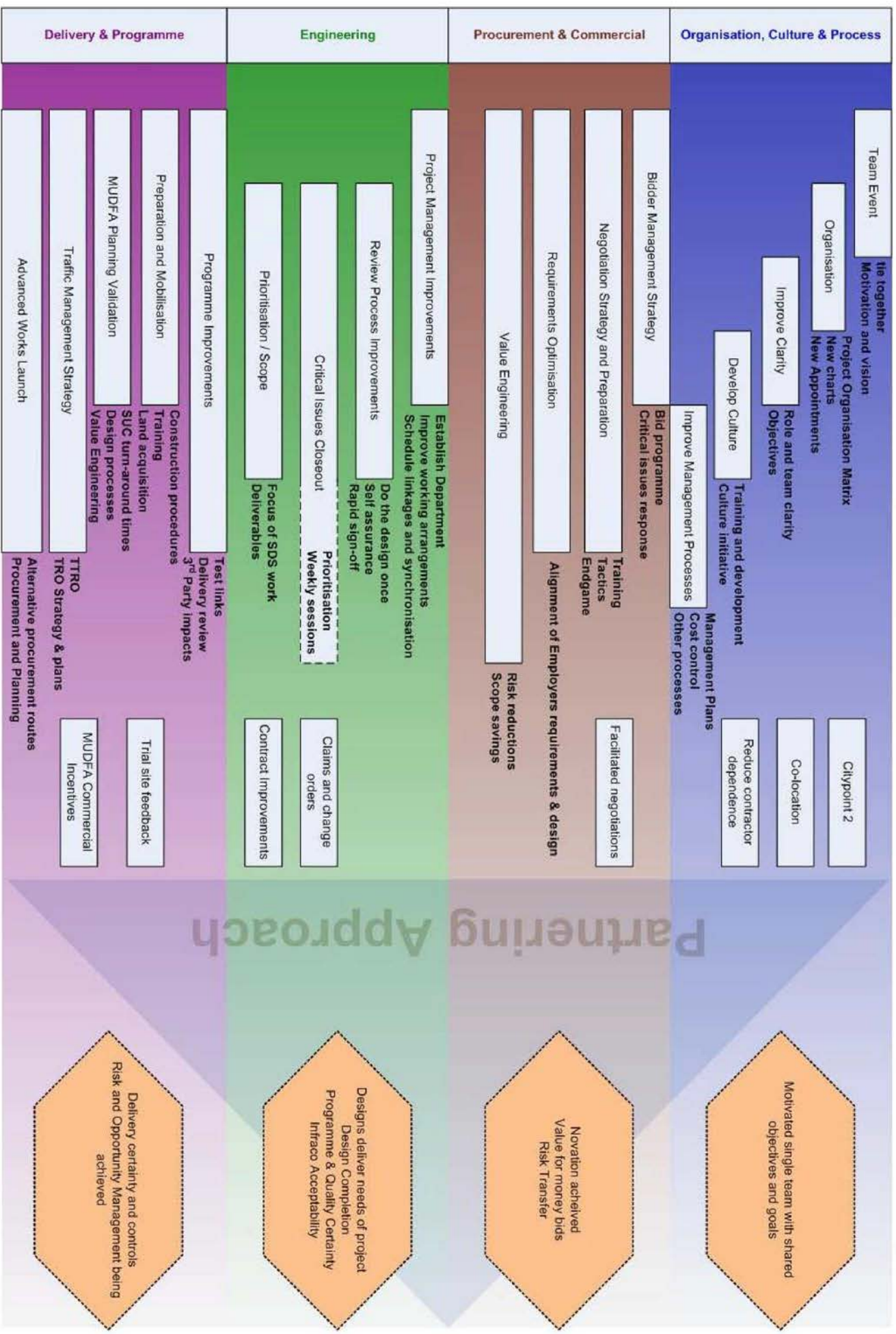
- Organisation and culture changes to deliver clarity, singleness of purpose and rapid decision making (under the **tie** together band).
- Engineering and design improvement initiatives to ensure smarter review processes, close out of critical issues and prioritisation of work programme and scope.
- Procurement and commercial to deliver strong competitive bids that are value engineering, de-risked, and capable of novation.
- Construction mobilisation and delivery that minimises disruption and maximises opportunities for efficiency and partnership working with our contractors.

The following diagram shows the strategic map we are following. It illustrates the current initiatives for each of the principal project work streams and establishes the steps ahead.

2007 Project Delivery - Strategic Map

Version 1.0
08.03.2007

Current Initiatives → Strategic Aims



2.0 Programme and Progress

2.1 Achievements in previous period

2.2 Organisation and culture

- The tietogether event was held on 15th February 07.
- The new organisation chart for the Tram project was established on 1st March 07.
- The lease on floor 2 of Citypoint is now secure and a programme is underway for the fit-out and co-location.

2.3 Engineering

Design:

- Progress has been made in identifying the critical design issues and appropriate ways of achieving resolution of these. In the last period considerable progress has been made with 25 having been closed. Much of this progress is attributable to the critical issues meeting convened on a weekly basis and attended by **tie**, SDS, CEC and TEL.

Traffic Management:

- Positive responses have been received from QC on the proposed TRO/TTRO strategy which moves TRO off the critical path. See attached paper 'Traffic Regulation Orders Report'.
- A set of MUDFA traffic model tests have been completed and passed to CEC and other stakeholders to give an impression of likely wider area impact of the tram.
- Statutory TTRO notices were issued on 1st Mar 07.

2.4 Commercial and Procurement

Infraco:

- Positive responses have been received from Infraco bidders to close out some of the key price-sensitive contractual issues.
- The continued clarification with Infraco bidders enables them to revisit their programme for 2nd stage bid returns.

Tramco:

- Tramco bidders continue to work with **tie**'s team. Updated financial offers have been received and evaluated.
- Visits to each bidder by **tie**/TEL senior management has been completed.

Advance works:

- Tender documentation has been issued for the removal of invasive species.

OCIP:

- 8 Tender returns received – all 8 bidders within the affordability envelop as per the DFBC.

2.5 Delivery

- Significant progress has been made on agreeing the utility diversion design process between **tie**/AMIS/SDS.
- Good progress has been made on MUDFA works order process.
- Site investigation works was carried out for IPR 2 (temporary).
- The design commenced for IPR 2.

2.6 Finance & Business Case

- The updated project estimate and supporting documents, as provided to TS in Jan, was reviewed and discussed with TS in February. TS have indicated that they are satisfied with the reported update to the cost estimate for Phase 1a and 1b.
- A draft grant letter setting out the funding for the period from 1 April 07 to Financial Close was received from TS. Principles of the letter were agreed between TS and CEC with input from the project team. The issue of the grant letter is anticipated following a ministerial announcement on funding / the DFBC which is expected imminently.
- TS have confirmed that funding for of £10.6m land purchases not incurred in 06/07 due to the delayed ministerial announcement will be rolled over into 07/08.

2.7 Update on key milestones outstanding

2.8 Delivery:

Land & Property:

- Issue of 2nd GVD notice pushed back from target date of 28th Feb due to late ministerial announcement on funding and the DFBC.

2.9 Finance & Business Case

- Ministerial announcement on funding and the DFBC anticipated before end of February still outstanding, now expected early March.

2.10 Key milestones – next period

2.11 Engineering

- Programme priorities and scope are currently under review. The revised, agreed dates will be advised when completed

2.12 Commercial and Procurement

Tramco

- 09 MAR 2007 – reduction of Tramco bidders from 4 to 2. The current programme date for short listing will be delayed due to the delay in a ministerial announcement on funding and the DFBC.

Advance works

- 12 MAR 2007 – tender return for Invasive species.

2.13 Delivery

- Reference design on IPR 2 to be complete.
- Start work on construction of IPR2 (temporary).
- Set up activities for Depot Advanced Works to commence.
- Provision of revised MUDFA programme taking account of Phase 1b re-phasing, SU approvals

2.14 Finance & Business Case

- 31 MAR 2007 – Receipt of comments on DFBC for update to Final Business case from TS

2.15 Future key milestones – 3 month look ahead

2.16 Programme priorities and scope are currently under review. The revised, agreed dates will be advised when completed.

2.17 Delivery

MUDFA

- 02 APR 2007 – Trial Dig for Utilities at Casino Square (Ocean Drive) – reprogramming necessary to comply with statutory time requirements for TTRO/TRO notices. The issue of TTRO/TRO notices were delayed to 1 Mar to allow them to coincide with the anticipated ministerial announcement on funding and the DFBC.

Advance Works

- 19 APR 2007 – Commence 1st cycle of invasive species treatment
- 25 APR 2007 – Award contract for spoil disposal
- 30 APR 2007 – Advance Works Phase 1 procurement contract award
- 30 APR 2007 – Complete badger sett construction at Gogar/Ingliston

- 08 MAY 2007 – Advance works Phase 1 depot site works start proper

Ingliston Park & Ride – Ph2

- 02 APR 2007 – issue of ItN
- 28 MAY 2007 – Contract award
- 01 JUN 2007 – Commence mobilisation

3.0 Key Issues and Concerns

3.1 Engineering

Design:

- The programme and deliverables are currently under a detailed review and, until conclusion of these activities, remain an area of concern.
- In respect of the critical issues discussed in 2.3, these are being progressed but there are still many to close out. Refer to attached paper 'critical issues update'

Traffic Management:

- JRC continues to undertake re-calibration and update of the transport model suite as covered under the existing contractual arrangements. This is expected to be complete by end of March 2007. There is an on-going concern about the lack of a clear and agreed process to assess the traffic impacts of the TTRO and TRO processes. A paper outlining the key issues and recommendation for resolution is attached. See paper 'Transport Model Requirements'.

3.2 Commercial and Procurement

OCIP:

- Due to the delay to the main works on MUDFA, the budget for OCIP for 06/07 has been moved into 07/08. The total project budget still stands, however an exercise is required to assess the financial impact. Confirmation is also required that AMIS will provide insurance cover on trial work prior to commencement of the OCIP.

3.3 Delivery

Advance works:

- Completeness and accuracy of the survey in respect of the extent of the treatment required for invasive species and the initial cost estimates remains a concern. Tender returns anticipated for 12 MAR will provide greater clarity and inform discussions with CEC and Network Rail on costs and programme. Key concerns remain on CEC ability to absorb costs.
- Costs of treatment are responsibility of land-owner. Proposed strategy to off-set treatment costs against compensation payments to landowners is to be tested against land values as assessed by the DV to achieve clarity on budget 07/08 impact.

Land & Property:

- Network Rail land: a draft lease received 07 FEB 2007 contained unacceptable irritancy provisions which require renegotiation. A series of meetings to address issues has been scheduled, however concerns remain about resolution within required time-frame.
- Asset ownership: under the propose strategy for assets ownership, all tram land will be owned by CEC. To facilitate that process it was proposed that CEC would become D&W's client for this work and letters have been sent to CEC as in this respect. No response has been received from CEC and no confirmation as to the reporting procedures to be applied has been received.

4.0 TPB Feedback

4.1 Papers approved

The recommendations of the following papers were formally approved by the TPB:

- Improving design & engineering presentation
- Advance works – depot
- Network Rail immunisation – including recommendation that cost & risk allocation should fall to TS (point 2.5 of Immunisation paper)
- ROGS approval process
- Proposed additional meeting requirements for Infraco approval process

The following papers for information were noted by the TPB:

- Foot of Leith Walk update
- Structure Charettes update

4.2 Decisions / Actions arising from the board

- The TPB approved recommendation of an Infraco/Tramco tender evaluation & negotiation sub-committee.
- The TPB agreed that following feedback from TS on project funding, the project should reprioritise work on Phase 1a only.

5.0 Safety Report

 - No issues to note – see appendix A

6.0 Risks and Opportunities

6.1 Risk Management Register

- The Primary Risk Register is actively being updated. Active Risk Management (ARM) is now in use by all Project Managers and those who are termed risk Owners. Mitigation actions are being developed by risk owners, an update will be provided at the next DPD.
- Risk Register – see appendix B

6.2 Principal opportunities & output from VE exercise

- A number of strands to identify and develop key opportunities for the project are being pursued. These include evaluation of Value Engineering suggestions by the Infraco bidder, outputs from the formal Value Engineering exercise and opportunities developed within the project team. The paper to TS will baseline the current thinking on principal opportunities – see attached ‘VE Process Paper’ and appendices.

7.0 Financial and Change control

7.1 Financial status

- The current financial year end VOWD forecast has reduced to £32.5m.
- The current AFC for the scheme is £592.4m as detailed in the Draft Final Business Case (DFBC). The project is currently updating its view of the Project AFC based on the return of the initial proposals from the Infraco bidders.
- The VOWD to the end of February is £225k higher than the corresponding forecast last month. The reason for the variance is contained in the attached appendix C.

Current Year position

VOWD in current month 06/07				
Month £k (Incremental)	Current Actual £k (Cumulative)	Previous Forecast £k (Cumulative)	Variance £k (Current minus previous)	Comment
£3,162	£28,135	£27,910	£225	See appendix C
AFC – Current Financial year position to Mar 07				
Approved Budget £k	Current Forecast £k	Previous Forecast £k	Variance £k (Current minus previous)	Comment
£44,041	£32,464	£44,041	(£11,577)	See appendix C
AFC – Anticipated Final Cost				
Budget £k	Current Forecast £k	Previous Forecast £k	Variance £k (Current minus previous)	Comment
£545,000	£592,400	£592,400	0	As approved Preliminary Design Stage Project Estimate

**Approved Budget to end Mar 07, reflecting new Approved Funding Paper (Nov06)*

7.2 Early warnings of claims
 - No additions to last month's summary

7.3 Change Control Summary
 - No additions to last month's summary

8.0 Matters for Approval or Support

8.1 Items for information

- Value Engineering paper
- Critical Issues – resolution update
- Foot of Leith Walk & Structures' Charettes update

8.2 Decisions required from TPB

- Terms of Reference for Infraco/Tramco negotiation sub-committee – paper attached
- Recommendations of OCIP paper attached
- Final close out of Charette changes

8.3 Decisions/ support required from TS

- Issue of grant funding letter for Period April to Financial Close
- Clarification of funding / process to achieve for funding for whole of 07/08
- Letter of comfort to Infraco bidders
- Confirmation of funding draw-down to permit confirmation of payment arrangements to bidders.

8.4 Decisions/ support required from CEC

8.5 Decisions / support required from others

Submitted by:- Matthew Crosse
Project Director

Date:- 07 Mar 07

Paper to : Tram Project Board
 Subject : HSQE Performance Report for Period 12
 Date : 7th March 2007

Safety Update, for information only

1.0 Safety

1.1 There have been **two** minor accidents reported this period. The Accident Frequency rate (AFR) for the project is **zero**. Summary table below;

Ref.	Accident/Incident Summary
AIIIR5	14/02/2007 No time lost. SDS employees' trousers caught on broken key in protruding from locked cupboard causing trousers to rip and gash to buttock. Immediate Action: Key removed from cupboard. Further Action: Review of all accidents to date and submit report. Update: report received but revisions required.
AIIIR6	08/02/2007 No time lost. SDS employee cut finger while looking through lever arch file on the metal shutter part. No further action.

1.2 There have been **17,525** hours recorded for the period of which **977** were for site work.

1.3 There were no Safety Tours recorded for the period. Current status of previous actions are in the table below;

No.	Item Description	Actioned	Status
1	Campbell Skinner to be given HR induction – this includes H&S induction for Citypoint.	Geoff Gilbert	Closed
	Issue notification reminder to project management of the requirement for all new staff to receive HR induction.	Heather Manson	Open
	Ensure reception notifies visitors of fire safety arrangements.	Heather Manson	Closed
2	Tables stacked in kitchen area to be replaced.	Heather Manson	Open
3	Wires to be made safe.	Heather Manson	Closed
4	Desks in corridor (Fire escape route) to be removed.	Heather Manson	Closed
5	IT cables in McAdam Room to be secured/tidied.	Seamus Healy	Open
6	Brunel Room to contain only eight chairs (maximum number of persons for meeting).		Closed
7	Review storage of materials in SDS area.	Billy Johnston	Open

- 1.4 No Safety Alerts was issued this period.
- 1.5 A meeting with the HSE Inspector allocated to the Tram project took place. The purpose of the meeting was to discuss the current Construction (Design and Management) arrangements and the approach to the revised CDM 2007.
- 1.6 Notification has been sent to the HMRI confirming that the Edinburgh Tram Project shall follow the Railways and other Guided Transport Systems Regulations route for 'approval'.
- 1.7 Utility design hazard information has been provided by SDS for the MUDFA works. However, it is of a generic nature and is not site specific in terms of residual hazards. A workshop with SDS and AMIS chaired by the Planning Supervisor has been organised for Monday 12th March to address the issue.

2.0 Quality

- 2.1 One quality system audit was planned for this period. It has not been undertaken this period due to other work and has been re-programmed for next period.
- 2.2 No non-conformance reports (NCRs) were raised in the period and there are no outstanding NCRs.
- 2.3 The Health, Safety and Quality Management Plan and Environmental Management Plan are ready for approval. Supporting procedures have been drafted and are under review.
- 2.4 An external audit is was undertaken on the 5th March to 9th March by Scott-Moncrieff. A report will be submitted in due course.

3.0 Environment

- 3.1 There were no environmental incidents in the period.
- 3.2 Concerns had been received from the CEC Archaeologist regarding the lack of archaeological management arrangements for the MUDFA works. This has been discussed with the CEC Archaeologist for the MUDFA works and areas of archaeological interest have been agreed and levels of archaeological watching brief defined. On-going meetings have been arranged with the CEC archaeologist.

Proposed Tom Condie Date 07/03/07
 HSQE Manager - Tram

Recommended Susan Clark Date 07/03/07
 Delivery Director

Approved Date: -
 David Mackay on behalf of the Tram Project Board

Paper to : TPB
 Subject : Primary Risk Register
 Date : 14 March 2007

For Information - How the Primary Risk Register is devised

1.0 Background

The Primary Risk Register is reported each period firstly to the Development Procurement and Delivery (DPD) Sub Committee and then to the Tram Project Board (TPB). The DPD, on 13 March 2007, requested further explanation on how the Register is devised and this paper provides this information.

2.0 Progress to date

The Tram Project Risk Register is held in the Active Risk Manager (ARM) enterprise database system. Risk Owners directly manage and report progress on the risks that they own, using the system, with data held at a single point on the ARM Server. It is the responsibility of Risk Owners to keep their data up-to-date on the system either by direct input to the system if they have read-write access or by informing the Project Risk Manager of progress as and when it is made. Risks within the system are assessed for probability and impact and each risk is assigned a significance score according to the distribution defined by tie within the ARM system. Figure 1 shows this distribution.

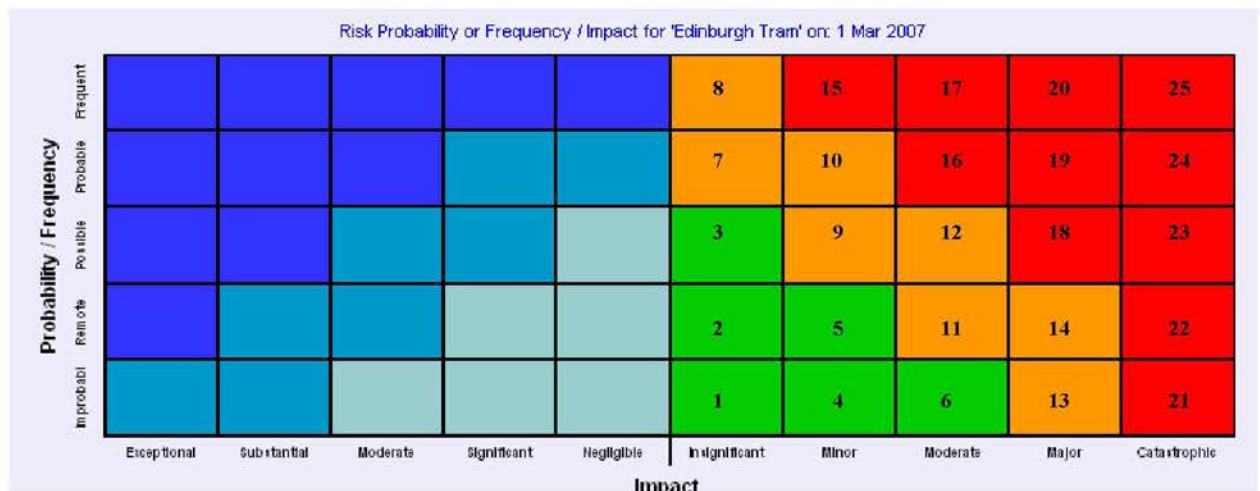


Figure 1. Probability Impact Diagram with Risk Significance

The data held in ARM forms the basis of information presented in the Primary Risk Register. This Register is a live snapshot extracted from data held in the ARM system. tie's requirements for the extraction of this data were specified as "the highest significance risks with treatment action required in the near future".

There is no clear logic that can achieve this requirement automatically and therefore, for each period, the Tram Project Risk Manager runs a query on all the data relating to open risks in the system, ordering the risks firstly by black flag, then by risk significance and then by treatment plan start date. There are some black flag risks of low probability or that do not require treatment near to the time of the reporting and these are extracted from the list. The remaining Top 20 risks are then selected along with all risks that have the same significance as No 20 for input to the Primary Risk Register.

A black flag risk is a risk that will stop the project through process e.g. a political or corporate decision not to continue with the Tram project, or one that has an impact so huge that its magnitude will create a show-stopping effect e.g. bankruptcy. Risks of the first type may not be quantifiable and consequently have a NIL significance. Others also generate knock-on impacts such as public relations impacts that do produce a quantifiable significance and these are both "black flagged" and quantified.

Quality of data is controlled at the point of input to the ARM system and not at the point of creation of the Primary Risk Register. This is done through an initial validation process undertaken by the Tram Project Risk Manager in conjunction with the Risk Originator and designated Risk Owner and through review of open risks. Validation and review confirms that the risk description is adequate and that the treatment remains appropriate to the nature of the risk.

It should be noted that the Primary Risk Register is a live snapshot of the risk data held on the ARM system. As the significance of individual risks changes, they may "fall-off" or "come on" to the Primary Risk Register. However, this does not mean those risks are closed and the Risk Owner remains responsible for each of their risks until they do close.

If deemed necessary, tie's Risk Manager will take high level project risks onto the tie Corporate Risk Register. These risks can be extracted by tie's Risk Manager from the Primary Risk Register or directly from the ARM system using different extraction criteria. The Tram Project Risk Manager is not responsible for dictating, and indeed cannot dictate tie's corporate risk profile.

3.0 Current position

This method of producing the Primary Risk Register has changed since the implementation of ARM in December. Previously, the Primary Risk Register was formulated through discussion with various managers on the Tram Project with any newly identified risk being "pushed" onto the Project Risk Register. This resulted in a Primary Risk Register based on unmeasured perception and that was not accurately compared to other risks on the project. With the implementation of ARM and the consequent transfer of process of risk management, including risk administration, to Risk Owners, the Primary Risk Register is now simply "pulled" from the Project Risk Register and constitutes a view of the top risks at the time of producing the report i.e. a live snapshot.

Between December and February, the Primary Risk Register was formulated along interim lines containing those risks that had previously been formulated by opinion with those of highest significance within the ARM system starting to appear.

For the next period, the Primary Risk Register will be formulated purely as a live snapshot. Any risks that, in the opinion of the DPD or TPB, should be contained within the Primary Risk Register must be notified to the Tram Project Risk Manager. If the risk is already within the Project Risk Register, a re-assessment exercise will be undertaken. Else, a full description, assessment and treatment planning exercise can be carried out. This may or may not result in the risk appearing on the Primary Risk Register.

4.0 Recommendations / Approvals sought

Board Members to take note of their responsibilities as Risk Owner as indicated above and detailed in the Risk Management plans and procedures, if applicable.

Proposed Nina Cuckow Date:- 01/03/07
 Tram Project Risk Manager

Recommended Matthew Crosse Date:- 01/03/07
 Project Director

Approved Date:-
 David Mackay on behalf of the Tram Project Board

2.0 Risk Significance and Treatment Status Summary.

Paper to : TPB

Subject : Risk Management Paper for Primary Risk Register

Date: 6th March 2007

1.0 Introduction

1.1 The purpose of this document is to provide the monthly update to the Board with regard to the Primary Risk Register and the top risks facing the project.

1.2 The risks on the Primary Risk Register have been extracted from the Active Risk Manager (ARM) system and are those that are Black Flags and/or have a high risk significance and which also require treatment in the near future.

The system of producing the Primary Risk Register has changed this month. With ARM now having been fully implemented, the Primary Risk Register is "pulled" live from the system based on the logic contained in Section 1.2 above.

Reporting has not yet been automated although the IT Services are currently developing a selection of reports to allow live reporting directly from the ARM database. The reporting process is still largely manual. However, the format of the report has been changed slightly in order to allow quicker production of the Primary Risk Register. The new report contains the same information as previously, plus some additional and relevant information.

The Risk Significance colour key has been removed as this is now self explanatory in the report. Treatment status has more appropriate reporting categories which better reflect data contained in the ARM system and specific treatment actions are shown with their owners.

2.1 Overall the significance of individual risks on the Primary Register has not changed.

- 6 risks were removed and 7 risks were added.
- All risks are ongoing and none are recommended for removal from the Primary Risk Register.

2.2 Last month five risk treatments were showing red status. Two of these were removed from the Primary Risk Register with Risk 269 which closed. One of these was split into two more detailed actions and remains red. An additional two actions remain behind programme and

one has improved to being on programme. Three new treatment actions have been identified as immediately behind programme.

On the whole, the treatment status of the primary risks has remained neutral with several on programme actions now complete.

2.3 The Primary Register is attached as Appendix (i). This document contains a risk status summary showing the changes from last month.

3.0 Consultation

3.1 The DPD Sub Committee will review this register and their comments will be incorporated.

4.0 Recommendation.

4.1 The Board is asked to note this paper.


Proposed:- Nina Cuckow Date: 07/03/07
Risk Manager - Tram



Recommended:- Geoff Gilbert Date: 07/03/07
Commercial Director

Approved:- Date
David Mackay on behalf of the Tram Project Board

Edinburgh Tram Network
PRIMARY RISK REGISTER

Appendix B-3

PRIMARY RISK STATUS SUMMARY					
Risk Significance (No of Risks)	31-Jan-07	06-Mar-07		Treatment Status (No of Treatments)	06-Mar-07
Black Flags 	4	9 (including 4 with red significance)		Undefined	4
High	14	18 (including 4 Black Flags)		Behind Programme	7
Medium	1	-		On Programme	32
Low	-	-		Ahead of Programme	1
Risks Added	-	2 (Black Flag/NIL); 1 (Black Flag/Red); 4 (Red)		Complete	23
Risks Removed and No Longer on Primary Register	-	6		Pending	2
				Treatments Added	20
				Treatments Removed and No Longer on Register	13
				N/A as risk closing, treatment no longer appropriate or treatment plan not developed in ARM	2

ARM Risk ID	Cause	Risk Description Event	Effect	Risk Owner*	Significance	Black Flag	Treatment Strategy	Previous	Treatment Status Current	Date Due	Action Owner
264	Political support is lost or political opposition to scheme increases due to lack/loss of confidence in business case (infraco costs), failure to provide information, election campaigning etc	STAKEHOLDER PRIMARY Political risk to continued commitment of TS/CEC support for Tram scheme	Reversal of decisions by incoming administrations in either or both CEC and Holyrood; Project becomes key political issue during election campaign; Protracted decision making and unnecessary debate during consideration of Business Case	W Gallagher (A) M Crosse (B)	NIL		Monitor likely outcomes and do our best to brief all relevant parties about the project in a balanced way	Complete	Complete	21-Dec-06	W Gallagher
							Hearts and Minds campaign including Senior Executive Officer meetings with Councillors and MSPs and utilising the tram sounding board meeting with CEC and selected elected transport leads	Complete	Complete	21-Dec-06	S Waugh
							Regular briefings and discussions with senior CEC and TS officers particularly in relation to Full Council presentations	Complete	Complete	21-Dec-06	W Gallagher
							Provide confidence on Infraco costs in Business Case ensuring that 70% costs are firm	On Programme	On Programme	31-Jan-07	M Crosse
							Make contact and engage with Senior SNP Leaders to address the effect of the project becoming a key political issue during election campaigning	On Programme	On Programme	04-May-07	W Gallagher
							Continue to provide accurate information on status of project to address the effect that the incoming administration after the May 07 elections may reverse decision to proceed	On Programme	On Programme	28-Sep-07	W Gallagher
268	Business case is not approved or is approved subject to the gaining of additional funding	STAKEHOLDER PRIMARY Funding not secured/agreements not finalised for total aggregate funding from TS and CEC including grant/indexation CEC contribution; risk sharing between parties; cashflow profile; financial covenant; public sector risk allocation.	Possible showstopper, Delays and increase in out-turn cost may affect affordability. Event: also decision on line 1B.	A Holmes (A) S McGarry (B)	NIL		Acquire confidence in contingency figures	Complete	Complete	20-Nov-06	N Cuckow
							Ensure close and continual interactions with TS and CEC to establish funding delivery confidence and agreement between TS/CEC about how respective parties will deliver contributions	On Programme	On Programme	28-Sep-07	G Bissett

*Note: A - Stakeholder Risk Owner; B - Project Support to Stakeholder Risk Owner

ARM Risk ID	Cause	Risk Description	Event	Effect	Risk Owner*	Significance	Black Flag	Treatment Strategy	Previous	Treatment Status	Date Due	Action Owner
270	Scope of work not agree with CEC	STAKEHOLDER PRIMARY Uncertainty about requirements for wider areas modelling and need and extent of construction works required on road network	Increased construction cost; Delay while additional funding is found.	W Gallagher (A) Trudi Craggs (B)	HIGH		Provision of £500k in Draft Final Business Case estimate to deal with WAM requirements	Complete	Complete	31-Jan-07	G Gilbert	
							Employ further traffic management expertise	Complete	Complete	31-Jan-07	C McLauchlan	
273	Infracore returns do not adequately inform business case; Minister/TS do not approve business case.	STAKEHOLDER PRIMARY Business case is not approved during February 2007.	Delay until Summer 2007 (after elections and purchase period) due to lack of political commitment due to impending elections; Resultant cost impacts (inflation) on total cost; Political support may evaporate; Leads to Risk 264; 2006/07 budget is not achieve	S McGarrity (A) B Dawson (B)	HIGH	H	Clarify and agree boundaries of scope and funding provision between TS and CEC Maintain procurement programme to deliver critical business case inputs	On Programme	On Programme	28-Feb-07	T Craggs	
							Manage expectations on the part of TS and CEC as to the certainty with respect to coast which are reflected in the business case Ongoing fortnightly reviews with bidders and mid term contractual mark up to inform above treatment Tram Project Board to monitor and discuss progress of decision	On Programme	Complete	31-Jan-07	S McGarrity	
915	Policy or operational decision	STAKEHOLDER PRIMARY Transport Scotland and CEC do not provide indemnities on payment	Bidders withdraw from negotiations and bid process	G Gilbert	NIL	H	Ensure Transport Scotland understand implication of not providing indemnities and obtain buy-in from them	NEW	On Programme	31-Aug-07	G Gilbert	
916	CEC do not achieve capability to deliver	STAKEHOLDER PRIMARY CEC do not deliver contribution of £45m plus additional contribution relating to Line 1B	Potential showstopper to project if contribution not reached; Line 1B may depend on incremental funding from CEC	A Holmes (A) S McGarrity (B)	NIL	H	CEC to execute a process to deliver assurance that contributions can be made. This may include delivery of funding through third party contributions.	Undefined	Undefined	28-Sep-07	TS/CEC	
							Tram Project Board to monitor progress towards gaining contributions	NEW	On Programme	28-Sep-07	D MacKay	
							CEC to deliver necessary contributions	NEW	Undefined	31-Dec-10	TS/CEC	
917	Transport Scotland and CEC have not agreed funding and risk allocation required from Tram budget for Tram elements of work; Immunisation Works on critical path and it is essential they are complete by October 2009.	STAKEHOLDER PRIMARY Source and level of funding and risk allocation for Network Rail Immunisation Works has not been established	Immunisation works unable to proceed due to lack of funding or works are delayed having a critical effect on programme	S Bell	NIL	H	Undertake Immunisation Works Risk Workshop to produce key risks register	NEW	On Programme	16-Mar-07	N Cuckow	
							Employ dedicated Project Manager to oversee works and provide liaison with TS and NR	NEW	Undefined	31-May-07	S Bell	

*Note: A - Stakeholder Risk Owner; B - Project Support to Stakeholder Risk Owner

ARM Risk ID	Cause		Risk Description		Risk Owner*	Signif- icance	Black Flag	Treatment Strategy		Treatment Status		Date Due	Action Owner
	Event	Effect	Event	Effect				Previous	Current				
139	Utilities diversion outline specification only from plans	Increase in MUDFA costs or delays as a result of carrying out more diversions than estimated	PROJECT PRIMARY Uncertainty of Utilities location and consequently required diversion work unforeseen utility services	M Hutchinson	HIGH	-	Review design information and re-measure during design workshops with Utility Companies and MUDFA.	Behind Programme	Behind Programme	30-Nov-06	S Clark		
164	Assets uncovered during construction that were not previously accounted for	Re-design and delay as investigation takes place and solution implemented	PROJECT PRIMARY Unknown and abandoned assets affect scope of MUDFA and/or Infraco work	M Hutchinson	HIGH	-	Develop PC Surms into quantified estimates.	Behind Programme	Behind Programme	30-Nov-06	S Clark		
RISKS 139 AND 164 HAVE SAME TREATMENT PLAN							In conjunction with MUDFA, undertake trial excavations to confirm locations of Utilities	On Programme	On Programme	16-Feb-07	S Clark		
172	Area of possible contamination and unstable ground (unlicensed tip) has been highlighted during desk study immediately to east of Gogar Burn - investigation for CERT project indicates that this consists of building rubble and domestic waste.	Increase in costs to provide special foundation solution	PROJECT PRIMARY Tramway runs through area of possible contamination and special foundation is required to cope with unstable ground	A McGregor	HIGH	-	Identify increase in services diversions. MUDFA to resource/re-programme to meet required timescales.	On Programme	On Programme	31-Aug-07	S Clark		
							Obtain ground investigation information.	On Programme	Complete	09-Feb-07	A McGregor		
							Monitor design progress and include costs in base estimate.	On Programme	On Programme	28-Feb-07	A McGregor		
							Include SI Report and information in next issue of information to Infraco.	On Programme	On Programme	30-Mar-07	B Dawson		
178	Procurement Strategy novates SDS to Infraco after Detailed Design	Design re-work at outset will result in higher bids	PROJECT PRIMARY Limited input on buildability from Infraco.	G Gilbert	HIGH	-	Plan not available on ARM - to be updated.	NEW	n/a				
349	Diversion of HP Gas Main at Gogar Depot depends on construction of Turnhouse Pressure Reducing Station - land is not in LoD and there are no alternatives	Due to land negotiation process there is a risk that Turnhouse PRS is not constructed at all or on time thus resulting in critical delay, also there is a risk that land purchase cost will be above face value (leads to Risk 191)	PROJECT PRIMARY Turnhouse PRS requires private land purchase and planning approval	J Buchanan	HIGH	-	Develop strategy to allow commencement of Depot earthworks without prior diversion of Gas Main	Complete	Complete	29-Dec-06	P Douglas		
							Ensure Scottish Gas Networks understand the criticality of diversion programme	Complete	Complete	31-Jan-07	P Douglas		
							Monitor Scottish Gas Networks progress with regard to land acquisition and adjust Tram programme accordingly	Complete	Complete	31-Jan-07	P Douglas		
							Ensure Tram Project remains in background in order to prevent escalation of land price	On Programme	On Programme	31-Jan-07	P Douglas		
							Develop additional strategy to account for other Utilities encountered.	Complete	Complete	31-Jan-07	P Douglas		
352	Some properties may result in higher land compensation claims than anticipated	Additional uplift on compensation claims	PROJECT PRIMARY Land compensation for high risk properties	G Duke	HIGH	-	Initiate early negotiations between DV and landowners	On Programme	On Programme	28-Mar-07	A Rintoul		

ARM Risk ID	Risk Description		Risk Owner	Significance	Black Flag	Treatment Strategy		Treatment Status		Date Due	Action Owner
	Cause	Event				Effect	Effect	Previous	Current		
214	Scope of Network Rail infrastructure alteration is not yet defined	PROJECT PRIMARY Network Rail infrastructure requirements are not met during design.	S Clark	HIGH		Liaise with CEC Planning Close out Establish routine interface meetings	On Programme Pending Complete	On Programme Pending Complete	28-Mar-07 R McMaster 28-Mar-07 G Duke 31-Jan-07 S Clark		
279		PROJECT PRIMARY Third party consents including Network Rail, CEC Planning, CEC Roads Department, Historic Scotland, Building Firing Owner consent is denied or delayed	T Craggs	HIGH		Agree design with NR CEC Planning - mock application by SDS	On Programme Behind Programme	On Programme Behind Programme	31-Jan-07 S Clark 31-Dec-07 D Crawley 31-Jan-07 T Craggs		
280		PROJECT PRIMARY SDS deliverables are considered to be below quality levels required or late in production	G Gilbert	HIGH		Engagement with third parties to discussed and obtain prior approvals to plans Identify fallback options Obtain critical consents prior to financial close Identification of key areas requiring SDS attention. Re-focus SDS effort.	On Programme On Programme NEW On Programme	On Programme On Programme Behind Programme On Programme	31-Aug-07 T Craggs 31-Aug-07 T Craggs 28-Sep-07 T Craggs 31-Jul-07 G Gilbert		
281		PROJECT PRIMARY Insufficient planning of procurements and controls on management and contract costs	G Gilbert	HIGH		Apply micromanagement to SDS delivery. Weekly reviews to press for deliverables. Improve robustness of procurement plan	Undefined Complete	Undefined Complete	31-Jul-07 M Crosse 29-Dec-06 G Gilbert		
282	Procurement has high level of risk transfer to contractors	PROJECT PRIMARY Failure to sustain negotiating position and/or suitable interest from the market throughout bid process.	B Dawson	HIGH		Finalise project estimate and functional specification and apply change control Undertake further Value Engineering Review contract mark-ups and draft amendments Settle all major contractual issues prior to return of consolidated proposals Keep 2 bidders in competition for as long as possible Identify feasible alternatives to risk allocation and allow negotiation of risk allocation	On Programme On Programme On Programme On Programme On Programme Ahead of Programme	On Programme On Programme On Programme On Programme On Programme Ahead of Programme	29-Jun-07 B Dawson 31-Jul-07 G Gilbert 31-Jul-07 G Gilbert 28-Sep-07 B Dawson		

ARM Risk ID	Cause		Risk Description		Effect	Risk Owner	Signif- icance	Black Flag	Treatment Strategy		Treatment Status		Date Due	Action Owner
	Event		Event						Previous	Current				
284	Acceleration of programme. (Current programme has no contingency and shows depot works commencement November 2007.)		PROJECT PRIMARY Requirement for early commencement of depot works is not able to be met.		Potential delay and increased cost	S Clark	HIGH	-	Gain Transport Scotland agreement for early commencement of depot works including earthworks.	On Programme	On Programme	29-Dec-06	S Clark	
									Develop procurement strategy and cost to obtain funding and present to DPD	On Programme	Complete	16-Jan-07	S Clark	
									Develop scope paper	NEW	Complete	05-Feb-07	J Buchanan	
									Present Scope paper to DPD	NEW	Complete	17-Feb-07	J Buchanan	
									Prepare Depot Early Works tender documents and requirements	NEW	Complete	26-Feb-07	J Buchanan	
									ACTION NO LONGER APPROPRIATE Invitation to Tender process	NEW	n/a	26-Feb-07	J Buchanan	
									ACTION NO LONGER APPROPRIATE Award Depot Early Works Contract	NEW	n/a	27-Feb-07	J Buchanan	
									AMIS to price up works	NEW	On Programme	31-Mar-07	J Buchanan	
									Undertake Depot Early Works	NEW	On Programme	23-Apr-07	J Buchanan	
286			PROJECT PRIMARY Infraco refuses to accept or fully engage in novation of SDS and as a consequence award is successfully challenged		Significant delay to delivery of Tram; Loss of reputation; Significant extra costs	B Dawson	HIGH	-	Consult with legal on options relating to due diligence to be carried out on design and availability of consents	On Programme	On Programme	28-Feb-07	B Dawson	
									Introduce and engage Infraco bidders to SDS as early as possible	On Programme	Complete	28-Feb-07	B Dawson	
									Complete designs and allow due diligence to be undertaken by bidders	On Programme	On Programme	31-May-07	B Dawson	
271			PROJECT PRIMARY SUMMARY RISK - Failure to reach agreement with CEC on various approvals areas		Delay to project while agreement with CEC is reached. Sacrifices being made to ensure agreement is concluded.	T Craggs	HIGH	-	Finalise alignments and gain agreement from CEC	Behind Programme	Behind Programme	29-Dec-06	T Craggs	
									Final agreement to be approved by Roads Authority, CEC Promoter, CEC in-house legal and tie	On Programme	On Programme	28-Feb-07	T Craggs	
366	NB: THIS RISK REQUIRES TO BE RE-VISITED		PROJECT PRIMARY - Failure to reach agreement with CEC on roads maintenance responsibility where Tram has been installed in CEC maintained roads		Delay to project while agreement with CEC is reached. Sacrifices being made to ensure agreement is concluded.	K Rimmer	HIGH	-	Final agreement negotiations to be informed by the Tram final design details and agreed by Roads Authority, CEC Promoter, CEC in-house legal and tie	On Programme	On Programme	28-Feb-07	T Craggs	
370	SDS Designs are late and do not provide detail Infraco requires close		PROJECT PRIMARY Infraco does not have detail to achieve contract close		Delay to due diligence and start on site and need to appoint additional design consultants	D Crawley	HIGH	H	Review AIPs for Structural Information	NEW	Behind Programme	02-Feb-07	G Easton	

ARM Risk ID	Cause		Risk Description		Risk Owner	Signif- icance	Black Flag	Treatment Strategy		Treatment Status		Date Due	Action Owner
	Event	Effect	Event	Effect				Previous	Current	Previous	Current		
811	Scottish Power own and maintain a cable tunnel in the vicinity of Leith Walk that may or may not interfere with Tram construction and operation; exact location and depth of tunnel is unknown; condition of tunnel is unknown.	PROJECT PRIMARY Presence of Scottish Power tunnel in Leith Walk requires radical solution	Tunnel may have to be decommissioned and re-laid in a more suitable location; tram alignment may require to be adjusted; special foundation solution e.g. cantilever may be required; increased capex; potential for tunnel collapse during operation and consequent disruption for tram.	J Low	HIGH	-	Scottish Power to establish exact location of tunnel	NEW	On Programme	NEW	On Programme	05-Mar-07	J Low
							Scottish Power to undertake engineering feasibility study	NEW	Behind Programme	NEW	Behind Programme	30-Mar-07	J Low
							Solution to be engineered - ACTION PLAN TO BE DEVELOPED ON COMPLETION OF FEASIBILITY	NEW	Pending	NEW	Pending	03-Mar-08	D Crawley

the Limited
 ETN PROJECT PROGRESS REPORT FOR DEC 06 - PROJECT SPEND TO MAR 2007
 PHASING OF VALUE OF WORK DONE
 Date:- 28.02.07

Figures in £'000s	Approved Budget		Cumulative Approved Budget vs Forecast	
	Apr 06 - Mar 07	Spent/total to date (Feb 07)	Mar 07	07/08
IMPLEMENTATION				
1 THE RESOURCES	5,706	5,155	5,706	
2 DPOF	388	358	388	
3 LEGALS	2,634	2,416	2,634	
4 SDS	13,002	11,702	13,002	
5 JRC	902	702	902	
6 TSS	4,296	3,886	4,296	
7 UTILITIES		3,877	4,318	
8 DESIGN SUPPORT		940	1,020	
9 3RD PARTY NEGOT	280	255	280	
10 LAND & PROP	10,713	32	10,713	
11 TROS		19	28	
12 COMMS / MKTG	638	609	638	
13 TEL	620	570	620	
14 SERV INTEG PLANNING	58	58	58	
15 PUK	80	74	80	
16 FINANCIAL ADVISORS	38	38	38	
17 INSURANCE	1,024	1,021	1,024	
18 CONSTRUCTION Utilities incl MUDFA	3,235	1,850	3,235	
19 Infraco	282	1,937	3,268	
20 Tranco		262	282	
99 OTHER	145	135	145	
SPECIFIED CONTINGENCY		106	111	
		0	0	
BUDGET TOTAL	44,041	29,120	44,041	
CURRENT FORECAST		28,135	32,464	

Note - Budget lines reflect November 2006 Transport Scotland Approval of £44m for the current financial year 2006/07.

Value of Work Done (VOWD) Review	Apr - Mar 07 Review	
	Variance (current minus previous)	Comment
Previous		
Variance (current minus previous)		
5,305	131	Accrual corrected for direct commercial resources
388		
2,083	(114)	TRO's advice down reflecting design slippage
11,702	280	per Apr-Mar07 Review comment
940		
3,817	(40)	
138		
20	(2)	
569	(4)	
570		
58		
74		
38		
55	2	
1,922	15	
130	(24)	
27,910	225	
44,041	(11,577)	

Paper to : TPB
Subject : Owner Controlled Insurance Programme - Update
Date : 14th March 2007

Board requested to approve recommendations as per section 7 of this paper

1.0 Introduction

- 1.1 The purpose of this document is to update progress on placement of **tie**'s Owner Controlled Insurance Programme and build on the previous paper on Evaluation of Insurance Prequalifications, dated 15 December 2006, that outlined our proposals to invite nine Insurers to bid.
- 1.2 The intention is that **tie** will effect an Owner-Controlled Insurance Programme (OCIP) to cover Construction "All Risks" (CAR), Delay in Start Up (DSU) and Public & Products Liability (PPL). In addition to naming **tie** as an insured party, the OCIP will include the Contractors involved in the construction phase of the Edinburgh Tram Network, including AMIS.

2.0 Procurement Activities

- 2.1 Following issue of our Invitation to Negotiate document on 3 January 2007 we have presented to Underwriters on Governance, Technical proposals, Procurement Strategy, Timetable and Risk in Edinburgh (including tour of the site) on 9 January 2007. This was supplemented by issue of an underwriting pack to Candidates on 12 January 2007.
- 2.2 We consequently received eight responses from Insurers on time by 5pm on 9 February 2007. One Candidate (Bobcat) missed the deadline for submission without giving a reason for the delay. An extension of time was not granted.
- 2.3 It appears that the CAR, DSU and PPL policies for the Construction Phase will come in below the budgeted figure.
- 2.4 We have commenced the clarification and negotiation stage with the Candidates. We have received a number of queries from Insurers that have highlighted their information requirements (necessary to effect cover) across a range of areas including the following.
 - **Programme** - details of critical path including testing and commissioning and progress on dilapidation and condition surveys.
 - **Cost** – comprehensive values of the works under the different contracts year on year (e.g. Mudfa, Tramco, Infraco, Maintenance); Compensation fund; and compensation fund details.
 - **Quality** - details of processes with regard to the control and assessment of contractors in particular with regard to quality of work, adherence with safety plan, housekeeping etc. and liaison with Edinburgh Council claims reported to the Council arising out of the Project.
 - **Technical** – information on the proposed Tunnel under A8; existing tunnel along Leith Walk; geotechnical report for route and structures; flood history along route; systems in

place for monitoring of high risk structures for movement; and outline method statements - utilities protection, public protection and removal of site debris/street cleaning.

- **Risk** - detailed risk register; hazard assessments and contingency plans (e.g. supply of substitute trams in event of depot fire or alternative power supply in the event of sub-station damage); and structures have been identified as being either at potential risk or are particularly high value/listed.

2.5 We have experienced difficulties in responding to some queries due to a variety of reasons including SDS PU works design development delays influencing uncertainty in MUDFA anticipated final account; uncertainty regarding the detailed methodologies to be adopted by individual contractors; and crucially the potential to compromise the commercial position for ongoing Infraco/Tramco procurements.

2.6 Heath Lambert Group are currently in the clarification and negotiation stage with the Candidates, the deadline for the expiry of this stage being 9th March 2007. The current indicative terms obtained from the Candidates are set out in the table in the accompanying spreadsheet in **Appendix 1**.

3.0 Background Assumptions

3.1 The following principal underlying assumptions were made when embarking on the OCIP procurement on 27 October 2006.

- **Effective Date** – 27 March 2007 to commence in advance of MUDFA Main Works with any trial works in advance of this date covered under AMIS insurances. This date is currently under review (and subject to Scottish Ministers decisions) with it currently anticipated that MUDFA will start in earnest by June 2007 at latest.
- **Clarity of Works** – The timing and scope of works for service providers has changed. We are currently embarking on a number of planned and potential variations to the assumed scope of the Main Works including MUDFA variations to undertake advance works; TS procurement of D&B solution for immunisation works; and lack of clarity of on timing of Phase 1B works.
- **Initial Deposit** – We assumed that this would be made in FY06/07. This is now to be in FY07/08.
- **Bidder Briefing** – We assumed that we would be in a clear position to brief and negotiate Infraco & Tramco Bidders regarding the content and management arrangements early April 2007. We aim to commence this following Easter 2007.

4.0 Current Insurance Arrangements with AMIS

4.1 AMIS are currently carrying out mobilisation activities associated with the utilities diversion for the Edinburgh Tram Network Project. Prior to effecting the OCIP, AMIS are insuring the CAR and PPL exposures associated with their activities on the Project under their own annual insurance policies. AMIS carry PPL cover with a limit of indemnity of £100m.

4.2 The current arrangement for claims reporting is that incidents are reported to both the AMIS and **tie** Contract managers. As part of the OCIP insurance negotiations, a process for claims reporting and handling is to be agreed between **tie** and the selected insurer(s) which will be distributed among the Contractors involved in the Project.

- 4.3 Losses arising from incidents which occur prior to the effecting of the OCIP will be covered under the AMIS insurances, whilst those resulting from incidents occurring after the effecting of the OCIP will be covered under the OCIP.

5.0 Risks & Opportunities

5.1 The following risks and opportunities are acknowledged to the OCIP procurement.

- Market conditions could change over the 'medium' term.
- Without the OCIP being effected, **tie** would not be able to effect Delay in Start Up as this cover is not available in isolation from CAR.
- The timetable should be adhered to where possible as Candidates are currently very keen to participate in the programme. Any delays should be kept to a minimum. In addition, there are potential additional AMIS costs.
- Inability to reach close with Insurers could have significant impact on the project. The bidders for the MUDFA, Tramco and Infracore have costed their bids on the basis of there being an OCIP in place. Should this not happen, bidders would have to re-price their bid, resulting in additional work on their part and a loss of **tie** credibility.
- Greater project gestation will allow us to furnish reliable information to reduce potential risk pricing by Insurers and allow development of claims handling procedures.

6.0 Current Position with Candidates

6.1 Heath Lambert Group's recommendation on the basis of the current terms is that the Construction Phase Insurance be effected on the following basis.

Construction "All Risks" and Delay in Start Up

- 6.2 A programme can be put together on a co-insurance basis, whereby several Candidates participate in the same insurance policy on a percentage basis. This is necessary due to the size and complexity of the risk, which means that any one of the Candidates could not insure the risk 100%.
- 6.3 Our proposal is that the programme consists of a joint lead between Snow Leopard and Lynx. As lead insurers, these two Candidates would be responsible for policy issuing and claims negotiation, although the approval of the other Candidates who participate in the insurance programme would be required during claims negotiations.
- 6.4 In addition to the two Candidates mentioned, other Candidates would need to be involved on a percentage basis. By using this method we currently have indicative terms to provide 96% of the insurance and expect to obtain indicative terms to provide the full 100% within the next few days. The current proposal is to use Puma for this purpose, although discussions continue with the other Candidates.

Public & Products Liability

- 6.5 After reviewing the limits carried by Insureds for similar projects, we have obtained indicative terms for a limit of £100M. Our proposed structure is –
- Primary £5M with Jaguar 100%
 - Excess Layer £45M in excess of £5M with lead by Jaguar of 50%
 - Excess Layer £50M in excess of £50M with lead by Jaguar of 45%

6.6 We continue to discuss terms with the Candidates and expect to have support for 100% of the Excess Layer programme by the deadline date of 9th March.

Reasons for Recommendation

6.7 The Candidates proposed for the Construction “All Risks” and Delay In Start Up have indicated terms with the most competitive rates and deductibles. However, terms are indicative at present and are subject to the provision of the requested outstanding information. Once this information is received and reviewed by the Candidates, we will then be in a position to set out the full terms of cover and rates, including the policy wording to apply where this differs from the proposed policy wording.

6.8 We are proposing a separate Public & Products Liability policy as one of the Candidates on the Construction “All Risks” and Delay in Start Up cover, Puma, are unable to provide unlimited liability cover in respect of road traffic accidents as required by the Road Traffic Acts. The Candidates proposed for the Public & Products Liability policy are able to provide unlimited liability for bodily injury claims as required by the Road Traffic Acts.

7.0 Recommendations

Effective Date of OCIP and MUDFA

7.1 It is recommended that we continue current arrangements whereby MUDFA works are carried out under AMIS Group Insurances. Further discussions are to be held with AMIS to confirm that their annual insurance policies can continue to cover the proposed MUDFA activities, pending the effecting of the OCIP by **tie** and confirmation of the associated costs. To date, AMIS have confirmed that their annual CAR and PPL policies cover activities associated with MUDFA and their commitment to continue this arrangement would need to be obtained.

7.2 It is recommended that we review the materiality and timetable for responding to information requests of OCIP Candidates against the current Infraco/Tramco procurement timetable. Provision of information shall be in a sequence that prevents the undermining of the current Infraco/Tramco negotiations and minimises downstream re-negotiation with OCIP Insurers. These aspects will inform the decision on the revised timetable for effecting the OCIP.

Infraco/Tramco

7.3 The intention is to include these parties within the scope of the OCIP. At present, a delay in the effecting of the OCIP should not affect these parties as their activities are scheduled to start several months beyond AMIS main diversionary works, but Infraco and Tramco should be informed of the progress in the effecting of the OCIP should they be planning to include any activities within the OCIP at an earlier date than anticipated.

Proposed	Mark Bourke Risk Manager	Date:- 14/03/07
Recommended	Geoff Gilbert Project Commercial Director	Date:-
Approved	Date:-

David Mackay on behalf of the Tram Project Board

Appendix 1: Current Indicative Terms Obtained from the Candidates

**tie LTD - OWNER CONTROLLED INSURANCE PROGRAMME
CONSTRUCTION PHASE - EDINBURGH TRAM NETWORK
INDICATIVE PREMIUM AND TERMS AS AT 7TH MARCH 2007**

CONSTRUCTION "ALL RISKS"									
Insurer	Participation	Rate per cent	Sum Insured	Period of Cover	Deductibles	Maintenance Cover and Period	Design Cover	Information Needed/Queries	Scope of Cover
Snow Leopard	40%	0.49% CAR only 0.65% CAR and Primary £5M PPL			£250,000 DE3; £50,000 major perils (storm, tempest, flood, water damage, subsidence, collapse, landslide, frost; £20,000 all other claims. If DE3 option selected DE3 deductible is £50,000	Limited maintenance for trams	DE5, option for DE3 at lower deductible	Estimated works turnover in first 12 months split between EH1 and EH2 and outside those areas for terrorism buyback quote.	Temporary accommodation - values to be advised; contractors' plant subject to maximum limit aoo; debris limit £5M; inflation 15%; free issue materials covered subject to their inclusion in ECV; local authorities limit £1M; loss prevention limit £250,000 aoo and £500,000 in aggregate; existing property terms and limits to be agreed. Other requested extensions to be agreed. In respect of trams - excluding manufacturers/suppliers and excluding manufacturing defects, limited maintenance cover only (ie site defects only), excluding breakdown. Testing and commissioning subject to 3 months time period or as otherwise negotiated at terms to be agreed. Excludes terrorism buy-back (need estimated works turnover in first 12 months split between EH1 and EH2 and outside those areas.)
Puma	16%	Quoted on CAR/PPL £592M package basis, 0.65% CAR and 0.65% Can't do RTA. Awaiting CAR only rate	£592M		£250,000 LEG 3 and maintenance; £75,000 major perils; £20,000 all other losses	24 months (12 months guarantee plus 12 months extended)		See sheet 2.	Mitsui standard wording or bespoke wording to be agreed. Terms for existing structures to be agreed. Series loss clause. Wish to be engaged in risk management and sub-contractor assessment.
Lynx	40%	0.65%; existing structures 0.2 per annum; rate for plant and temporary buildings TBA.			As per slip other than £40,000 testing and commissioning	12 months guarantee maintenance but no cover on trams, 12 months extended	LEG 3/06	DSU information	debris removal 15% of loss maximum £5M; expediting expenses 115% maximum £2.5M; inflation on incomplete works and unbuilt portion both £500K any one loss and £2M in the aggregate with 20% co-insurance minimum £20K; maximum £40K. Limit for offsite storage to be agreed; continuing hire charges 48 time excess and £1M limit; testing and commissioning period maximum 3 months. Risk management fees 2% of gross premium. Wording to be agreed prior to inception.
DELAY IN START UP									
Insurer	Participation	Rate per cent	Sum Insured	Indemnity Period	Time Excess	Scope of Cover	Information Needed/Queries	Information Needed/Queries	Information Needed/Queries
Snow Leopard	40%	0.842			60 days	To be agreed. Extensions to be discussed with limits to be imposed		Need sum insured; need details of risk assessments and contingency plans (eg supply of substitute trams in event of depot fire, alternative power supply in the event of sub-station damage)	
Puma	to be agreed								
Lynx	40%	0.842		Check if 12 or 24 months	60 days				
PRIMARY THIRD PARTY LIABILITY									
Insurer	Participation	Rate per cent	Limit	Period of Cover	Deductibles	Notes	Wording	Information Needed/Coverage	Information Needed/Queries
Jaguar	100%	0.16% £5M			TBC	£100,000 discount if loss ratio less than 25% but wouldn't share this on a primary layer		Excluding asbestos; excluding P/Design; subject to sight/approval of primary wording; excluding financial loss. Details of contractual relationships required. Based on ECV of £592M. Excluding operational risks at this stage. Excluding explosives or cover for explosives to be agreed.	
EXCESS LAYER THIRD PARTY LIABILITY									
Insurer	Participation	Rate per cent	Limit	Period of Cover	Deductibles	Notes	Coverage and Subjectivities	Wording	Information Needed/Queries
Jaguar	50%	0.121	£4.5M in excess of £5m						
Jaguar	45%	0.080	£50M in excess of £50M						

Paper to : TPB
Subject : Critical issues - progress
Date : 1st March 2007

For Information only

1.0 Background

- 1.1 At the last DPD Matthew Crosse presented a paper on the way the tie team and SDS team would work together going forward for the benefit of the project. It was agreed that the SDS "critical issues maps" would be presented and discussed at future DPD meetings.
- 1.2 Given that substantial progress has been made since the last DPD meeting and to demonstrate that there have been real results from the new way of working, it was considered that, as well as presenting the critical issues it was important to report on the approach taken and the progress achieved.

2.0 Approach

- 2.1 SDS are monitoring critical programme issues using an annotated route drawing and an associated spreadsheet. These are updated fortnightly and are used to track progress on the resolution of critical design issues.
- 2.2 The drawing reflects all critical issues relating to the design being produced by SDS including SDS owned issues for resolution, whereas the spreadsheet identifies the issues and provides an assessment on the priority of the issue which is based upon the time taken to produce the design, the impact on approvals and consents and also the impact on the CAPEX figures, as well as dates notified and cleared.
- 2.3 The latest version of the spreadsheet indicates that there are 53 outstanding critical design issues. Of these, there are 24 that agreement has been reached on the proposed solution and these will be cleared once the official response has been issued to SDS in the form of an RFI, a change notice or a response to a letter.

3.0 Progress

- 3.1 In the last period considerable progress has been made in the resolution of the critical issues with 25 having been closed and these are indicated at the bottom of the spreadsheet, highlighted in grey. Much of this progress is attributable to the critical issues meeting convened on a weekly basis and attended by tie, SDS, CEC and TEL.

3.2 Notable issues that have been resolved in the last period include agreement between tie, TEL, CEC and SDS on the Technical resolution of Charette issues Foot of the Walk, Leith Walk, Picardy Place, St Andrew Square and Princes Street all of which have been under consideration for several months further to the Charettes held in the third quarter of 2006. An acceptable design concept for Edinburgh Park Viaduct has also been agreed between SDS tie and CEC and is being developed to preliminary design status. The Formal confirmation of the resolution of these issues is to be agreed with CEC by tie and issued to SDS. These are detailed below

Design issue	Resolution
Coltbridge Viaduct	There was a separate meeting on this structure and the way forward was agreed with Ian Spence, CEC planning. We await confirmation that this has moved from red to amber following a meeting with Ian Spence and the city design champion, Riccardo Marini.
Carrick Knowe Bridge	There was a separate meeting on this structure and a change request has been issued to SDS. The instruction is to future proof the bridge by incorporating a footway/cycleway in the design. Any increase in cost will require to be assessed. We await confirmation that this has moved from red to amber
Edinburgh Park Viaduct	There was a separate meeting on this structure and the way forward was agreed with Ian Spence. We await confirmation that this has moved from red to amber following a meeting with Ian Spence and the city design champion, Riccardo Marini
St Andrew Square - alignment	It has been agreed that there will be island platform only. In addition as part of the detailed design, SDS will seek to maximise loading outside Harvey Nichols. This moved from a red to an amber.
St Andrew Square - OLE	SDS are to design the OLE on the assumption that they will be located with in the gardens as part of the Capital Streets project.
Haymarket	A way forward was agreed regarding the bus pull in allowing SDS to progress the design subject to modelling outputs
Leith Walk	A solution has been agreed for the bottom of Leith Walk – there is space for tram, 2 lanes of traffic, parking and loading has been maximised and there is a 2.1m footway. SDS

Paper to : TPB
Subject : Update in relation to the charette structures
Date : 1 March 2007

For Information only

1.0 Background

1.1 At the last DPD sub-committee a paper was presented for information only on the charette structures, namely Edinburgh Park Viaduct, Carrick Knowe Bridge and the Coltbridge Viaduct. The DPD sub-committee requested that a further update be presented at the next DPD sub-committee and TPB meetings in March.

2.0 Progress to date

2.1 The City of Edinburgh Council (CEC), **tie** and SDS met on 23 February 2007 to review the latest designs. Unfortunately Riccardo Marini did not attend despite the meeting having been arranged two weeks in advance.

2.2 There was a constructive discussion and in general the design was acceptable. However a further meeting was arranged with Riccardo for final sign off.

3.0 Current position

3.1 Ongoing liaison is continuing between SDS structures and CEC (Ian Spence and Riccardo Marini) and has agreed the concept of each of these structures. Specific details regarding parapet details to achieve relevant Network Rail containment requirements (Edinburgh Park Viaduct and Carrick Knowe Bridge) are still being reviewed as they potentially have a large impact on the width and visual aspects of the structures. Alternatives are being considered by SDS who will maintain close contact with CEC to achieve an appropriate solution. In relation to the Coltbridge Viaduct, whilst the concept is agreed queries have been raised as to the need to maintain 3m width for the span of this structure.

Proposed Trudi Craggs Date:- 01/03/07
Development and Approvals Director

Recommended Matthew Crosse Date:- 01/03/07
Project Director

Approved Date:-
David Mackay on behalf of the Tram Project Board

Paper to : TPB
Subject : Update in relation to the design of the Foot of the Walk interchange
Date : 1st March 2007

For Information only

1.0 Background

1.1 At the last DPD sub-committee a paper was presented for information only on the design of the Foot of the Walk interchange. Given the criticality of this interchange, the DPD sub-committee requested that a further update be presented at the next DPD sub-committee and TPB meetings in March.

2.0 Progress to date

2.1 The City of Edinburgh Council (CEC) and Transport Edinburgh Limited (TEL) have been meeting regularly to assess and narrow down the options from the two SDS proposal and the CEC concept. It was agreed that the SDS Proposal A be disregarded as it did not maximise the interchange opportunities in this area.

2.2 It was agreed that SDS should progress the preliminary design of both the SDS Proposal B and the CEC concept. Modelling and road safety issues should also be considered as part of the preliminary design to inform the final decision.

3.0 Current position

3.1 At the CEC / TEL / SDS / tie issues meeting on 2 March, SDS reported that their designers are still finalising the details of the options which they propose to table at the following meeting on 9 March.

Proposed Trudi Craggs Date:- 01/03/07
Development and Approvals Director

Recommended Matthew Crosse Date:- 01/03/07
Project Director

Approved Date:-
David Mackay on behalf of the Tram Project Board

Paper to : TPB
Subject : Traffic Regulation Orders (TRO)
Date : 13 March 2007

For information

1.0 Introduction

1.1 The Paper reviews progress on the work taking place to persuade the Scottish Executive to commence a public consultation on the desired changes to the legal process, why that is critical to the project and, the development of a strategy for the TRO(s).

2.0 Proposed Amendment to the Local Authorities Traffic Orders (Procedure) (Scotland) Regulations 1999

2.1 The Scottish Executive replied on 15 February to a letter from Andrew Holmes, Director of City Development, CEC, which had formally requested that the Executive consider initiating a public consultation on the requested changes to the existing Traffic Regulations. The Scottish Executive reply concludes that on balance they are not convinced that an amendment to the Regulations is necessary or warranted.

2.2 The 20 February meeting of the TPB agreed that the initial rejection of the request by the Scottish Executive should not be accepted. There were particular concerns about a number of points in the response and the fact that it was not considered that the main point at issue had been fully appreciated or addressed.

2.3 Since then a further meeting has taken place with the Scottish Executive officials and a Legal Note has also been circulated to them which works through in great detail our concerns, particularly in the context of their 15 February response.

2.4 A formal response has now been made by Andrew Holmes to the Executive consolidating the points already put to them in the Legal Note and which paves the way for the fullest and most informed discussion at an escalated level. To that end Andrew Holmes reply also seeks an urgent meeting with John Ewing, Head of Transport and Planning Group and which will also be attended by tie, D&W and Transport Scotland. An analysis of why this issue is so critical is given in Section 3 below.

- 3.0 Analysis of the Risks and Issues Relating To the Making of the TRO's for the Tram**
- 3.1 The key issue referred to in Section 2 above is the mandatory public hearing of objections under the current Regulations. A public hearing adds around one year to the statutory process for making the TRO's.
- 3.2 The vast majority of objectors are not entitled to a public hearing. There is only one kind of measure that triggers a mandatory public hearing for members of the public (prohibiting loading/unloading at all times or for periods of time, unless the period falls within 0700 and 1000 or 1600 and 1900, ie peak periods). If a member of the public objects to a TRO with this measure in it, then that person is entitled to a public hearing; otherwise, it is for the Council to decide whether or not to hold a discretionary hearing.
- 3.3 At first glance, a public hearing of objections appears very persuasive and compliant with policy. All things being equal, there is no difficulty with a mandatory hearing. The difficulty arises in this case because the TRO's are necessary to implement a project that has already been approved by Parliament. That prior-approval creates a legal risk. Although counter-intuitive, the holding of a hearing could be construed as a breach of natural justice because the objector could reasonably conclude that no Reporter is going to risk a major public project to address a private objection about loading times. This perception of a fait accompli or pre-judgement creates a real legal risk. Apart from anything else, it does not seem fair to raise the expectations of the objector or to put him to the time, trouble and expense of participating in a public hearing.
- 3.4 It must be emphasised that this is not about removing the right to object to TRO's. It is about ensuring that there is a fair and consistent process for dealing with all objections. Given the legal risk inherent in a mandatory hearing, it is proposed that all objections to tram TRO's are dealt with in the same way. All objections would have to be answered with a clear justification for rebutting any objection. The Council would then consider the objections and the responses and would retain the power to decide to hold a hearing, if appropriate in the circumstances – not because the need for a hearing was set down in Regulations irrespective of the circumstances.
- 3.5 Ideally, the TRO detail would have been approved by Parliament. However, it is inconceivable that the level of detailed design necessary to prepare a TRO would be available before any major project received approval in principle. That would risk significant public funds and could not possibly represent best value.
- 3.6 For these reasons, the Executive has been asked to promote an amendment to the Regulations to modify the mandatory hearing provision. It would take 9 to 12 months to make such an amendment.
- 3.7 Apart from the legal risk inherent in a mandatory hearing, this matter raises another important issue. If there was no requirement for a mandatory hearing,

the core TRO's could be promoted in Spring 08 and made by Autumn 08. If there is a mandatory hearing, this 6 month period would have to be extended by at least 12 months. So, to make the TRO's in Autumn 08, the TRO's must be promoted during March 07. For each month delay in promoting the TRO's, a month would be added post Autumn 08. The design is not yet at a stage to permit the TRO's to be promoted during March 07.

- 3.8 One of the hidden costs of having to comply with the mandatory hearing process is that the design process is being artificially compressed to suit a legal process. If the target date for making the TRO's is Autumn 08, would it not be better to use the period from Spring 07 to Spring 08 to work up the best possible design for the project? This would confer important benefits to the project. It is clearly better value to devote the available time and resources to achieving the optimum design for the Tram rather than spending that time and money on a legal process that has in it an inherent legal risk for the project. By focussing resources in this way better tailored solutions will be determined that minimise adverse impacts and which in turn reduces project risk and cost.
- 3.9 Moreover, that period to Autumn 08 could be used to work up the consequential TRO's so that the report to the Council could address both the core TRO's necessary for the project and the proposed consequential TRO's to address the impact of the core TRO's. It is assumed that the Council will wish to have a voluntary public hearing of objections to the consequential TRO's as there is no risk of any perception of pre-judgement of those measures.
- 3.10 The removal of this legal risk to the core TRO process and the opportunity to divert time and money to project design from legal process depends upon the amendment to the Regulations, which would have to be in place by Spring 08.

4.0 Development of a TRO Strategy

- 4.1 Section 3 above describes the issues and in so doing describes an outline preferred strategy. If the Scottish Executive can be persuaded to amend the Regulations then the core measure orders can be made by October 2008 (based upon the sought changes to the Regulations being made by March 08).
- 4.2 On that timescale the construction of INFRACO would pre-date the TRO(s) by 3 or 4 months. This however fits comfortably within previous Senior Counsel opinion especially as in such a short period of time there will be no requirement for a revocation of any part of the TTRO (due to works completion) and therefore there are unlikely to be any "mirroring" issues (Refer to the Feb 07 TPB Paper for an explanation).
- 4.3 The fall back or default strategy (where the core measures require to go through a mandatory public hearing process) adds a year to the time required to make the TRO(s). If commenced at the same time as the outline preferred strategy the Orders would be made in October 2009, or some 15 months after the commencement of INFRACO. This is an uncomfortably long period and

would undoubtedly raise “mirroring” issues which would have to be dealt with by temporarily omitting certain design features as discussed in the February TPB Paper.

- 4.4 In reality to reduce the time gap and achieve a better balance of project risk we would under the default option seek to place the Orders on public deposit by the Autumn of this year. However, bearing in mind that we still do not have a date for the sign off of the Tram detailed design (which is a pre-requisite for populating the TRO’s) and with particular regard to the issue raised in 3.8 above this would mean that we are potentially going into a Public Hearing with a less than optimum design and we are putting a greater concentration of our resource into legal process rather than design.
- 4.5 The development of the TRO strategy is now entering a critical stage and seeking a favourable outcome from the Scottish Executive remains the current priority. Detailed work is now however taking place with SDS, CEC and D&W to draw together a proposed suite of Orders that builds upon Senior Counsel’s opinion and seeks to identify logical groupings of Order features that can be brought forward in a way that minimises risk. Progress does however critically depend upon the availability signed off design to at least PD2 stage.

5.0 Recommendations

The TPB is requested to note the report.

Proposed	Keith Rimmer Traffic Management Director	Date: 07/03/07
Recommended	Matthew Crosse Project Director	Date: 07/03/07
Approved David Mackay on behalf of the Tram Project Board	Date:-

Paper to : TPB

Subject : TRANSPORT MODEL DELIVERABLES & PROJECT IMPLICATIONS

Date : 1ST March 2007

TPB to requested to approve recommendation that the JRC team be contracted directly by tie to undertake work package discussed (see section 7)

1.0 Background

- 1.1 Following the successful development of the JRC Transport Model and the subsequent use of this tool in the DFBC, it has become clear that there are other work areas within the scope of the tram project that will require the transport model to be deployed and its outputs interpreted, notably to support the TRO process and to assess the wider area impacts of the tram.
- 1.2 The following note has been prepared by the JRC Project Manager to provide the Project Board with sufficient information to confirm that either; the JRC be appointed under a change to their contract to undertake the transport modelling necessary to support the above, or that some other mechanism is employed to ensure this work is undertaken by a third party (most likely SDS).
- 1.3 A Change Request for the sum of £385,400 has been received from JRC. Should this request be approved, this represents a shortfall in the current JRC budget allowance of £149k.

2.0 Existing JRC Contract

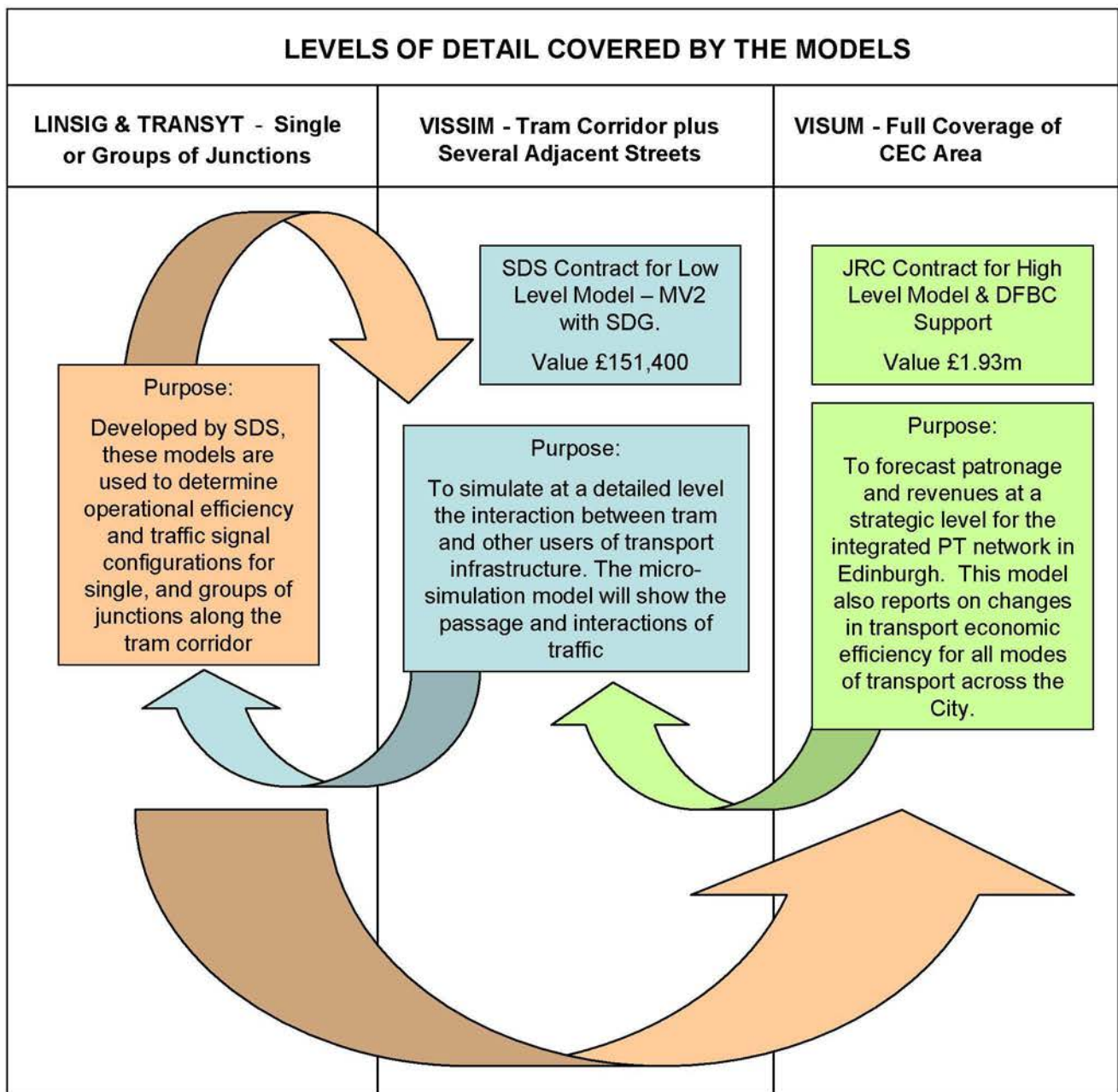
- 2.1 Under the existing contractual arrangements, the JRC (Steer Davies Gleave and Colin Buchanan & Partners) and the SDS (Parsons Brinckerhoff) are jointly and severally liable for:

'the planning, production and fitness for purpose of the Modelling Suite which shall meet all of the JRC's requirements and the SDS Provider's requirements (in respect of the SDS Provider, both pre and post novation of the SDS Agreement) under their respective contractual agreements with tie'

2.2 In simple terms:

- The JRC contract covers the development of the High Level Model (the VISUM model which covers the full City of Edinburgh Council boundary);
- Whereas the development of the Low Level (VISSIM) Models is an SDS deliverable – this work being undertaken under the MV2 sub-contract between the SDS Provider and Steer Davies Gleave.
- At the junction level, SDS have developed a set of LINSIG and TRANSYT Models to support the detail design process.

The interaction between these three sets of transport models is shown in the following graphic.



- 2.3 Note that in order to fulfil the requirements of the wider area impacts assessment and TRO process, it is likely that all three levels of modelling may be required (to a greater of lesser degree).
- 2.4 For this reason, it would seem likely that **tie** can expect a Change Request from SDS for additional LINGSIG/TRANSYT and design input for off-line junctions, although at the time of writing, no such request has been received. This paper does not make allowance for any SDS related budget.
- 2.5 The existing JRC contract does not specifically cover several elements of work that are required in order to support the TTRO and TRO deliverables; areas in which **tie**, CEC and the SDS are involved.

3.0 JRC Scope of Services

- 3.1 In terms of the JRC Scope of Services as defined within Schedule One of the JRC Contract, there are several clauses which have particular relevance to this note; these are:
- Clause 2.3.4 – The JRC shall ensure that the Modelling Suite is configured to include the following applications, in addition to any application the JRC considers necessary to answer its own, the SDS Provider’s or **tie**’s requirements:
 - detailed traffic junction design recognition and evaluation and wider area affect assessment; and
 - temporary traffic diversion and traffic regulation order impact analysis
 - Clause 2.3.6 - The JRC shall ensure that the Modelling Suite shall be sensitive to the interaction of the SDS Provider’s detailed tram line design with vehicular traffic, pedestrians and other urban infrastructure users and capable of generating responses relevant for designing countermeasures to alleviate adverse knock on effects in the wider area transport network.
- 3.2 It is important to recognise that the JRC (under their current contractual arrangement) is tasked with ensuring that the model is capable of delivering certain outputs, and not to undertake analysis in order to achieve those same outputs.
- 3.3 The SDS Contract states in Clause 5.1.1:
- *The SDS Provider shall (at its own cost and expenses) obtain and maintain in effect all consents which may be required for the construction, installation, commissioning, completion and opening of the Edinburgh Tram Network as is consistent with, required by or contained within the Services.*
- 3.4 Temporary Traffic Regulation Orders (TTRO) and Traffic Regulation Orders (TRO) are two of the consents that are required by the project, and as such, are covered under Clause 5.1.1.

- 3.5 Summarising the above; the JRC are charged with producing the tools in order to support the securing of consents, and the SDS are responsible to obtaining these consents.
- 3.6 The problem is that whilst the JRC have the skills and knowledge of running the transport models and interpreting the outputs, their contract does not cover them actually doing this work. Strictly speaking, this would be an SDS responsibility under Clause 5.1.1, but ultimately SDS would (most likely) sub-contract JRC (as they have under the MV2 contract for development of the Low Level VISSIM models).

4.0 Engaging JRC directly vs SDS to cover costs

- 4.1 There are advantages and disadvantages associated with either engaging the JRC directly, or for **tie** to insist that SDS cover the cost of this work under the terms of Clause 5.1.1. This is summarised below:

Issue	Extension to JRC Contract	SDS Responsibility	Implication
Cost	JRC to provide cost estimate directly to tie	SDS would most likely, but not necessarily, approach JRC to undertake the work. If SDS chose not to use JRC, but to do the work internally, there is a quality risk associated with lack of knowledge of the model.	There would be a cost to this work either way. In insisting SDS take responsibility under their existing contract, there is the risk of a contractual (cost) dispute over the broad scope of works definition. Ultimately this could cost the project more in the long run.
Programme	The JRC are geared up to start this work as soon as the PD2 is approved.	If JRC are sub-contracted, this may take some time to negotiate with SDS. If not, there would be a programme risk to attain familiarity with the models and their applications.	The TRO programme is critical to the project programme. Delay in obtaining the approval of TROs could impact upon the construction schedule.
Quality	The JRC know the model, they have done a good job so far. The JRC team have demonstrated a good level of local knowledge of Edinburgh, essential for some of the wider area effects which would need to be understood prior to a TRO public hearing process.	If JRC do the work under a sub-contract with SDS, then no problem. If not then I would have concerns about the quality and interpretation of results from a team with less experience of the modelling suite.	tie would have less direct input into the modelling work without a dedicated PM managing this specialist process.

5.0 Cost Implications

- 5.1 In order to establish the potential cost implications of this transport modelling support activity, the JRC Project Manager requested the JRC to provide a cost and resource proposal. This was subsequently provided to tie in a letter dated 24 January 2007.
- 5.2 The fee estimate was for £385,400 to cover traffic management support for the TRO and the wider area impacts assessment, (including a budget of £28,850 to undertake a review of the economic case for the system, based on the current design PD2 – recognising that the design as evaluated in the DFBC was based upon the PD1 design).
- 5.3 Following the DPD meeting, the JRC have been requested to provide a detailed breakdown of this budget, and to demonstrate how many iterations between the design process & traffic model elements have been allowed for. Depending upon the outcome of this request, it may be prudent to allow for some contingency for additional iterations. This will be reported to the Board at a later date.
- 5.4 In addition to this under a separate cover, an estimate for the modelling the impacts of the Utilities diversion works (for the TTRO) was submitted by JRC (£27,138). Given the critical timeframe and the approaching commencement of the MUDFA works, this request was put through the change order process (JRC Change Order No 7) and was approved on 12 February 2007.
- 5.5 It should be noted that in September 2006, in anticipation of potential future requirements under the JRC contract, an additional budget allowance of £500K was included in the DFBC.

6.0 Financial Position of JRC Contract

6.1 At the time of writing (20/02/07), the financial position of the JRC Contract is as follows:

JRC Financial Summary Jan 07						
	<u>Contract Budget</u>	<u>AFC</u>	<u>Expenditure to date</u>	<u>Remaining Expenditure (to end March 07)</u>	<u>Total Expenditure to end March 07</u>	<u>Remaining Expenditure (Post March 07)</u>
Management Fee	£109,500	£109,500	£109,500	£0	£109,500	£0
Surveys	£236,500	£236,500	£171,500	£0	£171,500	£65,000
Advisory Services and Annual Updates	£230,000	£230,000	£90,000	£20,000	£110,000	£120,000
Model Development Deliverables (Milestones)						
' Within 30 Days '	£28,000	£28,000	£28,000	£0	£28,000	£0
' Within 50 Days '	£23,000	£23,000	£23,000	£0	£23,000	£0
' By end of Sept 2005 '	£47,000	£47,000	£47,000	£0	£47,000	£0
' By end of Nov 2005 '	£33,000	£33,000	£33,000	£0	£33,000	£0
' By 31st March 2006 '	£65,000	£65,000	£65,000	£0	£65,000	£0
' By 30th June 2006 '	£47,000	£47,000	£47,000	£0	£47,000	£0
' Ref Doc and Risk Report '	£17,000	£17,000	£17,000	£0	£17,000	£0
' All Other Deliverables '	£12,625	£12,625	£12,625	£0	£12,625	£0
Ongoing Modelling Services	£290,000	£290,000	£50,000	£0	£50,000	£240,000
Provisional Additional Work	£295,240	see changes				
Additional Budget Provision (Sept 06)	£500,000	see changes				
Changes						
Change Order COJ001 Interim Mgt Costs for Jan 06		£15,000	£15,000	£0	£15,000	£0
Change Order COJ002 Project Darwin		£17,788	£17,788	£0	£17,788	£0
Change Order COJ003 Economic Evaluation (TEE Appraisal)		£30,625	£30,625	£0	£30,625	£0
Change Order COJ004 Stag Appraisal		£45,169	£45,169	£0	£45,169	£0
Change Order COJ005 Additional Unforeseen Costs		£219,250	£219,250	£0	£219,250	£0
Change Order COJ006 Additional Modelling and Appraisal Work		£204,013	£155,302	£48,711	£204,013	£0
Change Order COJ007 Modelling of TTRO's for MUDFA		£27,138	£0	£27,138	£27,138	
Anticipated Changes						
Proposal received from JRC - Modelling to Support Traffic Management Plans (Letter of 24th Jan 2007)		£385,400				£385,400
Totals	<u>£1,933,865</u>	<u>£2,083,008</u>	<u>£1,176,759</u>	<u>£95,849</u>	<u>£1,272,608</u>	<u>£810,400</u>
		Budget Shortfall	<u>£149,143</u>			

6.2 As will be seen from the above, should the request for the modelling to support the Traffic Management Plans, which includes all modelling relevant to the TRO, be approved and included in the existing financial provisions of the JRC contract, then there will be budget shortfall of £149,143 to address.

7.0 Recommendations

7.1 On the basis of the discussion presented herein, it is recommended that the JRC team be contracted directly by tie to undertake this work package. In the meantime, tie will

undertake discussion and negotiation with SDS and JRC to resolve potential difficulties regarding contractual responsibilities.

- 7.2 It is recognised however that there is a clear requirement for a significant traffic model support element to the TRO process, and that this will be critical to the successful delivery of the tram project. The JRC model is the best tool to advise this process, and the JRC are the team best placed to provide this input.
- 7.3 It is therefore requested that the additional budget provision of £149,143 be approved, and the necessary steps be taken to prepare a Change Order for the sum of £385,400 to enable this work to proceed.
- 7.4 The JRC Project Manager will closely monitor costs going forward and ensure delivery of this work within the available budget and timeframe.
- 7.5 JRC are currently working on recalibrating the transport models in advance of the detail design commencement. This activity is scheduled for completion at the end of March 2007, at which time the transport modelling to support the wider area assessment and TRO submission would need to get underway.

Prepared by:- Alasdair Sim **Date:-** 20th February 2007
JRC Project Manager

Recommended by:- Matthew Crosse, Project Director **Date:-** 13th March 2007

Approved:- **Date:**
David Mackay on behalf of the Tram Project Board

Paper to : TPB
Subject : Project Value Engineering Process and Status
Date : 7 March 2007

The TPB is asked to note this paper and to confirm the principals and objectives set out in this paper

1.0 Background

- 1.1 Value engineering has been undertaken at a number of stages through the project. Certain savings were identified prior to the finalisation of the Preliminary Design Stage Project Estimate and taken into account in it. Shortly thereafter recognising the need to achieve savings (as noted in the Tram Project Board minutes) the Project implemented a value engineering exercise in early December with an ambitious target of identifying £50m of savings.
- 1.2 The target for value engineering savings is a minimum of £14m, manifested in the current Infraco adjusted prices to achieve the DBFC targets and Updated Project Estimate.

2.0 Process

- 2.1 Building on the work commenced before Christmas the process for the development and implementation of VE Savings is:-
1. Identify all potential savings from the Project's Value Engineering initiative and each bidders proposals and categorise into easy, medium and difficult in terms of realisation and implementation.
 2. Assess the potential cost saving impact together with the impacts on design, consents, programme and stakeholder approvals. Stakeholders in this context are CEC, TEL and Transport Scotland.
 3. Agree the list of potential savings within the Project and allocate responsibilities for developing and implementing.
 4. For those savings ideas that are common to the Project and both bidders we will agree scope and programme for developing and implementing now e.g. raising the level of depot, trackform solution (agree Project proposals with bidders and gain their input and ideas). These items form VE Package 1.
 5. These proposals will be validated for
 - Validate bidders proposals for value engineering proposals within the Consolidated Proposals for deliverability (construction, planning & approvals) and impact on the Business Case including:-
 - Impact on Programme and cost – is it deliverable?
 - Impact on Maintenance
 - Impact on Operations
 6. Consult stakeholders and gain agreement on potential savings list.

7. Require bidders to submit more developed proposals for value engineering with their consolidated proposals. This will form VE Package 2. (These will not be part of the formal evaluation but bidders will be encouraged to submit on the expectation that this will improve their chances). We will then validate the proposals as outlined for VE Package 1.
 8. Before appointing preferred bidder, agree Value Engineering proposals to be taken forward and write into deal and agree the formula for firming up prices for adjustment of the contract price together with contractual mechanism for adjusting price for any remaining Value Engineering proposals that are not fully incorporated into the designs.
 9. Once the Preferred Bidder is appointed they will be required to work with the designers (SDS and their own) during due diligence period to develop designs incorporating value engineering proposals.
 10. Firm up savings where possible before award of contract.
 11. As part of the planning and evaluation of proposals, the project will secure stakeholder and third party agreement and approval to proposals prior to contract close and approval. Change control will be applied when necessary.
- 2.2 The responsibilities for developing and implementing Value Engineering savings are:-
- Martin Donohoe – Leads the implementation of savings proposals and manages the overall savings delivery programme.
 - Mike Jeffereys supported by Andie Harper – Lead the identification and scoping of savings via the value engineering process already underway. Both the TEL and Transdev stakeholders are represented in the team delivering this process. CEC will be brought into the team once the proposals are more refined and have been fully assessed. They are expected to participate in late February.
 - Responsibility for delivering individual savings rests with the project manager for the area of the works within which the relevant saving is implemented. Implementation will be monitored as part of the project management process.
- 2.3 The programme for delivering the process is to deliver a recommendation on proposed Package 1 value engineering savings to be adopted by the end of March to be endorsed by the April Tram Project Board and implemented thereafter. A recommendation for Package 2 savings will be delivered following receipt of consolidated proposals by Bidders.
- 2.4 Further details of the programme for both VE Packages 1 and Package 2 are shown in Appendix A.
- 3.0 Current Status**
- 3.1 Both bidders have stated that they see opportunities to value engineer the scheme to reduce costs and both have to a greater or lesser extent put ideas to us. In addition the Project has identified a number of savings proposals from the Value Engineering initiative currently underway.

- 3.2 From the work done to date proposals identified by the project and those proposed by the bidders, as endorsed by the Project, amount to around £30m after factoring for the level of difficulty in implementation.
- 3.3 One significant area of opportunity is in structures (bridges and retaining walls). Review of bids has highlighted significantly higher cost than contained in the Preliminary Design Stage Project Estimate.
- 3.4 The value of potential savings identified to date (after factoring down for the level of difficulty in realising them) is £35m.

4.0 Consultation

- 4.1 The following have been consulted in preparation of this paper:-
- This paper has been reviewed by the DPD.

5.0 Recommendation

- 5.1 The Board is asked to note this paper and to confirm the principles and objectives set out in this paper

Prepared by: Geoff Gilbert, Project Commercial Director

Recommended by: Matthew Crosse, Project Director Date: 7 March 2007

Approved Date:-
David Mackay on behalf of the Tram Project Board

Paper to : **TPB**
Subject : **Infraco / Tramco Tender Evaluation sub-committee**
Date : **8th March 2007**

Approval sought to establish a Infraco / Tramco Tender Evaluation sub-committee to the Board

1.0 Background

1.1 The Infraco and Tramco Evaluation Methodologies were approved by the Tram Project Board prior to the return of the initial Infraco bid proposal on 20th November 2006 and 12 January 07 (via delegation of authority to the DPD sub-committee) respectively. These methodologies are being used to evaluate the tender submission from the bidders.

The principal stakeholders, TS, CEC and TEL, were consulted on the methodologies and their comments were incorporated in the final papers.

2.0 Objectives

- 2.1 To give senior support and confidence to the Tram Project Director and Commercial Director as they lead and close the Tram / Infraco deals.
- 2.2 To ensure TPB governance objectives are met whilst maintaining commercial confidentiality within a strong decision making framework.

3.0 Stakeholder Consultation

- 3.1 The Methodologies set out that dialogue with the Project Stakeholders will be maintained via individuals designated from CEC, TS and TEL through regular briefing sessions. These were anticipated to be held on a monthly basis or as required depending on prevailing activities.
- 3.2 In addition to regular sessions, key gateway meetings will be organised to coincide with the following stages of the Infraco evaluation process:
- Selection of the preferred Infraco and Tramco bidders
 - Completion of the detailed negotiations with the preferred Infraco and Tramco bidders

4.0 Reporting to the Tram Project Board

4.1 There is a need to keep the Board informed of the status and progress of the Infraco and Tramco procurements whilst maintaining the appropriate level of probity and compliance with the approved evaluation methodology.

4.2 To achieve this, it is proposed that a board sub-committee to the Tram Project Board is established to which the project will report. The remit of the committee will be to:

- Receive and review presentations on the conclusions of the Tramco and Infraco tender evaluation process.
- Ensure that due process has been followed in respect of the tender evaluation and negotiation process.
- Review, support and drive the progress of the bidder evaluations and negotiations
- Provide guidance on issues arising out of the negotiations
- Advise on which issues require referral to the DPD and/or Tram Project Board

4.3 To maintain probity during the commercially sensitive tender evaluation and negotiation process the sub committee will report to the key members of the Tram Project Board. These are:-

- Neil Renilson,
- Willie Gallagher
- Bill Reeve
- Andrew Holmes
- Bill Campbell plus
- Matthew Cross and
- Stewart McGarrity

This will take the form of a 30 minute meeting at the beginning of each Tram Project Board, where required. Papers will be handed out at the beginning of the meeting for review at the meeting which will then be discussed and papers returned at the end of the meeting. Separate minutes will be taken for this meeting recording the recommendations endorsed and decision taken and a copy of the papers discussed appended to these minutes.

5.0 Membership

5.1 The membership of the Infraco / Tramco Evaluation and Negotiation sub-committee necessarily needs to be small yet endeavour to reflect the broad spectrum of interests on the TPB. The members envisaged are:

- Willie Gallagher
- Neil Renilson
- Stewart McGarrity

5.2 The Tram Project Director and Commercial Director will report to the sub-committee on an ad hoc basis to enable it to fulfil its remit. The timing of the meetings will be aligned to the evaluation programme, and as required to address issues emerging from the Infraco and Tramco Evaluations.

5.3 Key guests and experts may be invited to attend meetings to support the objectives of the sub-committee.

6.0 Consultation

6.1 This paper has been reviewed by the DPD.

7.0 Recommendation

7.1 The Board is asked to approve the establishment of a sub-committee for the Infraco and Tramco Evaluation and Negotiations and delegate to the sub committee in the manner set out above.

Proposed Geoff Gilbert Date: 19 Feb. 07
 Commercial Director

Recommended Matthew Crosse Date:- 19 Feb. 07
 Project Director

Approved Date:-
 David Mackay on behalf of the Tram Project Board

Paper to : Tram Project Board

Subject : Proposed approach to delivering CEC financial contribution including developer contributions

Date : 7 March 2007

The Board is requested to note the information contained in this paper and agree the proposed approach outlined below.

1.0 Background

1.1 The Tram Project Draft Final Business Case was approved by CEC in December 2006 and is currently awaiting Ministerial approval. It is anticipated that construction will be an integrated two-stage process:

- Line 1a – Newhaven / Airport to be constructed 2007-2010
- Line 1b – Roseburn / Granton to be constructed 2009-2011

1.2 Assuming Ministerial approval of the DFBC, funding is confirmed at £545m from CEC and TS. This remains subject to finalisation of the basis for grant indexation, but the planning assumption is for £500m indexed grant and a £45m cash and in-kind contribution from CEC. The capital cost of Line 1a falls within this envelope by c£45m but the incremental cost of 1b at £92m takes the funding requirement outwith the envelope by £47m.

1.3 The CEC contribution incorporates several strands as set out in the table in the report which accompanied the DFBC at the December Council meeting.

	January 2006 Estimate £m	November 2006 Estimate £m
Council Cash	2.5	2.5
Council Land	6.5	6.2
Developers Contributions – Cash	10.2	24.4
Developers Contributions – Land	7.9	2.2
Capital Receipts (Development Gains)	5	2.8
Capital Receipts	12.9	6.9
Total	45	45

2.0 Current Approach

- 2.1 It is the responsibility of the Council to identify and deliver its £45 million commitment to the tram project. A Property and Legal Group has been established to coordinate, amongst other things, how the £45 million will be sourced and delivered. A breakdown of the £45 million (as shown above) has been produced and now in effect provides the Council with workstreams for the delivery, all of which are at different stages.
- 2.2 The programme to finalise the delivery of the £45 million will require to be matched up with the procurement programme leading to financial close in October 2007 and the Council will continue to work on this basis.

3.0 Proposed Approach

- 3.1 The Council is considering whether the £45 million total can be increased to secure delivery of Phase 1b of the tram system, in agreement with Transport Scotland. It would be mutually beneficial to the Council and Transport Scotland if Developer Contributions could be optimised and, as a result, provide additional funding that can help to secure Phase 1b.
- 3.2 A Tram Contribution Group is proposed to focus specifically on this issue and ensure that Tram Developer Contributions are optimised. The roles and responsibilities of the various parties, the Legal and Property Group and the Tram Contribution Group are outlined below.

4.0 Parties Involved

4.1 TEL Board and Tram Project Board (TPB)

The TEL Board and Tram Project Board (TPB) provide project oversight. The CEC Officials responsible for delivery of the Council financial commitment are represented.

- | | | |
|-------|-------------|--|
| 4.1.1 | CEC CDD | Andrew Holmes, CEC member on TPB |
| 4.1.2 | CEC Finance | Donald McGougan, CEC Director on TEL Board |

4.2 Legal and Property Group

- 4.2.1 **Chair**
Duncan Fraser (CEC) – Responsible for reporting to TPB in coordination with tie Ltd

- 4.2.2 **Membership**
David Cooper (CEC Planning)
Stephen Sladdin (CEC Property)
Alan Squair, Colin Mackenzie (CEC Legal)
Rebecca Andrew (CEC Finance)

- 4.2.3 **Role**
The Legal and Property to Group has a key role in coordinating the various workstreams responsible for producing the £45 million. This includes:-

- Council Cash Contribution

- Council Land Contribution
- Capital Receipts – Land sales and/or development gains
- Progress with Developer Contributions (updates provided by Tram Contribution Group/CEC Planning)

4.3 In addition to the workstreams above which will provide the basis for the CEC contribution, a further workstream is required to develop the financing arrangements between CEC and TS which covers timing of contribution, risk-sharing and other detailed matters. CEC Finance is embedded in the group for this purpose.

4.4 A funding strategy that takes account of the estimated timings for delivery of the £45 million will be produced, and will be matched up with the procurement programme leading to financial close in October 2007. It will need to be recognised and clearly understood that most Developer Contributions will remain unpaid at financial close and that means will be required to manage the ensuing risk.

4.5 It is proposed that this Group reports progress under each workstream to the TPB as it meets on the 4-weekly cycle. The format will evolve as individual plans for each workstream are agreed.

4.6 In addition to this work the Group also monitors and reviews progress with land acquisition and other legal and property matters relating to the project. Working arrangements with tie Ltd and their advisors are already established.

4.7 Tram Contribution Group

4.7.1 **Chair**

Keith Anderson (CEC)

4.7.2 **Membership**

Stewart McGarrity, Graeme Bissett (tie Ltd)

Linda Nicol, David Cooper (CEC Planning)

Duncan Fraser (CEC Tram)

Alan Squair, Colin Mackenzie (CEC Legal)

Stephen Sladdin (CEC Property)*

Rebecca Andrew (CEC Finance)*

*Will only attend when Property or Finance input is required.

4.7.3 Additional staff and / or consultants may be appointed to assist with delivery of contributions. They will report to the group upon request.

5.0 **Role**

The workstreams are as follows and in each case the relevant people responsible will require to be identified:

5.1 North East Waterfront

Forth Ports plc site comprising Western Harbour, Britannia Quay, Ocean Terminal, Waterfront Plaza, Edinburgh Harbour and Leith Docks. The former are largely consented and have S75 agreements in place. Leith Docks is the largest unconsented area and is critical to FP future numbers and share valuation. Submission of an OPA for the docks site is due in Q2 2007 and OPA plus Masterplan for "the Hub" (comprising the central Ocean Terminal and Waterfront Plaza is

anticipated in Q4 2007. In both cases, dialogue is underway between FP and CEC Planning. Possible other opportunities may occur within the other sites as changes to plans are formally assessed.

Action required:

- Document accurately by site the consents given and under negotiation and the related S75 agreements. [LN/DC]
- Summarise anticipated timetable for outstanding consents, in particular the process for Leith Docks.[LN/DC]
- Review FP financial model [SMcG]
- Assess totality of S75 requirements including housing, education, roads, medical / emergency and infrastructure [LN/DC]
- Prepare negotiating plan

5.2 Granton

The three current adjacent sites are owned by Secondsite, Waterfront Edinburgh Limited (owned jointly by CEC and SEEL) and Forth Ports (Granton Harbour). All are partially consented and developed.

Action required:

- Document accurately by site the consents given and under negotiation and the related S75 agreements. [LN/DC]
- Summarise anticipated timetable for outstanding consents [LN/DC]
- Address options for WEL
- Assess implications of longer term funding mechanisms (TIF, bonds)
- Assess totality of S75 requirements including housing, education, roads, medical / emergency and infrastructure [LN/DC]
- Prepare negotiating plan for Secondsite and FP, if opportunities material.

5.3 Other sites – Line 1a

South of the Waterfront area, through the city and out to Sighthill, the Gyle, RBS and the Airport.

Action required:

- Document known opportunities [ALL]
- Consider additional opportunities [ALL]

5.4 Other sites – Line 1b

Corridor from Roseburn to Granton.

Action required:

- Document known opportunities [ALL, LN/DC to investigate Telford sites]
- Consider additional opportunities [ALL]

6.0 **Experience elsewhere**

There will be useful lessons from other tram schemes which have been part financed by third party contributions. The most relevant will be Dublin and Nottingham. London Cross-rail and the DLR are also worth investigating. [TPB to approve visits / cost in due course]

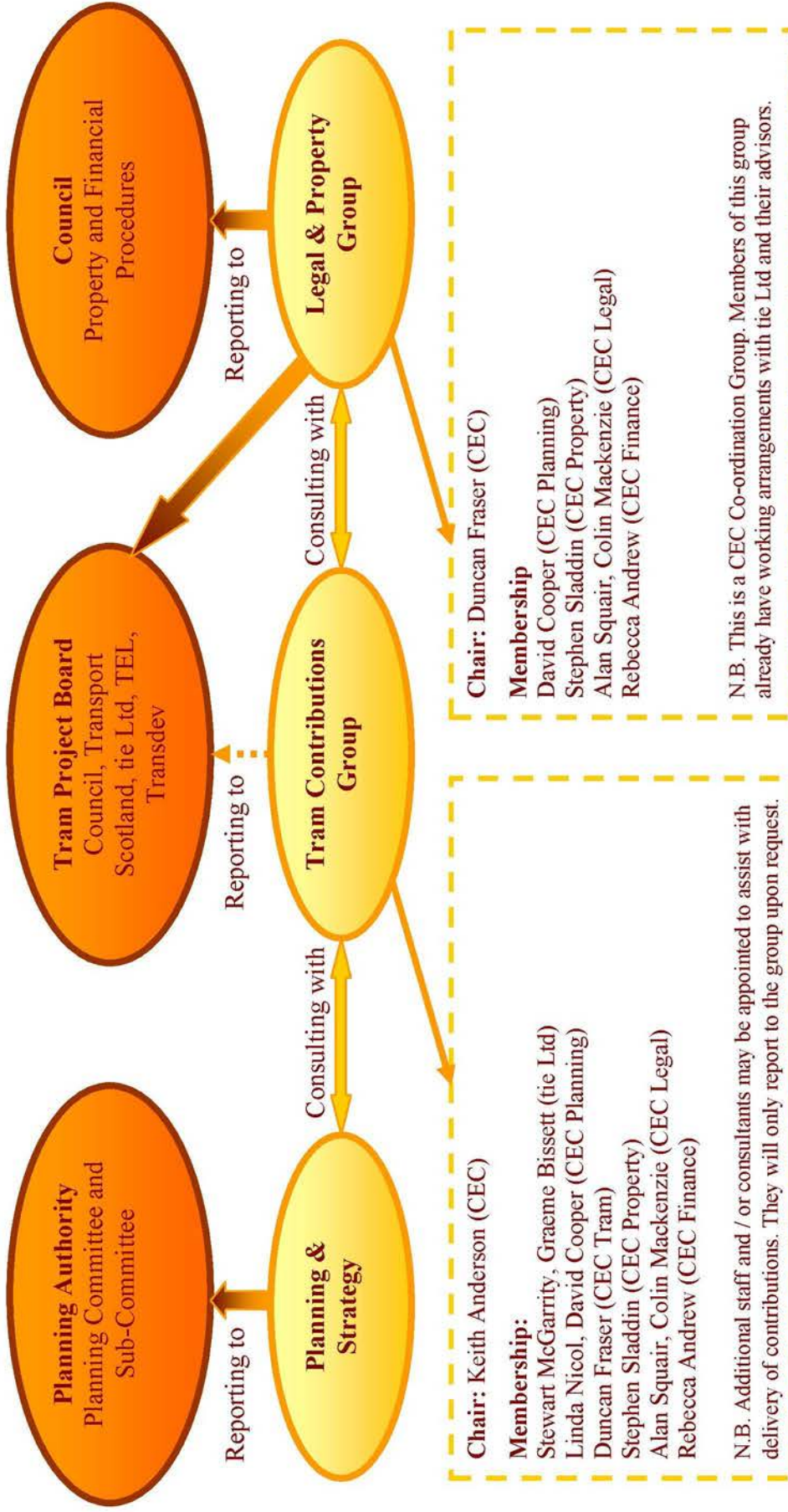
7.0 Council Responsibilities

- 7.1 The Council is governed by established rules and procedures concerning financial borrowings and expenditure and property transactions. With regard to Developer Contributions the Council as the 'Planning Authority' is the relevant authority for concluding Section 75 agreements regarding such contributions. Full regard to these duties, rules and procedures will be observed and no decisions will be taken by any party that would prejudice the Council performing its statutory functions or contravene financial or property regulation. It should also be noted that the requirements for contributions can vary on a case by case basis depending on the merits of the proposal and other circumstances.
- 7.2 A Structure Diagram is attached to this paper showing the working arrangements and reporting procedures.

8.0 Conclusion

- 8.1 The purpose of this paper is to set out a proposed approach to coordinating the works needed to deliver the CEC contribution of £45m to the tram scheme and in particular to ensure that developer contributions are optimised. The paper will be reviewed by TPB on 20 March 2007 and monitored thereafter.

Structure Diagram



Prepared by:- Graeme Bissett
Strategic Development

Date:- 14th March 2007

Recommended by:- Matthew Crosse, Project Director

Date:- 13th March 2007

Approved:-

..... **Date:**
David Mackay on behalf of the Tram Project Board

Paper to : TPB
Subject : Funding Agreement Summary of Key Issues
Date : 7 March 2007

The TPB is requested to note the key issues from each funder outlined in this paper and initiate discussion on the items outlined in section 9.

1.0 Background

- 1.1 Funding for the Edinburgh Tram Network (ETN) project to date has been primarily by Scottish Executive (SE) grant award to the City of Edinburgh Council (CEC), latterly channelled through Transport Scotland (TS). Total project implementation expenditure to 31 March 2007 is projected at £48m. Cash funding is being distributed to tie to meet expenditure on the project.
- 1.2 Grant funding awards have been governed by award letters from SE / TS to CEC. These have typically set out the purpose of the award, the amount, the period for expenditure and monitoring arrangements. A further grant award letter has been submitted in draft for the 2007-8 year for £60m, to support continuation of the project, particularly utility diversion works.
- 1.3 Tie is the party with whom third parties will contract to deliver the ETN. The principal current third party contracts are those with Parsons Brinckerhoff (SDS) and Alfred McAlpine (MUDFA) with an aggregate value of c£70m. There are a range of additional third party contracts, notably with Transdev, but these incur lower levels of expenditure and are funded in line with the funding of tie's internal costs. All of these costs are funded under grant award letter arrangements.
- 1.4 Financial close for the principal contracts is currently scheduled for October 2007, when tie will contract with the preferred bidders for infrastructure (Infraco) and vehicles (Tramco). The business case capital cost is £351m. In order to enter into these contracts, tie will require to have legally binding sources of the funding to fulfil its obligations and there will require to be documents in place between TS, CEC and tie to govern the funding.
- 1.5 There are several key differences between the funding arrangements required to support financial close and those currently in operation.
 - 1.5.1 First, with the exception of a limited comfort letter to Alfred McAlpine supporting tie's covenant, the contracts are written exclusively between tie and the third parties. This will not be adequate for the Infraco / Tramco contracts, which will require specific and detailed underwriting by tie's funders as a condition of entering into contract with tie. Commercial parties (BAA included) are now seeking to have CEC commit to joint and several liability as a signatory to utilities

diversion arrangements, in view of increasing value and risk relating to the contractual commitments.

- 1.5.2 Second, contract payments to Infraco / Tramco will be made against specific milestones (secured by appropriate performance bonds and retentions) making the cash payment profile uneven and requiring rigorous determination before payment. Almost all of the historical and current expenditure is based on people costs and is a much smoother profile. There will be potentially significant contractual interest penalties for late payment to contractors which we will want to avoid and a clear funding plan will be needed to do so.
- 1.5.3 Third, with the exception of a £1m contribution from CEC, the funding has to date been wholly under grant award. CEC will make a further contribution estimated at £44m and the balance of cost will be grant awarded. The arrangements for the joint drawdown of these two funding streams requires to be agreed. In addition, a significant part of CEC's contribution will be in-kind (mainly land) and includes assets delivered under S75 agreements with third parties. The contribution profile will need to be integrated with both the cash flow requirements of the project and with the programme need for ownership of the contributed assets.
- 1.5.4 Fourth, there are likely to be rigorous additional linkages with the Infraco and Tramco contracts, in general relating to performance of tie's non-financial obligations. It will be difficult to separate these from funding aspects and they should therefore be addressed in an integrated way.
- 1.6 The absence of clear arrangements to handle these matters will be likely to enhance bidder risk perception and therefore impact both cost and willingness to negotiate on risk allocation generally.
- 1.7 Finally, agreement will be needed between TS, CEC and tie on handling funding for all other aspects of the project. In particular, land will be acquired and owned by CEC (not tie) and an identifiable funding stream will be needed.
- 1.8 There are therefore three distinct prospective funding streams:
 - 1.8.1 Funds from TS to CEC and on to tie to finance the Infraco and Tramco contracts (including SDS after novation) ("construction & vehicle costs")
 - 1.8.2 Funds from TS to CEC and on to tie for tie's internal costs, design (SDS) until financial close, utility diversion (including MUDFA), advance works (including OCIP, spoil, GI) and other implementation expenditure (together "tie direct costs")
 - 1.8.3 Funds from TS to CEC for land acquisition ("land costs")
- 1.9 There is a further important dimension in the shape of post-commissioning payment obligations under the maintenance contracts. The anticipation is that

these will become obligations of Transport Edinburgh Limited (TEL). Rather than involve TEL formally in the pre-commissioning documents, it may be simpler to impose these obligations on tie (with underwriting) and ensure that novation to TEL, as a company under CEC's common ownership, is catered for in the financial close documents. TEL management will be fully involved through the existing project governance. Transdev under DPOFA have a parallel interest in the post-commissioning period but the mechanics of this are established.

- 1.10 The purpose of this paper is to set out an initial view of the issues that will need to be addressed in drafting the documents to support the funding streams.
- 1.11 In what follows, it is assumed 1) that the CEC cash contribution can be made when the project requires and is not constrained by the source of that funding, which is the subject of a separate dialogue ; 2) that the full amount of capital funding will be required prior to commissioning and that there is no linkage between capital funding and the operational cash flows for which TEL will become responsible. The paper also focuses on Phase 1a and the approach to incorporating the option of Phase 1b needs to addressed.
- 1.12 Note that the paper is not intended to be exhaustive and other important details will require to be addressed as the dialogue proceeds.

2.0 Likely phasing of expenditure

- 2.1 The Draft Final Business Case provides the following analysis of anticipated expenditure:

Estimated capital expenditure	Phase 1	Phase 1a	Phase 1b
Cumulative expenditure to March 2007	£48m	£47m	£1m
April 2007 to end September 2007 - award of Tramco and Infraco	£71m	£71m	-
Cumulative up to award of Tramco and Infraco	£119m	£118m	£1m
October 2007 to March 2008	£47m	£43m	£4m
Year to March 2009	£204m	£195m	£9m
Year to March 2010	£154m	£123m	£31m
Year to March 2011	£65m	£21m	£44m
Year to March 2012	£3m	-	£3m
Total capital expenditure	£592m	£500m	£92m

3.0 Outline funding structure

- 3.1 In order to simplify the arrangements, it is suggested that the CEC contribution be applied as follows, with the first step being to finalise the estimated cash and in-kind elements.

- 3.1.1 Land contributions in-kind (including those under S75 agreements) should be fully applied to the land costs
- 3.1.2 Cash contributions should be applied in agreed proportions to the land costs and tie direct costs
- 3.2 Based on current estimates, this will leave the construction & vehicles costs to be funded fully from grant award and will remove a complexity from the process of agreeing the funding arrangements with the bidders. Note that CEC will remain a party to these contracts, partly because the funds will flow through CEC and partly because bidders will require tie's parent to stand behind tie's obligations. Further grant funding will be required to support the balance of tie direct costs.
- 4.0 Outline contract structure for construction & vehicles**
- 4.1 Third Parties
tie will enter into two inter-locking contracts with the successful Infraco bidder for system construction and maintenance. The Tramco contract will novate on financial close to Infraco and will again be built around interlocking contracts for construction and maintenance. The SDS contract will also novate to Infraco.
- 4.2 One benefit of novation should be to make Infraco responsible for funding to Tramco and SDS. However, it is possible Tramco and SDS will require either direct or back-to-back funding arrangements. At any rate, funding which flows to Infraco will need to respond to the funding requirements of the subsidiary contracts, for example in relation to delivery of tram vehicles.
- 4.3 On commissioning, ownership of the system will sit with CEC and the funding arrangements will require to accommodate this transfer. CEC will engage with TEL to manage operation of the integrated bus and tram system.
- 4.4 Client-side
If the outline funding structure is followed, the outline documentation arrangements would be as follows:
 - 4.4.1 Contract between TS and CEC for full funding of
 - a. construction & vehicles costs (in principle similar to grant award letter terms, but will contain substantial additional terms)
 - b. tie direct costs, reflecting CEC contribution to these costs
 - c. land costs, reflecting CEC contribution to these costs
 - 4.4.2 Contract between CEC and tie enabling tie to call-down funding from CEC to meet payment obligations under Infraco (including Tramco and SDS) and tie direct costs
- 4.5 Infraco will require interlocking arrangements with at least the CEC / tie funding agreement.
- 5.0 Contingent factors**

- 5.1 There are a number of contingencies which will require to be addressed. These include:
- a) Project aborts – framework needed (1) to ensure that TS and CEC contributions to point of abort are in agreed balance ; and (2) to deal with cost implications of an abort decision. Cause and implications to be assessed, including political decisions. Allowance will require to be made for the residual value of assets owned, including land. Clawback to be addressed.
 - b) Effect of interim viability tests (eg positive NPV threatened, operational subsidy requirement) – consideration of cause and effect and implications for costs / funding
 - c) Cost overrun – in any of the three funding streams, but especially in construction & vehicles. Although the outline funding structure requires 100% of the funding for construction & vehicles to be grant awarded, it is anticipated that TS will require issues like cause of overrun to be reflected (eg scope creep) with potentially different proportions of TS / CEC contribution applying to different outcomes.
 - d) Cost saving – again the aggregate across all funding streams will need to be evaluated and savings allocated back to funders.
 - e) Managing the profile of payments by each funder relative to the overall 91% / 9% ratio discussed previously
 - f) Programme delay
 - g) Failure by either TS or CEC to meet payment obligations
 - h) Incremental costs incurred to meet developer aspirations, offset by developer contributions
 - i) Risks relating to BAA plc
 - j) Risks relating to interface with EARL
 - k) Risks relating to Network Rail, including immunisation work led by TS
 - l) Consents – planning, TROs, TTROs
 - m) Consents – regulatory including HMRI, safety ; other third party
 - n) Contract termination for Infracore default
 - o) Uninsured events and third party breach of contract
 - p) Linkage needed to project change control procedures for all contingencies.
 - q) Linkage to Phase 1b
- 5.2 In addition, there will need to be agreement (probably informal) prior to financial close on how the go / no-go decision is to be supported in terms of

aggregate funding, estimated (tendered) cost and the level or risk and contingency.

6.0 Other Matters

- 6.1 VAT – how to monitor VAT implications as funding structures develop
- 6.2 CEC tax position on overall contribution structure
- 6.3 Dispute resolution procedures
- 6.4 Authorities to release funding and cash flow mechanics
- 6.5 Monitoring & control of expenditure
- 6.6 Best endeavours commitment on the part of both funders to manage dependencies under their respective control.
- 6.7 Need to codify arrangements to deal with possible project abort prior to financial close.

7.0 Overview

- 7.1 There are two extreme views of these arrangements. At one end, it would be possible to adopt a completely arms-length approach where by TS, CEC and tie act in the manner of client and bankers. At the other, the do-minimum approach would be to address only those aspects which enable the third party contractors to be comfortable that tie and TEL will meet their obligations.
- 7.2 A fully arms-length approach would deny the advantages of the family relationship between TS, CEC and tie and care will need to be taken that this is not overlooked. However, a do-minimum approach is dangerous as it would be reliant on the funding parties dealing equitably and expediently with funding requirements as the project proceeds without causing disruption and incremental cost.
- 7.3 tie recommends that the approach taken is geared towards an arms length model to ensure rigour and reduce avoidable risk to third parties. As the dialogue progresses, reality checks should be built in to ensure that the benefit of the relationships between TS, CEC and tie are realised in a risk-controlled manner.

8.0 Programme

- 8.1 A detailed programme should be developed at the meeting on 19 March. The procurement team are already encountering aspects of these issues and it is necessary to be able to communicate a clear view of the funding and obligation underwriting arrangements to the bidders.

8.2 Key dates are currently set as:

Weighpoint	Infraco	Tramco (Supply and Maintenance)
Submission of Consolidated Proposals	16.04.07	N/A
Preferred Bidder	09.05.07	09.05.07
Facilitated Negotiations	11.05.07 - 07.06.07	11.05.07 - 07.06.07
Completion of Negotiations	12.07.07	12.07.07
Award and Financial Close	Mid October 2007	Mid October

8.3 This dovetailed programme may be subject to adjustment. It should be noted that these dates and the programme is confidential as between tie and the bidders. The TramCo programme is technically confidential as between tie and TramCo bidders and not known to Infraco bidders and vice versa in respect of the Infraco programme.

9.0 Plan for meeting on 19 March 2007

I recommend:

- 9.1 Overview of key issues from each funder (CEC, TS) including need to deal with funding framework
- 9.2 Discussion on:
 - a) Outline funding and contract structures (sections 3 & 4 above)
 - b) Contingencies (section 5)
 - c) Treatment of other matters (section 7)
- 9.3 Programme and next steps
- 9.4 Responsibilities – organisation and named individuals
- 9.5 AOB

Prepared by:- Graeme Bissett
 Strategic Development Date:- 12th March 2007

Recommended by:- Matthew Crosse
 Project Director Date:- 7th March 2007

Approved by:- Date:-
 David Mackay on behalf of the Tram Project Board

Paper to : Tram Project Board
Subject : Project Reporting
Date : 7 March 2007

The TPB is asked to note this paper, confirm the principals and objectives set out in this paper and to agree on the preferred option forward

1.0 Background

1.1 Transport Scotland has recently changed their reporting requirements. The content and timescale of these requirements create a number of difficulties for the Project.

2.0 Transport Scotland's Requirements

2.1 Transport Scotland require the provision of reports in a new format and with reports relating to the previous period to be submitted to them on the Monday of week 1 of the next period.

2.2 The reports for DPD and TPB are produced in the format and order that has been agreed with TPB. The report for the DPD (effectively the draft report for TPB) is submitted on the Monday of week 2 for the DPD on the Thursday of the same week. It is then subsequently updated for the TPB held on the Thursday of week 3. These are the arrangements agreed by all parties under the governance arrangements established and agreed by all parties last year.

2.3 Compliance with Transport Scotland's requirements creates a number of problems for the Project namely:-

- We would be reporting to one key stakeholder before the reports had been considered and accepted by the TPB who have the responsibility overseeing Project Performance under the governance arrangements.
- Preparation of reports at the beginning of week 4 of the period reported on for distribution at the beginning of week 1 of the next period. These are then considered by the governing body (TPB) at the end of week 3 which makes them rather historical and reduces their management value.
- A requirement to produce two sets of reports one for Transport Scotland in their new format and one in the current format for the DPD and TPB will result in additional cost and be a distraction to the management team at a time where focus must be on effective delivery of the procurement and delivery programme.

2.4 It should be noted that the Transport Scotland Team have been helpful and constructive in their explanation of the new requirements and have shown a flexible and pragmatic approach where they feel able to do so.

3.0 Options

3.1 The options for resolving these problems are:-

- A – Period Reports are produced to the new Transport Scotland requirements but not submitted formally to them until after the Tram Project Board (Draft Reports would be available to Transport Scotland on the Monday of Period 2 via the normal circulation list).
- C - Two sets of Period Reports are produced, one for Transport Scotland and one for the DPD/TPB and the additional cost and potential disruption accepted.

4.0 Consultation

4.1 The problems and issues were discussed at the DPD.

5.0 Recommendation

5.1 The Board is asked to consider the options proposed and advise a resolution to the issue.

Prepared by: Geoff Gilbert,
Project Commercial Director

Date: 14 March 2007

Recommended by: Matthew Crosse,
Project Director

Date: 14 March 2007

Approved

..... Date:-
David Mackay on behalf of the Tram Project Board