

TRAM PROJECT BOARD



**Transport Edinburgh**  
**Trams for Edinburgh**  
**Lothian Buses**

**Tram Project Board**  
**Report on Period 6**  
**Papers for meeting 26<sup>th</sup> September 2007**

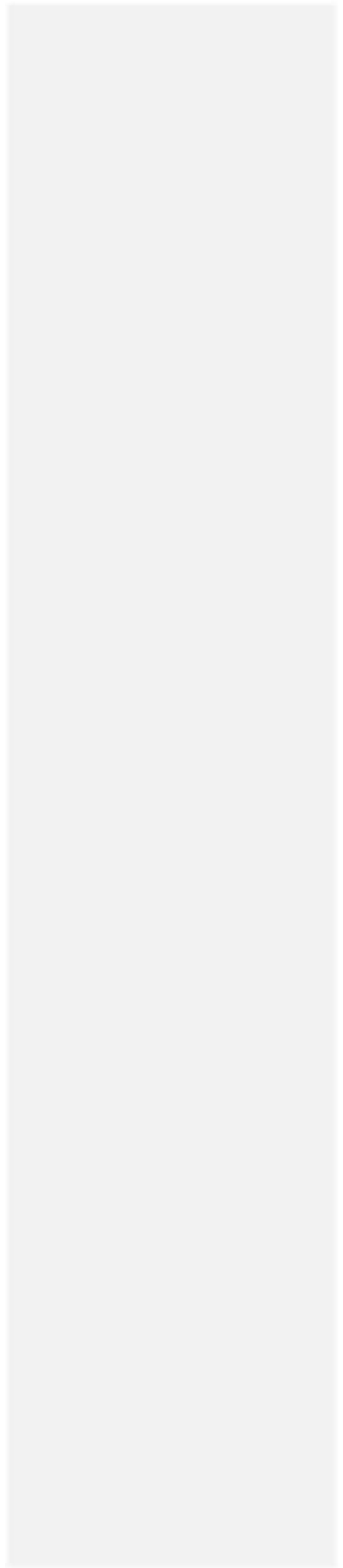
**09:00am – 12:00pm**

**Distribution:-**

David Mackay (Chair)  
Willie Gallagher  
Neil Renilson  
Bill Campbell  
Andrew Holmes  
Matthew Crosse  
Susan Clark

Donald McGougan  
Graeme Bissett  
James Papps  
Alastair Richards  
Jim McEwan  
Jim Harries  
Geoff Gilbert  
Miriam Thorne (minutes)

TRAM PROJECT BOARD



FOISA exempt  
 Yes  
 No

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**Agenda Tram Project Board**  
**Brunel Suite – Citypoint II, 2<sup>nd</sup> Floor**  
**26<sup>th</sup> September 2007 – 9.00am to 12.00pm**

**Attendees:**

David Mackay (Chair)	Alastair Richards
Willie Gallagher	Jim McEwan
Neil Renilson	Jim Harries
Bill Campbell	Miriam Thorne
Andrew Holmes	Steven Bell
Matthew Crosse	Geoff Gilbert
Donald McGougan	Susan Clark
Graeme Bissett	David Crawley
James Papps	Colin McLauchlin

Apologies: James Stewart

- 1 Review of previous minutes and matters arising
- 2 Presentation:
  - Progress and issues – WG
  - OGC gateway review – SC
  - Governance, funding and financial close programme – GB
  - MUDFA / Network Rail – SB
  - Design – DC
  - Procurement and negotiations and recommendations on costs for 1a / 1b for FBC – GG / MC
  - Value engineering and Final Business Case – JMCE / MT
  - Legals, contracts and programme – SC
  - Communications and media – CMcL
  - IPR – SC
- 3 Project Director's progress report for Period 6 - Papers:
  - Project governance
  - SDS update including claims resolution
  - Tram funding and budget strategy
  - Public Realm and Tram
  - FBCv1 – Executive Summary & Roadmap from DFBC (sent out separately)
- 4 Sign off criteria – update
- 5 CEC contribution
- 6 CEC / TEL recharges
- 7 Date of next meeting / additional meetings
- 8 AOB

**Edinburgh Tram Network Minutes**

**Tram Project Board**

**05 September 2007**

**tie offices – Citypoint II, Brunel Suite**

<b>Principals</b>		<b>Participants:</b>	
David Mackay	DJM (chair)	Matthew Crosse	MC
Willie Gallagher	WG	Graeme Bissett	GB
Donald McGougan	DMcG	Steven Bell	SB
		Bill Campbell	WWC
		Duncan Fraser	DF
		Susan Clark	SC
		Geoff Gilbert	GG
		Alastair Richards	AR
		James Papps (for James Stewart)	JP
		Miriam Thorne (minutes)	MT

**Apologies:** Neil Renilson, Andrew Holmes, James Stewart, Jim Harries, Jim McEwan

<b>1.0</b>	<b>REVIEW OF PREVIOUS MEETING</b>	
1.1	The previous minutes were taken as read.	
<b>2.0</b>	<b>Matters arising</b>	
2.1	DJM requested that, as previously agreed, CEC should provide a periodic report on progress to realise the £45m CEC contribution.	
2.2	WG explained that a letter of comfort to the Infracore bidders was no longer required at this stage.	
<b>3.0</b>	<b>Progress presentations</b>	
3.1	WG provided a brief overview of the presentations to the Board and the progress made since the last TPB – this would cover the critical workstreams of the project and the PD's progress report should be taken as read.	
<b>3.2</b>	<b>Funding and approvals</b>	
3.2.1	GB provided an update on progress based on the previous TPB presentation. Key items discussed were: <ul style="list-style-type: none"> <li>- Period progress meetings between CEC / TS;</li> <li>- Governances structures;</li> <li>- Approval processes;</li> <li>- FBC; and</li> <li>- Funding requirements.</li> </ul>	
3.2.2	<u>Period progress meetings</u> DMcG stated that the date for the 1 <sup>st</sup> meeting was now set. However, no feedback had been received from TS as to details of the agenda or level of attendance. CEC and the TPB remained committed to keep the	

	discussion at a high level with support provided by <b>tie</b> and TEL as necessary.	
3.2.3	WG stressed the importance of providing TS with sufficient information to enable the approvals timescales and permit achievement of cabinet endorsement of the FBC v1 and preferred bidder selection in October.	
3.2.4	<u>Governance:</u> GB stated that details of the operating agreements for <b>tie</b> and TEL were required for the FBCv1. The Board was informed that the agreement for TEL was nearing completion and would be shared with the Board as soon as possible.	DF
3.2.5	DMcG stated that the new CEC internal tram subcommittee was not designed to be another layer of decision making, but he would confirm the remit by the next TPB.	DMcG
3.2.6	GB provided a summary of the current tram internal governance structure. It was confirmed that the governing committees were formal board sub-committees. The Board noted there was no CEC representation on the Procurement Sub-committee and requested that DMcG should attend.	DMcG
3.2.7	The Board agreed that the Legal Affairs Committee was the correct forum to review risk allocation as per the contracts and confirm the adequacy of the risk allowances.	
3.2.8	GB also confirmed the role of the bid evaluation panel as the selection forum for the Infraco and Tramco bids, whose decision could be approved or rejected, but not overturned.	
3.2.9	<u>Approvals:</u> GB stated that, as part of the agreed approvals process, the OGC3 Gateway review had now been scheduled and would be undertaken by the same team that had been previously engaged. It was confirmed that cabinet approval for future funding would be required but no feedback had been received from TS as to details of their approval requirements. However, WG highlighted his high level discussions and the expected changes in management style.	
3.2.10	<u>FBC:</u> GB confirmed the principles for the FBCv1 were: <ul style="list-style-type: none"> <li>- Business case for Phase 1a as standalone with information on 1b;</li> <li>- Funding considerations focus only on committed funding of £500m from TS and £45m from CEC;</li> <li>- An outline update was performed for the "no-EARL" scenario;</li> <li>- The DFBC would be changed as little as possible; and</li> <li>- Previous tax and corporate structuring assumptions were still valid.</li> </ul>	
3.2.11	DMcG stressed that, in light of a new administration, the FBC still needed to "sell" the project, i.e. why trams. He emphasised that this message should not be understated and requested <b>tie</b> support to briefings of the elected members. WG confirmed his commitment to personal involvement in this work to present what trams will mean to Edinburgh.	
3.2.12	<u>Funding – Grant Letter:</u> GB stated that a draft of the grant letter, developed in collaboration by <b>tie</b> / TEL / CEC had been sent to TS, as previous drafts had excluded a number of significant issues. A meeting would be held with TS prior to the next TPB to agree these matters.	

3.2.13	<u>Funding - Pre-close requirements:</u> GB provided a presentation on the potential funding requirements prior to financial close. The reason for this was that the original grant of £60m had been based on financial close in October 07. The delays during the summer due to the project review had caused some slower spend. However, to maintain the current programme, further expenditure commitments were required prior to financial close.	
3.2.14	GB stressed that there were good reasons for early mobilisation of the chosen preferred bidder to maintain the overall construction programme. Precise details of the amounts required were not known at this stage of the negotiations, but an order of magnitude of £5m-10m was indicated.	
3.2.15	The project had prepared proposals on how to manage the funding constraints to financial close and these will be closely monitored by the Board. It was stressed that if financial close was delayed, additional funding would be essential.	
3.2.16	It was highlighted that the current commitment profile included considerable sums for risk, primarily for MUDFA related risks. As time progresses, the crystallisation of these prior to financial close would become less likely, but the full risk content had to be included currently.	
3.2.17	DJM questioned what the implications on budget would be if financial close was delayed and borrowing would be required to cover the funding gap as well as what the legal implications would be in case of termination.	
3.2.18	The Board agreed that consideration should be given to promote different drawdown points on the grant if financial close was delayed for good reasons and a funding gap arose. As the Infraco deal would be known by 25 Oct, it should be possible for TS / CEC to come to an informal arrangement on how to cover any cash-shortfalls arising from normal operating matters.	
3.2.19	GB to prepare details of how and by whom the process would be managed.	GB
3.3	<u>Procurement</u>	
3.3.1	MC outlined the progress made on procurement for Infraco and Tramco. This included sharing of detailed information with Infraco, receipt of their BAFO, conclusion of negotiations with Tramco and start of preparing the deal packages which would cover all commitments made during the negotiations. He also confirmed that the current timescales still appeared broadly achievable.	
3.3.2	MC presented a short summary on the selected preferred Tramco bidder and requested approval from the TPB of the selection.	
3.3.3	DJM questioned why there was such an apparently large price difference between the two Tramco bidders. MC explained the key reasons were CAF's desire to break into the low-floor market and establish a flagship project in a mature western market. Their other major projects were in Bilbao, Seville and Malaga. He stated their technical aspects were superior to the other bidders and they provided better deals on supply and maintenance as well as on warranties.	
3.3.4	AR confirmed that both NJR and Transdev were fully supportive of the recommendation. Additionally, MC explained, the Infraco bidders were fully informed of the selection and had expressed no reservations.	

3.3.5	DJM questioned the ratio of passengers standing vs seated. AR provide the following details: CAF 80 seated 178 standing Resulting in 258 passengers per tram. This results in 160% capacity uplift to modern double decker buses with only a small reduction in the seating / standing ratio. WG also highlighted that there was an increased acceptance of standing on shorter journeys as experienced e.g. along Leith Walk. Additionally, the distribution of luggage space was enhanced plus added security provided by the fact that at times of low usage, half of the tram could be closed off.	
3.3.6	The Board agreed that the selection should be kept confidential for the moment, but that it would be advantageous to announce it prior to the next Council meeting. It was concluded that the TEL Board would be informed following this TPB meeting and formal announcements including press briefings would be undertaken in two weeks time.	
3.3.7	The TPB formally approved the recommendation of the Procurement Subcommittee to select CAF as the preferred Tramco bidder.	
3.4	<u>Value engineering</u>	
3.4.1	SB provided an update on the status of the VE exercise. He confirmed significant progress had been made in teasing out defined actions, particularly in relation to structures. He also confirmed that scope was being zealously protected.	
3.4.2	DMcG raised concerns about the impact of VE on the Infraco contracts. He requested assurance that items would not be removed to achieve VE targets which would have to be re-introduced at greater costs at a later stage. SB stated this risk was being managed through the close involvement of CEC in all decisions and that there was an acceptance that some items may have to remain open post-preferred bidder selection. DF also confirmed that CEC had also developed enhanced procedures to deal with prior approval issues.	
3.5	<u>MUDFA</u>	
3.5.1	SB gave a brief update on progress with MUDFA. Particularly, he highlighted that IFC's remained an issue and that he had issued instructions to ensure a four week window for IFC delivery was maintained to manage any safety risks. WG confirmed the matter was discussed in detail at the MUDFA sub-committee and a strong message had been sent to SDS.	
3.6	DF questioned whether there were any matters arising in regards to communication issues to the public – SB to follow up.	SB
3.6.1	DJM questioned whether the matter of the piling wall at the A8 had been resolved. SB explained that final design was outstanding, although there was a growing likelihood this work would not be required.	
3.6.2	Overall, the Board was informed that the incentivisation arrangements now in place provided significant opportunities for VE in cost and programme terms. There was no indication that the utilities were seeking to include any betterment in the works and no further risk to programme or costs have been identified.	
3.7	<u>SDS – progress</u>	



3.7.1	MC confirmed that all potential critical issues were being considered on a line by line basis and no further negative feedback had been received. He explained that the design review process had now started – this would focus on critical areas and had a sample size of 10%, which is significantly higher than industry averages.	
3.8	<u>SDS – claim</u>	
3.8.1	GG outlined the key features of the proposed commercial settlement of the SDS claim. These include payments of parts of the claim on achievement of pre-defined milestones. This also addresses future performance issues.	
3.8.2	JP questioned whether tie had prepared a counterclaim which remained on the table. It was explained that no formal counterclaim had been prepared. Legal advice had confirmed that it would be difficult to achieve a quick settlement through these channels, thus a commercial settlement was proposed. However, sufficient notice had been given to SDS in the past to build up a formal counterclaim if it was required in the future.	
3.8.3	DF queried whether settling the claim would remove frustration – GG confirmed that under the terms of the settlement, SDS could not walk off the job. Additionally the strong message was send to SDS that achievements of the current programme are essential to keep the project going.	
3.8.4	AR questioned how settlement of the claim and the requirements which tie has on SDS delivery to support, e.g. the TRO process, would be dealt with under novation. GG explained that the contract could be split accordingly. Any future performance issues would be dealt with separately, including penalties for lack of delivery to programme and dispute clauses for future slippage.	
3.8.5	DJM requested that a clearer link should be provided between commitments under the claim settlement and progress against programme, including details of the design due diligence programme.	SB
3.8.6	The Board was informed that the legal terms of the settlement would be drafted by Andrew Fitchie of DLA and the TPB confirmed that it approved the settlement based on the information presented.	
3.9	<u>Programme</u>	
3.9.1	SC provided a programme update. She requested that information was provided from CEC on their programme for engagement with stakeholders.	DF
<b>4.0</b>	<b>Cycles on trams</b>	
4.1	AR presented the paper on cycles on trams, which was based on research undertaken by tie, TEL, Transdev and CEC. It concludes that for safety reasons, cycles should not be carried on trams. However, TEL was committed to provide as much alternative integration with cycles, e.g. provision of cycle storage at tram stops where possible.	
4.2	DMcG confirmed discussions were ongoing with SPOKE, the cycling lobby group, on initiatives such as cycle loan facilities and that a wider information package on the issue should be prepared.	AR / DF / MCon

FOISA exempt  
 Yes  
 No

<b>5.0</b>	<b>IPR 2</b>	
5.1	SC gave a verbal update on the current status and asked the Board to note that the current change notice for the provision of funds for temporary facilities would be cancelled but funding would be required for the permanent measures. An appropriate change request would be raised.	SC
<b>6.0</b>	<b>AOB</b>	
6.1	WG questioned how CEC will deal with information and briefing requests from stakeholders. He cited the request for information received by <b>tie</b> from Sir Terry Farrell as an example. DF stated this request had arisen from a CEC internal information gap and steps were being made to close any such information gaps. He committed to provide details of the programme for the required briefings.	DF
6.2	DJM questioned the status of agreement on Picardy Place. DF stated that final SDS design had not been received and that meetings were ongoing to resolve the outstanding issues. He expected resolution by the 7 Sept. and would provide feedback to the TPB.	DF / AH
6.3	DJM questioned comments received that additional £5m funding from CEC may be available over and above the £45m contribution to cover such design changes. MC stressed that any features outside the DFBC scope would constitute a change and required additional funding.	

Prepared by Miriam Thorne, 24 Sep. 07

## 1 Executive summary

### 1.1 Previous period update

#### 1.1.1 Commercial and procurement

##### Infraco / Tramco

- The Infraco and Tramco procurements are proceeding to the new programme with a view to delivering a recommendation by 10<sup>th</sup> October. It should be noted that in order to maintain the overall completion of the Phase 1a at 1<sup>st</sup> quarter 2011, advance mobilisation of Infraco and Tramco in November 2007 will be required. Advance works at the depot also supports this goal. Detailed proposals for the early mobilisation work and commitments required are currently being sought from Infraco bidders.
- The negotiations and evaluation of the Tramco bids is now complete with CAF selected as the preferred Tramco provider. Conclusions of the evaluation were presented to the Tram Project Board Procurement Sub Committee on Thursday 30<sup>th</sup> August.

##### MUDFA

- Preparation of MUDFA prices and programmes and their agreement with AMIS for the work packages is ongoing.
- Outstanding commercial discussions with AMIS made progress.
- A proposal for incentivisation of the MUDFA works orders and preliminaries has been discussed and agreed with AMIS. The final wording is being prepared and tie is currently considering how this will be formalised and incorporated in the MUDFA agreement.

##### SDS claim

- Last period the board authorised the draft settlement with SDS, subject to SDS agreement of the formal legal settlement.

#### 1.1.2 Approvals / governance / funding

##### Governance and management

- A Legal Affairs Committee was established as a sub-committee to TPB. The remit of the group is to ensure progress is being made on all CEC legal issues and to steer the project through the formal approvals required in terms of contracts and the Final Business Case.
- The TS project review through 4 weekly meetings with CEC is now operational.

##### OGC3

- The OGC3 Readiness Review has been set up and this will commence during the next period.

Final Business Case

- The FBC version 1 has been prepared and will be presented to the Board this period.
- All stakeholders have been involved in the dialogue to date and coordination around and support to this agreed programme of approvals is essential to avoid delay and additional costs for the project.

Grant award letter

- A meeting has been held between TS, CEC and tie where progress was made with many key issues now agreed. Although TS stated a desire to provide funding for Phase 1a only at this stage, discussion is ongoing to secure funding for Phase 1b.
- Another key issue outstanding is protection for CEC against cost escalation arising from government action.

**1.1.3 Design and engineering**

Critical issues

- Critical issues have now been eliminated. However, significant issues which arise are being progressed and cleared at weekly meetings, before they become critical. Currently there are six significant issues being progressed to clearance – these are detailed in a separate paper to the Board.

Design review process

- Formal design reviews have now started and the process has been further refined to maximise stakeholder buy-in. The review sessions are held weekly and provide the means whereby all stakeholders can see what has been produced by SDS, why it has been produced in a certain way, allow discussion with SDS and permit tie to give direction on any emerging differences between expectation and offering. The deliverables programme from SDS is proving to be very close to expectation

Value engineering

- Finalisation of VE is progressing and savings being realised. Effort has been concentrated this period on trackform and structures where significant savings can be realised. Support is required from CEC in order to deliver savings in respect of structures. Both Infracore bidders have also identified that this as an area for substantial cost savings.
- The current status, in financial terms, is as follows:

Opportunities "banked"	£ 10.8m
Opportunities to be investigated	<u>£ 24.1m</u>
Overall opportunities identified	£ 34.9m

#### 1.1.4 MUDFA

- Generally MUDFA site works made good progress despite a cable near miss and the late delivery of some design drawings. Works commenced in earnest on Leith Walk (section 1B).
- Some statutory utility design works are forecasting late submission. This is being escalated with the statutory utility companies (Openreach).

##### Section 1A Ocean Drive

- With the lifting of the August embargo works on road sections recommenced. Road crossings at roundabout section are ongoing for completion by October 12 2007 – prior to the commencement of the Forth Port winter embargo (October 13 2007 – end of January 2008).
- Recent realignment of tramline at bottom Constitution Street has resulted in redesign requirements in this area. Construction within this area has been stopped. No abortive works have been incurred but recommencement in this area is not anticipated prior to February 2008.

##### Section 1B Leith Walk

- Diversions works commenced 3<sup>rd</sup> September 2007 on the northbound carriageway of the McDonald Road to Iona Street section, Leith Walk. Trial hole work is continuing along the southbound carriageway. Difficulties are being experienced obtaining sufficient space for diverted utilities within McDonald Road due to the volume of services encountered. The delivery team are reassessing local design solutions for this section.

##### Section 5A Russell Road

- Works halted within section due to exposure of 132KV Transmission lines during investigatory work on locating Telecom chambers at road crossing positions. Subsequent site inspection by Scottish Power confirmed no damage to cables and, following satisfactory protection measures, confirmed works could proceed. However, this was not permitted until an internal investigation was carried out and an action plan implemented to prevent recurrence. This was led by the Construction Director due to the potential severity of the incident. Works recommenced on the 4<sup>th</sup> September 2007 and progress has been good despite this initial setback.

##### Section 6 (utilities) Gogar depot

- Preparatory works to allow slewing of the 700m section of C & W cable / ducting has been complete. The revised 250mm diameter water main diversion has been accepted, in principle, which reduces diversion significantly. Scottish Water has accepted the 800mm diameter single water main diversion. This obviates the need for an alternative A8 crossing in addition to reducing material quantities by almost 50%.

### 1.1.5 Delivery

#### Advanced works

- Phase 2 of advance earthwork operations are progressing well and the initial stage of the works are complete (the works required to allow the utility diversions to commence). Earthwork operations during the service diversions will be minimised and exportation off-site will be temporarily suspended. 68,400 m<sup>3</sup> of material has been removed to date within Phase 2.
- The position of depot has been amended to reflect the removal of the piled retaining wall adjacent to the A8. Some abortive earthworks has occurred (Phase 1), but this is minimal and has been restricted to the SW corner of the site.
- The third cycle of Invasive species treatment was successfully carried out.

#### IPR2

- IPR2 – The IPR Steering Group approved the award of a contract.
- The TPB approved the transfer of £300k for the temporary car park to be used as a contingency for IPR2.

#### Land and property

- The BAA lease is almost concluded. It is expected that the agreements will be signed in Period 7.
- The NR license / lease negotiations are now progressing with documents currently in draft form. The depot / station change process needs to be agreed by all stakeholders before NR will conclude the lease. The Asset Protection Agreement is close to finalisation.
- Tranche 4 of the GVD notices was issued in the period, leaving one final tranche to be issued in December.
- Forth Ports negotiations are underway concluding design matters. Land and property arrangements are expected to be agreed by the end of October 2007.

#### Network Rail

- The agreement framework for undertaking any necessary equipment relocations and immunisation has been set out.
- tie's Project Manager for this work is progressing the detailed agreement of the scope, technical testing and modelling and implementation programme and costs.
- Currently NR are acting constructively to agree the minimum interventions necessary.

#### Traffic management

- Work continued on the preliminary design of the tram route TROs. The design is concentrating on sections of the route considered to be at low risk of further change within the tram design finalisation process.
- The traffic modelling of the route (and wider area) is continuing, incorporating the current junction designs and testing alternative scenarios to inform the final design process (including any necessary wide area measures). The most

significant issues relate to the pm peak and work is being focussed on that issue.

- The finalisation of traffic modelling will include any necessary changes to wider area traffic arrangements that are indicated as being beneficial to the public.
- Emerging results from the High Level traffic model (which covers the full extent of the city) indicate that whilst there will be a significant reduction in traffic volumes at key locations along the tram route, this traffic will be dispersed and diluted over a wide area, rather than being concentrated at one or two off-line junctions. Several locations where some form of intervention to improve the flow of traffic through off-line junctions have been identified, and the final design will incorporate capacity improvements as necessary and included within the definition of the TRO.

#### Public Realm

- A paper is included in this periods report to the TPB costing the public realm works for the prioritised section of the route (Leith Walk) against the limited funds that will be available in the period to April 2010.

#### **1.1.6 Health, safety, environment and quality**

- One accident was reported in period – a Tram Helper sustained a leg injury crossing the road. No time was lost and the accident frequency rate for the project (AFR) remains 0.00. Three incidents were reported in the period, repairs were carried out and toolbox talks and briefings undertaken.
- One near miss was reported – a high voltage transmission cable was exposed while undertaking excavation. There was no damage to the utility, the event was investigated and recommendations have been agreed. Four site inspections undertaken in the period, two at the Gogar depot and two at utility work sites.

#### **1.1.7 Stakeholder and communications**

- Thanks to the ongoing efforts of the stakeholder liaison team in keeping local businesses and residents informed of planned construction work and traffic management, there has been no media coverage regarding disruption being caused by MUDFA work.
- Major activity is in progress to communicate with the areas affected by the initial MUDFA works. Almost 3,200 customer packs and notification letters have been issued.

#### **1.2 Key issues for forthcoming period**

- Approval of the Tramco and Infracore preferred bidders;
- OGC3 Gateway review;
- Presentation of draft FBC Version 1 to TS;
- Meeting required between TS and CEC to agree funding letter;

- SDS programme for IFC drawing issue – significant risk to maintaining continuity of work for MUDFA team;
- Lease and license agreements to be finalised with NR;
- Scottish Power (SP) have issued a revised draft of the proposed Agreement with **tie**, amending the contractual responsibility for carrying out and completing the required cable jointing works from SP to **tie**. This issue is being discussed between Directors of SP and **tie** with a view to resolution as soon as possible;
- Scotia Gas Network (SGN) have intimated that the MUDFA rates and prices are greater than they had expected, as a result the approval of the proposed gas diversion designs may be delayed or withheld. The issue is being discussed between Directors of SGN and **tie** with a view to resolution as soon as possible;
- Network Rail immunisation and equipment relocation agreements to be progressed as programmed;

**1.3 Cost**

	COWD Period	COWD (YTD)	COWD YTD + forecast to year end	AFC
Phase 1a	£ 4.7m	£37.2m	£164.1m	£501.8m
Phase 1b	£ 0.3m	£ 1.1m	£ 1.4m	£ 92.0m
Phase 1a+1b	£ 5.0m	£38.3m	£165.5m	£593.8m

- The COWD in the period relates primarily to the continued development of design, ongoing advance works at the Depot and MUDFA street works.
- Costs for Phase 1b relate purely to finalising design works as previously agreed by the Board.
- The forecast COWD for the year includes a total of £18.7m in relation to land costs, reflecting the latest valuation by the District Valuer.
- The COWD forecast for the year also includes allowances for further advance works in October, as per the assumptions underlying the Procurement Programme.

**1.4 Programme**

- The critical path is becoming clearer as the programme develops. Key critical areas are:

Design:

- Weekly meetings are being held between SDS and MUDFA to assess design progress.
- Barry Cross is leading on design issues related to Forth Ports and the SRU.

Network Rail immunisation works are showing as near critical.

MUDFA works between Ingliston Park and Ride and the airport and those in St. Andrew Square are showing critical in the current programme:

- Further meetings were held during the period to integrate St. Andrew Square re-alignment / re-prioritisation works with CEC streetscape works and MUDFA.



- An update of mitigation will be provided next period with Rev 6 of the MUDFA programme.

Infraco areas showing critical include the depot building and access bridge, section 5a around the structures at Murrayfield and section 7 test track activities:

- The advance works at the depot prior to Infraco commencement are a key component to ensure completion in 1<sup>st</sup> quarter 2011.

#### **1.5 Approvals / decisions / support required**

Decisions / support required from TS

- Support to implement Infraco and Tramco mobilisation and advance works contracts to avoid extending programme with attendant additional costs.
- Finalise draft funding agreement for Project.

Decisions / support required from CEC

- Support for changes to major structures to deliver value engineering savings.
- Review and agreement of Infraco and Tramco terms and conditions by CEC legal.
- Co ordination of input from CEC to optimise constraints for on street working.
- Support to deliver approvals to Business case to meet the Project programme.
- Resolution of Forth Ports Bridges walkways issue within Project parameters.
- Support to obtain funding from Forth Ports for revised Lindsay Road scheme and other changes on the Forth Ports estate.
- Agree terms of lease between CEC and **tie**.
- Finalise draft funding agreement for Project.
- Finalise operating agreements between CEC & **tie** and CEC & TEL.

**Appendix A Procurement milestone summary**

Board date	Milestone	Due date	Delivered date	Comment
12 <sup>th</sup> July	Conclude initial review	03/07/07	05/07/07	
	Return of Update Package 3	06/07/07	07/08/07	
	Initial normalisation of price	15/06/07	29/06/07	
	Draft evaluation	10/07/07	14/09/07	
9 <sup>th</sup> Aug	Conclude negotiation of contract terms	17/07/07	Ongoing	Few remaining items will be concluded by 25/09/07
	Infraco final bid proposals	07/08/07	07/08/07	To be finalised by 17/08/07
	Updated evaluation	09/08/07	12/09/07	Excludes commercial
5 <sup>th</sup> Sept	Conclude negotiations with bidders	27/08/07	14/09/07	
	Presentation of evaluation to evaluation panel	02/10/07		
	Presentation of evaluation to TPB Procurement sub committee	02/10/07		
26 <sup>th</sup> Sept	TPB update on Procurement and FBC	26/09/07		
	OGC 3 Gateway review – final report	05/10/07		
10 <sup>th</sup> Oct	TPB Endorsement of preferred bidder recommendation and FBCv1	10/10/07		
31 <sup>st</sup> Oct	Conclusion of final facilitated negotiations	25/10/07		
	Conclusion of negotiations for final deal	25/10/07		
	CEC Council meeting to endorse recommendation	25/10/07		Approval to recommendation pulled forward to Council meeting 25/10/07
	Conditional Award – mobilisation	01/11/07		
28 <sup>th</sup> Nov	Conclusion of due diligence on critical design items	19/11/07		
	Conclusion of negotiations for Phase 1b option	27/11/07		
19 <sup>th</sup> Dec	Conclusion of due diligence on non critical design items	17/12/07		
	Approval of final deal by TPB sub committee	17/12/07		
	Transport Scotland approval of conditional recommendation	21/12/07		
23 <sup>rd</sup> Jan	CEC and TS approval of Final Deal	10/01/08		Full Award approval by Council

**Transport Edinburgh**  
**Trams for Edinburgh**  
**Lothian Buses**

FOISA exempt

Yes  
 No

	Issue Of Contract Award Notice	11/01/08		20/12/07
20 <sup>th</sup> Feb	Financial Close	28/01/08		Award of Infraco and Tramco and effect novations

**Appendix B Headline cost report**

**Current financial year**

	COWD (YTD)	COWD YTD + forecast to year end	Funding TS authorised current year	COWD YTD + forecast to period 7 (covered by current grant letter)
Phase 1a	£38.3m	165.5	£60.7m <sup>2</sup>	£45.4m
Phase 1b		- <sup>1</sup>	- <sup>1</sup>	- <sup>1</sup>
Phase 1a+1b	£38.3m	£164.1m	£60.7m <sup>2</sup>	£45.4m

**Note –**

- 1) Phase 1b design costs are to be expended against Phase 1a budget as agreed by the Tram Project Board.
  - 2) This excludes the £10.6m grant carried over from 06/07 for Land purchases
- The COWD YTD includes £12.7m in relation to land purchase, a net reduction of £0.6m from last period as a result of revaluation of plots and removal of plots now no longer required for purchase. The COWD figure includes CEC, s.75 and third party land acquired under the GVD process. In addition to ongoing project management costs and the continued development of the design, further key items within the COWD YTD are:
    - Depot advanced works (£4.1m)
    - MUDFA works (£8.3m).
 All are within budget.
  - The forecast COWD to the end of the current financial year has increased by £43.4m. This increase reflects the anticipated expenditure for commitments under the Infraco and Tramco milestone schedules. These commitments relate primarily to procurement orders for steel, aluminium and copper as well as related products. Placement of these orders significantly mitigates inflationary risks. Other activities under the milestone payment relate to site-set up and mobilisation activities.
  - Prior to the suspension of the Phase 2 advanced works at the depot they were ahead of programme with 68,400m<sup>3</sup> excavated against a planned 52,500m<sup>3</sup>.
  - The full forecast cost for the year is aligned to the assumptions underpinning the procurement programme and remains sensitive to the extent of advanced works undertaken prior to the award of Infraco.

**Next financial year**

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total FYF
Phase 1a	£21.0m	£30.4m	£19.7	£44.8m	£115.9m
Phase 1b	£5.0m	£1.2m	£2.1m	£3.0m	£11.3m
Phase 1a+1b	£26.0m	£31.6m	£21.8m	£47.8m	£127.2m

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

works in February 08. The other key element is the timing of the first milestone payments to Infraco – see above for details.

The actual Infraco and Tramco profiles for 08/09 – other than for mobilisation and securing of commitments as outlined above - is still under negotiation with the bidders. The forecast will be updated in the next period to reflect the selected preferred bidders' profiles.

Forecasts for Phase 1b (if approval is received) in 08 / 09 relate to finalisation of the SDS design, acquisition of land, and costs for utility diversions, and risk allowances. The phasing of amounts for utility diversions and the risk allowances in particular will be impacted by when the decision whether to go ahead with Phase 1b or not is taken by CEC. The profile will be updated initially following selection of the preferred Infraco bidder and further updates are anticipated following Council review of the FBC.

**Total project anticipated outturn versus total project funding**

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

The recent ministerial announcement on funding confirmed the position.

Notes:

1. Includes £6.5m of CEC / s.75 free issue land as per the most recent DV valuation.
2. £3.3m of CEC / s.75 free issue land are included in £45m funding from CEC.
3. Includes £2.5m of design costs for Phase 1b, to be expended against Phase 1a funding.

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

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

**Change control**

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

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

The Project baseline estimate is held at DFBC level. The overall project estimate has been confirmed by the bid information received to date, and it will be updated following confirmation of the selection of the preferred Infracore bidder. The above forecast does take account of the internal budget review undertaken in previous periods, which included the impact of organisational changes in tie following the ministerial announcement on tie's other projects.

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

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

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

There are a number of areas where, through the design and consultation process, additional requirements from CEC and 3<sup>rd</sup> parties have emerged that have the potential to increase the costs of the tram project. These costs are neither included in, nor justified by the core budget above. The core budget as set at the DFBC stage, and its funding by CEC and Transport Scotland, was clearly defined and is based on the tram system that falls within the Limits of Deviation (LOD) identified in the Tram Acts and in accordance with the requirements function specification.

The impact of such potential changes is currently being assessed in value terms. The acceptance and inclusion of these items in the scheme will, all other things being equal, result in an increase in the AFC, requiring either additional funding or increased savings through value engineering to maintain affordability.

**Summary breakdown**

**Original estimate (including escalation)**

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

**Latest estimate / AFC (including escalation)**

	Base cost	Risk	Opportunity	OB	(or)Contingency	Total
Phase 1a	£450.4m	£51.4m	£0 <sup>4</sup>	£0 <sup>2</sup>	£0 <sup>3</sup>	£501.8m <sup>5</sup>
Phase 1b	£ 80.5m	£11.5m	£0 <sup>4</sup>	£0 <sup>2</sup>	£0 <sup>3</sup>	£ 92.0m
Phase 1a + 1b	£530.9m	£62.9m	£0 <sup>4</sup>	£0 <sup>2</sup>	£0 <sup>3</sup>	£593.8m <sup>5</sup>

Notes:-

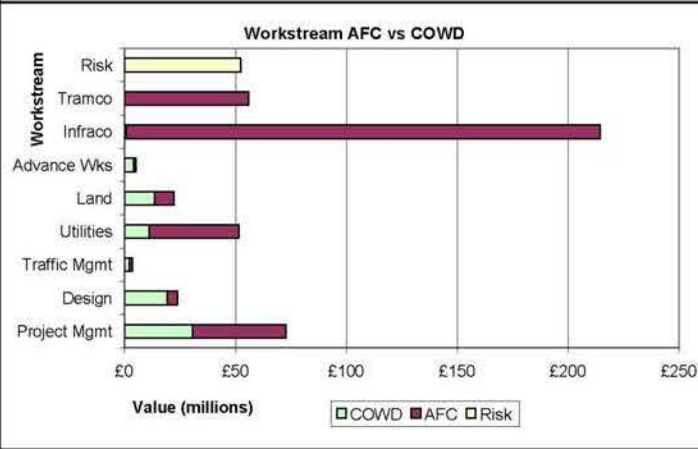
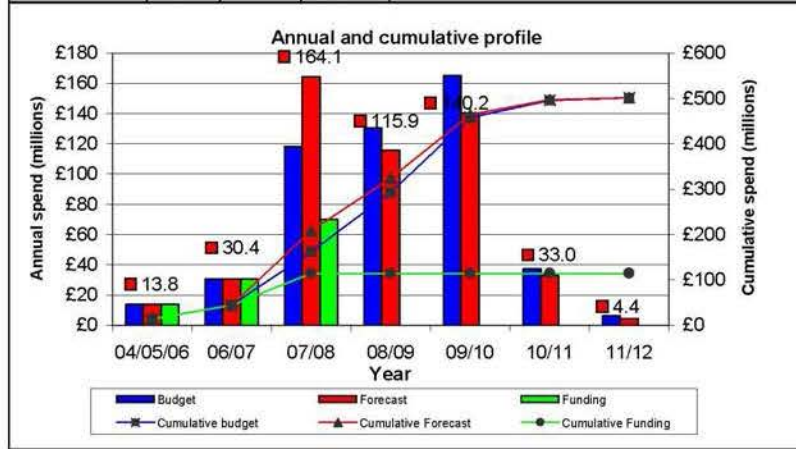
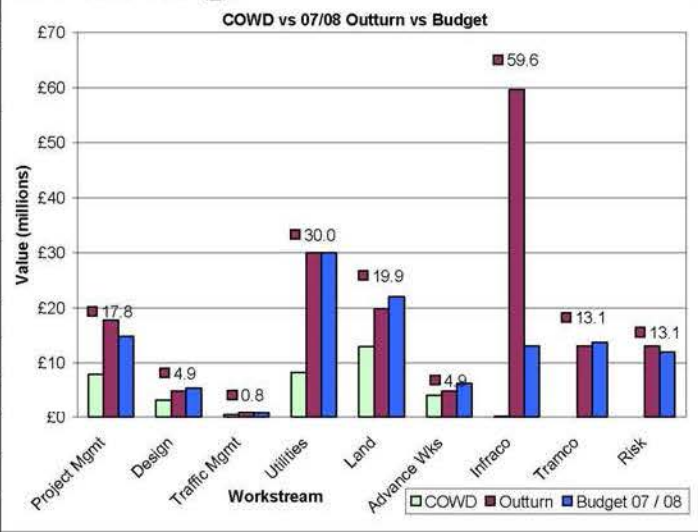
1. Opportunities identified at DFBC stage were taken into the DFBC estimate.
2. OB included in risk (QRA at P90 confidence level) as agreed with TS
3. Contingency included as part of risk at present
4. Opportunities in latest estimate / AFC – savings targeted through the current value engineering exercise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

FOISA exempt

**Phase 1a only**

Yes  
 No

Period 6 - 07/08 COWD (£000s)				
Workstream	F/cast	Act	Var	Comments
Project Mgmt	1,163	967	(195)	
Design	816	(227)	(1,043)	Reflects final settlement with SDS on historical changes & delay due in agreed design solution at: 1. Forth Ports - Lindsay Rd, Ocean Terminal, Ocean Drive Bridges and 2. CEC - Picardy Place.
Traffic Mgmt	97	60	(37)	
Utilities	3,644	3,278	(366)	Continued reduction in projected turnover as commencement of works delayed and trial holes undertaken.
Land	75	(422)	(497)	Plots removed from scheme & reduced valuations on several plots.
Advance Wks	487	1,063	575	Phase 2 excavation works at Depot ahead of programme.
Infraco	20	20	0	
Tramco	0	0	0	
Risk	0	0	0	
<b>Total</b>	<b>6,301</b>	<b>4,739</b>	<b>(1,562)</b>	





## Appendix C Risk and opportunity

### **Summary**

#### MUDFA

A review of the MUDFA risk register was carried by the Project Risk Manager and the Construction Director. Each risk was reviewed and the register is now up to date.

#### Risk v estimate review

The full project risk register was reviewed by the Project Risk Manager and the Estimate Manager to ensure that there is no allowance against any risks where there is money in the estimate for the same event.

#### Network Rail risk workshop

A risk workshop was held to identify all risks which may occur during construction, testing and maintenance which may have an adverse impact upon NR operations. These have been added to a new register and control plans are in the process of being identified.

#### CEC – Risk matrix

A presentation was given to CEC on the project's risk management processes. There was a further meeting to illustrate to CEC how we intend managing those risks which will remain as public sector risks once the Infracore contract has been awarded.

### **Review project risk register**

The updated primary risk register is enclosed

#### **1.5.1 The principal changes in the risk position since the last period are:**

Risks Opened	8
Risks Closes	9
Risks Reassessed	6

#### **1.5.2 Risks added**

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

- ***Funding agreement between CEC and TS not concluded and financial close cannot be achieved.***

- There are a number of areas where agreement may not be reached thereby triggering this risk. These include scope of project, quantum of funding, rate of release of funding and reporting standards and frequency. This risk will be addressed by negotiating mutually acceptable terms between CEC and TS in the context of the new Award Letter.
- **OGC Gateway 3 Review does not take place timeously or identifies material weaknesses.**
  - Should this risk arise the future of the project could be placed in jeopardy. This risk is being managed through a comprehensive planning process for the review. This includes an internal review process which will assess compliance ahead of the formal review.

### 1.5.3 Risks closed

Of the risks closed in the period the most significant ones were:

- **Delay in utilities diversion programme as a result of exceptional weather.**
  - This risk was closed as AMIS are responsible for all weather conditions up to a 1 in 10 year event and OCIP will provide cover for instances worse than this.
- **No works advance signing strategy on approaches to MUDFA works sections.**
  - This risk was closed as a signing strategy is now in place.

### 1.5.4 Risks reassessed

Of the risks reassessed in the period the most significant ones are:

- **Construction causes damage to 3<sup>rd</sup> party property**
  - This risk was amended to remove the capex impact which had been identified as the financial exposure of the risk will be provided for under the OCIP.
- **Statutory utility companies unable to meet design approval / acceptance turnaround time to meet programme**

The programme delay impact of this risk was increased to eight weeks.

**Appendix D Primary risk register**

ARM Risk ID	Risk Description			Risk Owner*	Significance	Black Flag	Treatment Strategy	Treatment Status		Date Due	Action Owner
	Cause	Event	Effect					Previous	Current		
139	Utilities diversion outline specification only from plans	Uncertainty of Utilities location and consequently required diversion work/ unforeseen utility services within LoD	Increase in MUDFA costs or delays as a result of carrying out more diversions than estimated	G Barclay	25	None	In conjunction with MUDFA, undertake trial excavations to confirm locations of Utilities and inform designer	On Programme	On Programme	19-Oct-07	A Hill
164	Utilities assets uncovered during construction that were not previously accounted for; unidentified abandoned utilities assets; asbestos found in excavation for utilities diversion; unknown cellars and basements intrude into works area; other physical obstructions; other contaminated land	Unknown or abandoned assets or unforeseen/contaminated ground conditions affect scope of MUDFA work.	Re-design and delay as investigation takes place and solution implemented; Increase in Capex cost as a result of additional works.	I Clark	25	None	Identify increase in services diversions. MUDFA to resource/re-programme to meet required timescales.	On Programme	On Programme	19-Oct-07	J McAloon
							Carry out GPR Adien survey	On Programme	Complete	31-Oct-07	J Casserly
870	SDS Designs are late and do not provide detail Infracore requires	Infracore does not have detail to achieve contract close	Delay to due diligence and start on site and need to appoint additional design consultants	T Glazebrook	25	Project	Review AIPs for Structural Information	Complete	Complete	02-Feb-07	S Clark
							Obtain Design Progress Dashboard from SDS	Complete	Complete	15-May-07	T Glazebrook
							Monitor design progress and	On Programme	On Programme	10-Jan-	T Glazebrook

FOISA exempt

Yes  
 No

ARM Risk ID	Risk Description			Risk Owner*	Significance	Black Flag	Treatment Strategy	Treatment Status		Date Due	Action Owner
	Cause	Event	Effect					Previous	Current		
							quality			08	
915	Policy or operational decision	Transport Scotland and CEC do not provide indemnities on payment	Bidders will not commit to contract without this assurance; Delay in bid process; Possible bidder withdrawal from negotiations and bid process.	G Gilbert		Project	Ensure Transport Scotland understand implication of not providing indemnities and obtain buy-in from them	On Programme	On Programme	15-Aug-07	G Gilbert
916	CEC do not achieve capability to deliver	CEC do not honour funding obligations	Potential showstopper to project if contribution not reached; Line 1B may depend on incremental funding from CEC	S McGarrity		Project	CEC to deliver necessary contributions for 1a	On Programme	On Programme	28-Aug-07	CEC
							CEC has formed a multi discipline Tram Contributions Group to monitor identified sources of £45m contribution including critically developers contributions. tie are invited to that group. (see add info)	On Programme	On Programme	28-Sep-07	CEC
							Tram Project Board to monitor progress towards gaining contributions	On Programme	On Programme	28-Sep-07	D MacKay

FOISA exempt

Yes  
 No

ARM Risk ID	Risk Description			Risk Owner*	Significance	Black Flag	Treatment Strategy	Treatment Status		Date Due	Action Owner
	Cause	Event	Effect					Previous	Current		
995	Failure to reach agreement on funding	Short term funding beyond the existing arrangements of £60m plus 2006-07 rollover of £10.6m cannot be agreed.	Future of project placed in jeopardy	G Bissett		Project	Identify extent and timing of potential shortfall including allowance for cost overrun and short term programme slippage and seek agreement with CEC/TS of funding for the shortfall in the context of the New Award Letter anticipated from TS.	On Programme	On Programme	01-Apr-08	G Bissett
							If short term funding is resisted, assess scope to reduce short term expenditure and the implications for programme and cost. Tram Project Board to determine appropriate action	On Programme	On Programme	01-Apr-08	G Bissett
996	CEC and TS cannot agree on any of the following: Scope of project, quantum of funding, rate of release of funding, contribution percentages, governance arrangements	Funding agreement between CEC and TS not concluded and financial close cannot be achieved	Project unable to proceed	G Bissett		Project	Seek to negotiate mutually acceptable terms between CEC and TS in the context of the New Award Letter	On Programme	On Programme	31-Dec-07	G Bissett
997	Timescale for funding package is unachievable	Components of the funding package cannot be delivered in the necessary timescale	Significant delay which threatens project continuation	G Bissett		Project	Seek agreement that scope of project follows Phase 1a	On Programme	On Programme	31-Jan-08	G Bissett

FOISA exempt

Yes  
 No

ARM Risk ID	Risk Description			Risk Owner*	Significance	Black Flag	Treatment Strategy	Treatment Status		Date Due	Action Owner
	Cause	Event	Effect					Previous	Current		
							commitment				
998	One or some aspects create a tax exposure	Funding arrangements cannot be concluded because a material tax exposure emerges which cannot be resolved	Failure to achieve financial close	G Bissett		Project	Seek advice from PWC timeously to avoid creating funding arrangements, corporate structure or other aspects which create such a tax exposure.	On Programme	On Programme	31-Mar-08	G Bissett
999	Concessionary fare support from TS is insufficient	Extent of concessionary fare support commitment from TS provides inadequate comfort to CEC	CEC withdraw support for FBC and project fails	G Bissett		Project	Negotiate the terms of Government commitment to concessionary fare support to level which is satisfactory to CEC	On Programme	On Programme	31-Jan-08	G Bissett
1000	Failure to prepare for OGC Gateway review	OGC Gateway 3 Review does not take place timeously or identifies material weaknesses	Delay and potential withdrawal of support from CEC and/or TS.	S Clark		Project	Timeous arrangements with qualified team to prepare for review. Internal review to assess compliance ahead of formal review.	On Programme	On Programme	28-Sep-07	S Clark
997	Timescale for funding package is unachievable	Components of the funding package cannot be delivered in the necessary timescale	Significant delay which threatens project continuation	G Bissett		Project	Seek agreement that scope of project follows Phase 1a commitment	On Programme	On Programme	31-Jan-08	G Bissett

FOISA exempt

Yes  
 No

ARM Risk ID	Risk Description			Risk Owner*	Significance	Black Flag	Treatment Strategy	Treatment Status		Date Due	Action Owner
	Cause	Event	Effect					Previous	Current		
998	One or some aspects create a tax exposure	Funding arrangements cannot be concluded because a material tax exposure emerges which cannot be resolved	Failure to achieve financial close	G Bissett		Project	Seek advice from PWC timeously to avoid creating funding arrangements, corporate structure or other aspects which create such a tax exposure.	On Programme	On Programme	31-Mar-08	G Bissett
999	Concessionary fare support from TS is insufficient	Extent of concessionary fare support commitment from TS provides inadequate comfort to CEC	CEC withdraw support for FBC and project fails	G Bissett		Project	Negotiate the terms of Government commitment to concessionary fare support to level which is satisfactory to CEC	On Programme	On Programme	31-Jan-08	G Bissett
1000	Failure to prepare for OGC Gateway review	OGC Gateway 3 Review does not take place timeously or identifies material weaknesses	Delay and potential withdrawal of support from CEC and/or TS.	S Clark		Project	Timeous arrangements with qualified team to prepare for review. Internal review to assess compliance ahead of formal review.	On Programme	On Programme	28-Sep-07	S Clark

Paper to : tie Board, Tram Project Board, TEL Board, CEC  
Subject : Project Governance  
Date : DRAFT - September 2007

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**Edinburgh's integrated transport system  
Project governance – agreed structure, September 2007**

**Background**

The delivery of Edinburgh's integrated transport system has the following key players:

- The City of Edinburgh Council (CEC) was the Promoter of the Tram Bills and is the Authorised Undertaker under the resulting Acts, will be the user of the output from the project and is part-funder of the project;
- Transport Edinburgh Limited (TEL) was created by CEC to oversee the delivery of and then manage an integrated bus and tram system;
- tie is the delivery agent for the tram system as specified by its client CEC acting through TEL; and
- Transport Scotland (TS) is the principal funder.

This paper develops the governance structure from that agreed one year ago. The new structure addresses two phases of the project, being the period to Financial Close (January 2008) and the period of construction. The paper is intended to be a complete picture of the agreed structure for these periods.

The fulcrum of the existing governance structure is the Tram Project Board (TPB) and this key aspect is sustained. Formally, the TPB reports through its Chairman to the TEL Board and exercises powers delegated to it by the Council through TEL. The Project Senior Responsible Owner (SRO) has delegated authority from the TPB and this authority is mirrored in the authority given to the Tram Project Director (TPD), in turn delegated on day to day matters to the senior members of his tram project team. The TPB exercises its oversight responsibilities either directly or through sub-committees, though the committees have had no decision-making powers. The Committee structure continues to be adapted to meet the evolution of the project.

**Reasons for revised structure**

The structure has worked in a disciplined manner, supporting an effective project delivery process which has been favourably commented on by external assessors. The reasons for change at this stage are:

1. Change in the funding responsibilities following the Cabinet Secretary's announcement on 27<sup>th</sup> June 2007, which capped the Government grant at £500m and placed the marginal responsibility for funding on CEC, with two consequences :



- a. The decision by TS to withdraw from routine involvement and to establish an arms length relationship to the project's governance.
- b. The need for CEC to ensure its internal governance relating to the project reflected the change in the balance of funding risk and its responsibilities under the grant award letter.
2. Evolution of the project towards selection of preferred bidders, finalisation of contracts, development of the Final Business Case and all related approvals. This requires that the governance model evolves to meet the demands of the project workstreams in the critical period to Financial Close.
3. Desire to streamline certain aspects of the governance structure – particularly the relationship and reporting between the Project Director, the TPB and the TEL and **tie** Boards.
4. Revised project management structure and people, again adapted to meet the evolving demands of the project, and the desire to align the disciplines within the management structure with the governance model beneath the TPB.
5. The need to define in advance the further evolution of the governance and management model for the construction period when different activities will be underway and different risks will require to be managed.

Although there are important changes and improvements, the core of the model and the people involved remains the same. The actual changes are summarised in the next section, which is supported in the appendices by diagrammatic overviews of the structure.

#### **Changes to current governance structure**

The period to Financial Close will see the controlled evolution of these changes so that the model is fit for purpose prior to commencement of construction. The specific changes which have been implemented or are being implemented to take the project through to Financial Close are as follows:

1. TS have withdrawn from the formal governance structure but will exercise their oversight of the project through 4-weekly reporting in prescribed format and a 4-weekly meeting with CEC
2. CEC have established a "Tram sub-Committee" of the existing Transport, Infrastructure and Environment Committee. The sub-Committee will be chaired by the Executive Member for Transport and will meet on a 6-8 weekly cycle. The purpose of the sub-Committee is to review and oversee decisions with respect to the project. The Director of City Development is responsible for the interface between this sub-Committee and TEL and the TPB.
3. CEC are revising the Operating Agreements between the Council and respectively **tie** Limited and TEL so that these formal arrangements reflect the roles and responsibilities of all parties as the project moves into construction.
4. The TPB recently authorised the creation of two sub-committees covering utility diversion ("the MUDFA Committee") and legal and approval matters ("the Legal Affairs Committee"). The Design, Procurement and Delivery Committee continues to monitor and interrogate all other aspects of the project delivery. In addition, a Procurement Committee and decision-making panel were established to fulfil the requirements of the procurement process. The extent of

common attendees by senior project people ensures that duplication is minimised and cohesion maintained.

The further changes proposed to be implemented in the period to Financial Close to prepare for the construction period are as follows:

#### **Roles of TEL and tie Boards**

The TEL Board is focussed on its overall responsibility to deliver an integrated tram and bus network for Edinburgh, on behalf of CEC. It will make formal recommendations to CEC on key aspects of the project and matters which have a political dimension. The Board is responsible for compliance with its Operating Agreement and it will also address any matters outwith the direct arena of Integrated Bus and Tram systems and any statutory TEL considerations.

For the foreseeable future, **tie** will have only one major project, the tram. It will maintain roles with certain smaller projects and will require to comply with normal statutory responsibilities as a limited company, including formal compliance with its Operating Agreement.

The **tie** Board presently comprises a group of Elected Members and a group of independent non-executive directors, under the Executive Chairman. The TEL Board presently comprises Elected Members and Council officials under the non-executive Chairman.

It is proposed that the composition of these two Boards be amended to:

- Ensure the TEL Board has the composition necessary to be the active arm of the Council in oversight of project delivery and preparation for integrated operations; and
- Avoid duplication of resource and reporting by limiting the **tie** Board's responsibilities to those necessary to manage its project responsibilities, comply with statute and with its Operating Agreement.

In overall terms therefore the Elected Members of the **tie** Board and its independent NXDs will join (if not already members) the TEL Board or the Tram Project Board, restricting the **tie** Board to its Executive Chairman and a senior Council official. The re-deployment of the Elected Members and the independent NXDs will reflect:

1. The emphasis of the TEL Board on oversight (on behalf of the Council) of matters of significance to the Elected Members in relation to project delivery and preparation for integrated operations; and
2. The emphasis of the TPB on delivery of the tram system to programme and budget and the preparation for integrated operations.

The **tie** Board will delegate authority to its Executive Chairman to execute its contractual responsibilities for the tram project, but explicitly subject to the delegated authority structure within the tram governance model.

In the event that **tie** assumes responsibility for additional major projects in the future, the Board composition may need to be addressed.

In addition to the changes to the **tie** and TEL Boards and as previously envisaged, the Council's majority shareholding in Lothian Buses plc will be transferred to TEL and parallel changes to the composition of the Lothian Buses Board will be effected in due course.

It is suggested that the TEL Board would meet no more frequently than quarterly during the period of construction, probably linked to progress reporting to the Council. The frequency of TEL Board meetings is expected to increase as operational commencement approaches. The TEL Board will receive a comprehensive progress report from the TPB, channelled through the Chairman.

The **tie** Board will meet as necessary, but this is likely to be no more than quarterly.

#### ***TPB and its sub-Committees***

The TPB maintains its role as the pivotal oversight body in the governance structure. The TPB is established as a formal sub-Committee of TEL with full delegated authority through its Operating Agreement to execute the project in line with the proposed remit set out in Appendix 4. In summary, the TPB has full delegated authority to take the actions needed to deliver the project to the agreed standards of cost, programme and quality. The TPB also exercises authority over project design matters which significantly affect prospective service quality, physical presentation or have material impact on other aspects of activity in the city.

The delegation of authority to the TPB will require to be formalised by the TEL Board in due course.

The suggested membership of the TPB is 7 people (Office of Government Commerce constituency definitions "highlighted"):

- Chair (David Mackay);
- Senior CEC Representatives - "Senior User Representatives" (Donald McGougan and Andrew Holmes);
- TEL CEO and Project "Senior Responsible Owner" (Neil Renilson);
- "Senior Supplier" representatives (**tie** Executive Chairman and TEL Operations Director) (Willie Gallagher and Bill Campbell); and
- Executive Member for Transport (Phil Wheeler).

The Chair will continue to be the TEL Non-executive Chairman, rather than the Project SRO. Other parties, principally senior project management and advisers, will be called to attend as required, though it is anticipated that a common group of senior project directors will attend most meetings.

The TPB will meet on the 4-weekly cycle already established. The precise structure of the delegated authorities will be re-assessed in due course and if different from the current authorities will be subject to appropriate approval processes.

The current sub-Committee structure will be dissolved and the new sub-Committee structure will comprise:

Engineering & Delivery Committee (E&D)

- Delivery under contracts - Infracore, Tramco, Utilities / MUDFA, design;
- Health & Safety, Quality & Environment;
- Improvement initiatives – VE, Innovation, ICT; and
- Project interfaces & approvals – Land & Property, Traffic, third parties.

Financial, Commercial & Legal Committee (FCL)

- Financial management – reporting, control, audit, risk management, insurance; and
- Contract management – reporting, compliance, interface with delivery, claims and variations.

Benefits Realisation & Operations Committee (BRO)

- Operational & integration planning;
- O&M contract planning;
- Transdev; and
- Marketing.

Communications Committee

- Comms management – utilities / MUDFA, Construction, Media, stakeholders.

Detailed remits and attendees will be prepared in due course. Sub-committees will meet also on a 4-weekly cycle, supporting the TPB meeting.

In order to create close cohesiveness between the TPB / sub-Committee governance model and the project management structure, the sub-Committees will be directly interfaced with the Project workstreams and the individual directors responsible. Appendix 6 sets out the interfaces.

To further reinforce cohesion, the **tie** Executive Chairman will Chair each of the sub-Committees. The attendance of senior project and client officers, and the clear responsibilities allocated to individual Project Directors, will ensure that appropriate independence and challenge is achieved. As currently, the sub-Committees will have clear remits and will focus on detailed interrogation of key issues, leading to recommendations to the TPB which retains decision-making authority over all key areas.

Appendix 1 sets out the current TPB and sub-Committee structure and Appendix 2 sets out the proposed new structure.

Appendices 3 and 4 set out the proposed remit for TEL (effectively a summary of the TEL Operating Agreement) and **tie** (a summary of the **tie** Operating Agreement) and Appendix 5 sets out the proposed remit for the TPB, adapted from the current version.

Appendix 6 summarises the proposed membership of the main governance bodies. The status of individuals is defined either as "Member", each of whom has formal decision-making authority, or "Participant".

Appendix 7 illustrates how the governance model interfaces with the project management structure.

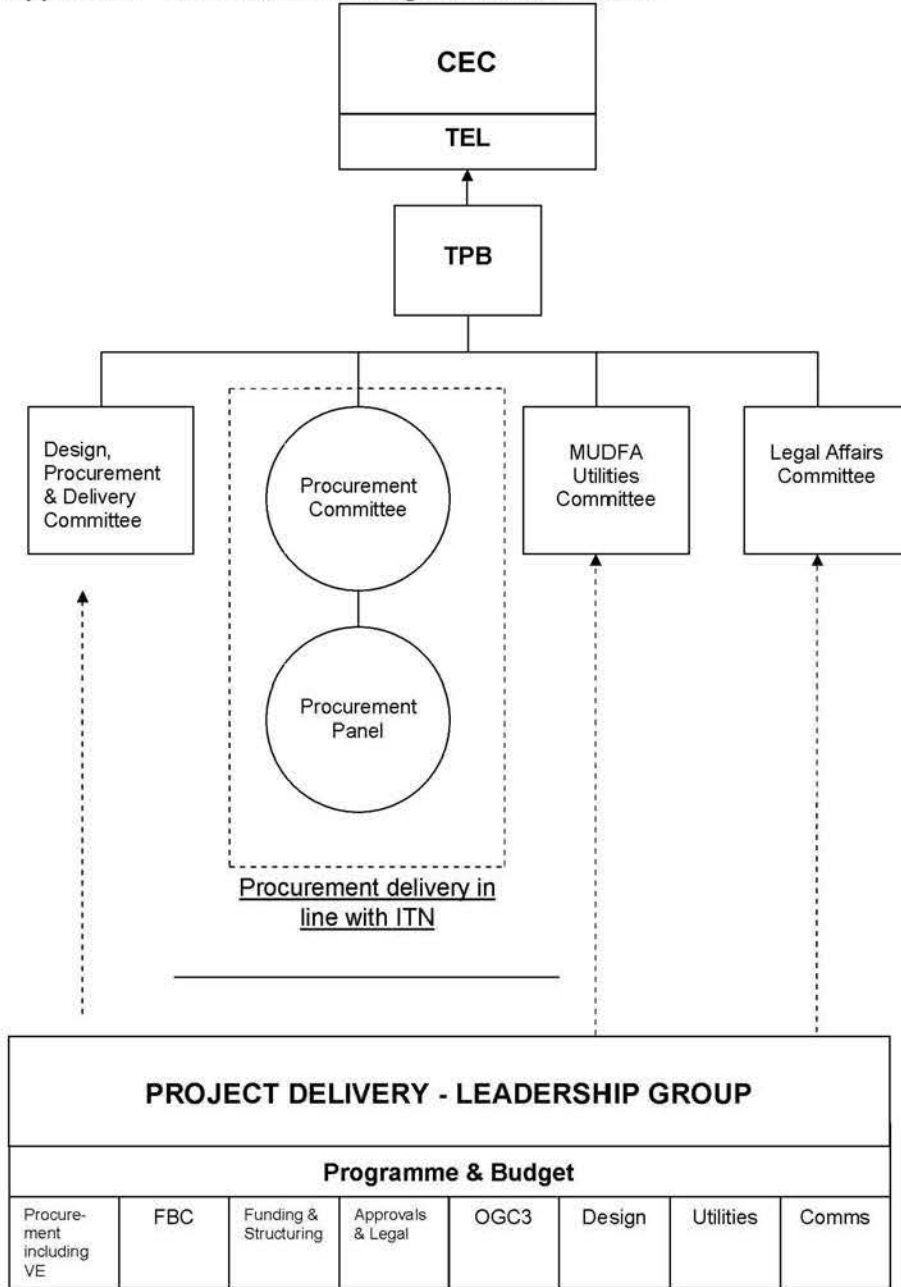
#### Health & Safety considerations

[Steven B to provide a synopsis]

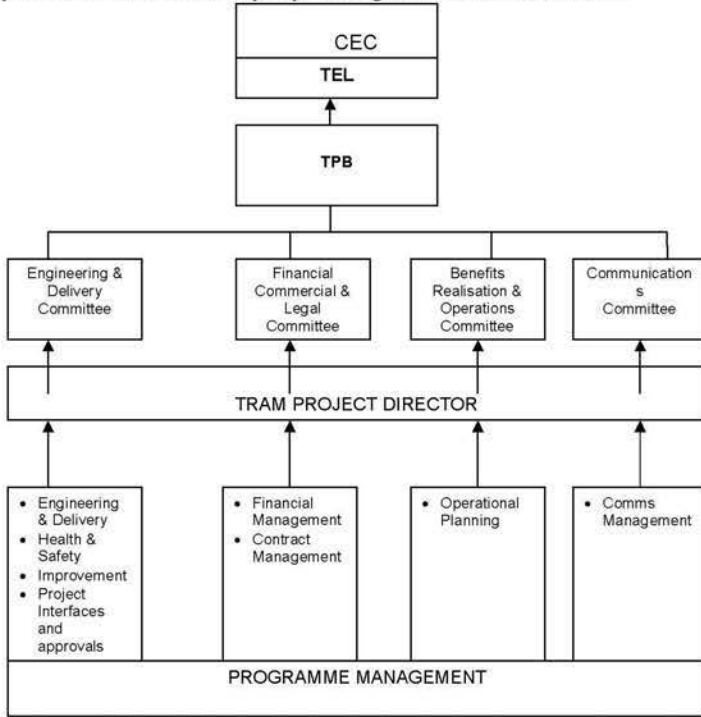
#### Requested from recipients of this document – tie Board, TPB, TEL Board and CEC

1. Comment on and if thought appropriate, approval of the proposed evolution of the tram project governance structure during the period to Financial Close, with the objective of ensuring that the Financial Close procedures are robust and that the model in place to govern the construction period is similarly robust and is implemented timeously; and
2. Confirmation of the proposed members and participants in the governance bodies (Appendix 5).

**Appendix 1 – Overview of current governance structure**



**Appendix 2 Overview of proposed governance structure**



### Appendix 3 - TEL Board Remit

The TEL Board has the following responsibilities:

#### (1) Company stewardship

1. Matters relating to TEL as a statutory entity, including Board membership, statutory reporting, maintenance of books of account and statutory records;
2. Matters arising from CEC / TEL Operating Agreement; and
3. Matters relating to TEL employees including Health & safety.

#### (2) Integrated Edinburgh Tram and Bus Network

[Summary of TEL Operating Agreement]

### Appendix 4 - tie Board Remit

The tie Board has the following responsibilities:

#### (1) Company stewardship

1. Matters relating to tie as a statutory entity, including Board membership, statutory reporting, maintenance of books of account and statutory records;
2. Matters arising from CEC / tie Operating Agreement; and
3. Matters relating to TEL employees including Health & safety.

#### (2) Integrated Edinburgh Tram and Bus Network

[Summary of tie Operating Agreement]

### Appendix 5 - Tram Project Board (“TPB”) Remit

TPB has full delegated responsibility for the delivery of an integrated Edinburgh Tram and Bus Network on behalf of CEC, in particular:

1. To oversee the execution of all matters relevant to the delivery of an integrated Edinburgh Tram and Bus Network, with the following delegations:
  - a. Changes above the following thresholds
    - i. Delays to key milestones of > 1 month
    - ii. Increases in capital cost of > £1m
    - iii. Adversely affects annual operational surplus by >£100k
    - iv. is (or is likely to) materially affect economic viability, measured by BCR impact of > 0.1
  - b. Changes to project design which significantly and adversely affect prospective service quality, physical presentation or have material impact on other aspects of activity in the city
  - c. Delegate authority for execution of changes to TEL CEO with a cumulative impact as follows:
    - i. Delays to key milestones of up to 1 month
    - ii. Increases in capital cost of up to £1m
    - iii. Adversely affects annual operational surplus by <£100k pa



- iv. is (or is likely to) materially affect economic viability, measured by BCR impact of <0.1

[Note: these are cumulative impacts since the last position approved by the TPB.]

The TEL CEO will delegate similar authority to the Tram Project Director.

2. To appoint the Senior Responsible Owner (SRO) and Tram Project Director (TPD) for the project and to receive reports from the SRO and TPD on project progress
3. To receive reports from sub-committees established to oversee specific areas, as approved by the TPB
4. To ensure project workstreams are executed according to robust programmes under the leadership of Project Director.
5. To approve the submission of funding requests and to recommend approval of funding terms to the TEL Board. TPB will also confirm to CEC compliance with all relevant aspects of the grant award letter.
6. To ensure proper reporting through the TPB Chairman to the TEL Board or CEC (as appropriate) of decisions made.

**Appendix 6 Composition of main governance bodies**

TEL BOARD	TRAM PROJECT BOARD (TPB)	TPB COMMITTEES				Comms
		Engineering & Delivery (E&D)	Financial Commercial & Legal (FCL)	Benefits Realisation & Operations (BRO)		
Meeting frequency	Quarterly	4-weekly	4-weekly	4-weekly	4-weekly	4-weekly
<b>Members</b>						
David Mackay	Chair	Chair				
Willie Gallagher	X	X	Chair	Chair	Chair	Chair
Neil Renilson (TEL CEO, Project SRO)	X	X	X	X	X	X
Bill Campbell (TEL Operations Director)	X	X	X		X	
Norman Strachan (TEL Co Secretary)	X			X		
Donald McGougan (CEC Director of Finance)	X	X				
Andrew Holmes (CEC Director of City Development)	X	X				
Phil Wheeler (CEC Member for Transport)	X	X				
Councillor X (Labour Group Transport Spokesperson)	X					
Councillor Y (Conservative Group Transport Spokesperson)	X					
Councillor Z (SNP Group Transport Spokesperson)	X					
Non-executive director - Cox	X					
<b>Total members</b>	<b>12</b>	<b>7</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2</b>
<b>Participants (at Chair's discretion dependent on agenda)</b>						
Non-executive director - Hogg						
Non-executive director - Scales						
Non-executive director - Strachan						
James Stewart (PUK)		X				
Susan Clark (Programme Director)		X	X	X	X	X
Steven Bell (E&D Director)		X	X	X		
Jim McEwan (Improvement Director)			X	X	X	
Alasdair Sim (Project Interface & Approvals Director)			X	X		
Stewart McGarity (Financial Director)/Miriam Thorne		X	X	X	X	
Andrew Fitchie (Commercial Director)		X	X	X	X	
Alastair Richards (Benefits Realisation & Operations Director)		X	X	X	X	
Colin McLauchlan (HR & Corporate Affairs Director)		X	X	X	X	X
Graeme Bissett (Strategy & Planning Director)		X	X	X	X	
<b>CEC Senior Representatives (CEC to determine) :</b>						
Duncan Fraser			X		X	
Ian Spence			X			
Rebecca Andrew				X		
Gill Lindsay / Colin Mackenzie				X		
Isobel Reid						X
Iain Coupar (TEL)					X	X
James Papps (PUK)			X	X		
Transdev Senior Representative		X	X		X	
Julie Thompson (Secretary, under direction from Programme Director)	tba	X	X	X	X	X
<b>Total participants (Max)</b>	<b>0</b>	<b>10</b>	<b>14</b>	<b>13</b>	<b>11</b>	<b>5</b>
<b>Total attendees</b>	<b>12</b>	<b>17</b>	<b>17</b>	<b>16</b>	<b>14</b>	<b>7</b>

**Appendix 7 Interface between governance bodies and project management structure**

TPB Governance body	Chair	Management responsibility	Director
Engineering & Delivery Committee	Gallagher	Engineering & Delivery - Infraco Tramco Utilities / MUDFA Engineering design Health & Safety planning & management	Bell
		Improvement - VE Quality & Environment ICT Innovation	McEwan
		Project Interfaces & Approvals - Land & Property Traffic management / regulatory Other CEC, third party	Sim
Financial, Commercial & Legal Committee	Gallagher	Financial management - Financial reporting Financial control, internal audit Risk management Insurance	McGarrity/ Thorne
		Contract management - Contractual reporting & compliance Claims & Variations management	Fitchie
Benefits Realisation & Operations Committee	Gallagher	Operational Planning - Integration & service planning O & M planning Transdev Commissioning Marketing	Richards
Communications Committee	Gallagher	Communications management - Utilities / MUDFA Construction Media Stakeholder	McLauchlan

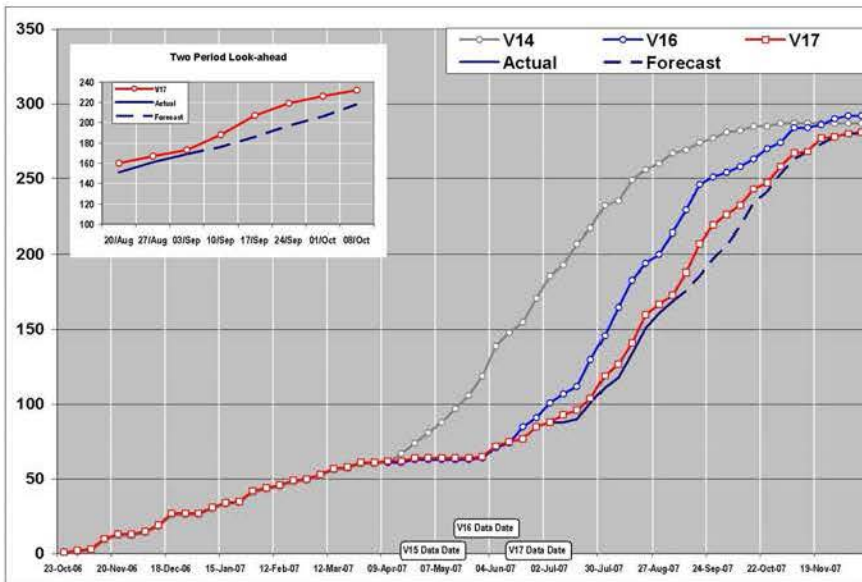
**Paper to:** TPB                      **Meeting Date:** 27 Sept 2007  
**Subject:** SDS Update – P6  
**Agenda Item:**  
**Preparer:** D Crawley / T Glazebrook

**FOR INFORMATION ONLY**

**1.0 Summary**

The design deliverables summary is shown below. As for last period this is still referred to V17 as this was the first period after removal of all critical issues. The solid black line is the record of delivery after this point and the black dotted line is the V19 forecast.

This is shown below at V19 (actual and forecast)



Slippage of actuals at V19 with respect to forecast at V18 is minimal.

**2.0 Issues**

These issues are provided mostly for information to ensure that all parties understand the impact they cause. Each has the potential to become a critical issue impeding progress, and all are being managed effectively.

## SRU

The alignment of the tram route and reconfiguration of the training pitches was determined some time ago, but the completion of the Prior Approvals process is on hold until the issue of SRU agreement is completed, including confirmation of the parties responsible for paying for the pitch move. It was notionally agreed between tie and CEC on 22 June that an acceptable arrangement of staged reconfiguration of the pitches and flood alleviation work could be undertaken and a paper summarising all the issues was produced. This has now been reviewed by CEC and can go the SRU for their agreement. A minimum of three weeks delay has been introduced to the programme as a result so far. Further information has been received from CEC indicating that the creation of full size IRB standard pitches during the phasing of the works may provide resolution Barry Cross is now leading resolution of this issue.

## Section 1a bridges

The two bridges in question (Tower Place and Victoria Dock) are proposed not to have walkways provided. This has been logged previously as a VE opportunity (£2.5m) but, viewed from the perspective of the structures as they exist, this is more properly logged as not carrying out betterment at the cost of the project. CEC have made clear the requirements over walkways of a type necessary to allow adoption and SDS have been issued with a change notice to effect design consistent with this. Forth Ports have agreed heads of terms indicating willingness to pay. This issue is a programme and cost risk.

## Depot

The recent VE exercise and the cessation of activity on EARL have given rise to opportunities for moving the depot to realise savings. This involves moving the depot northwards by a few meters, simplifying the alignment of connecting roads and services and saving costs on piling. This will have an impact on the design deliverables programme, as it represents a late change. SDS have carried out the necessary design and have received a record of review to enable further progress. A further issue arising is the need for tie and Scottish Water to agree on the design principles for the adjacent 800mm main. Scottish Water have yet to confirm the use of a single bore design.

## Drainage

Information on drainage provision, which is required to complete designs, has not been fully available to SDS, with some significant gaps existing. This information is now being provided through the MUDFA AMIS contract and a programme for its provision has been produced. It has not yet been confirmed that this programme will deliver all the required information. This late provision will have an impact on the design deliverables programme, particularly roads, drainage and cross section design. Action is being taken to minimise impact with some design proceeding at risk pending receipt of the supporting information.



**Paper to** : Tram Project Board  
**Subject** : Funding of works outside core scheme  
**Date** : 11<sup>th</sup> September 2007

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## 1.0 Summary

- 1.1 There are a number of areas where, through the design and consultation process, additional requirements from CEC and 3<sup>rd</sup> parties have emerged that have the potential to increase the costs of the tram project. These costs are neither included in, nor justified by the core DFBC. The DFBC budget, and its funding by CEC and Transport Scotland, was clearly defined and is based on the tram system that falls within the Limits of Deviation (LOD) identified in the Tram Acts and in accordance with the requirements function specification. Costs arising from additional or upgraded work must therefore be funded separately. There are currently five areas where this applies:
- **Wide area traffic impacts** – locations identified through traffic modelling that require work to be done to ensure that on the introduction of tram traffic continues to move freely through the city. These are locations that sit outside the LOD. These works may include re-sequencing of traffic signals and lanes alterations;
  - **Streetscape betterment** – locations identified by CEC where they wish certain urban design betterment or “urban realm” streetscape works to be incorporated into the Infraco works carried out to construct tram in order to minimise future (after tram) disruption to the city and minimise costs;
  - **Road adoptable standards** – locations where CEC are insisting that roads being transferred from 3<sup>rd</sup> parties are brought up to adoptable council standards as part of the tram project;
  - **Street lighting** – locations where CEC have identified the need for the tram project to bring street lighting up to higher than current installed standards; and
  - **3<sup>rd</sup> party requests** – locations where design alterations requested by 3<sup>rd</sup> parties has increased design and capital costs.
- 1.2 This paper presents a proposal for defining and addressing the issue of funding for these additional works for each of the above.
- 1.3 In summary, when evaluated, the elements of these works will each fall into one of three broad categories:
- Works to be funded by CEC but from council funding sources outside the DFBC funding streams i.e. £500m from TS and £45m from CEC;
  - Works paid for by CEC (again outside the DFBC funding streams of £500m from TS and £45m from CEC £545m), but can be recovered from third parties (e.g Forth Ports) by CEC; and

- Works that do not fall into the above two categories and therefore have no funding at present and therefore are unable to proceed.

**2.0 Wide area impacts - modelling**

2.1 The first run of the tram wide area impact model is currently being run and the first outputs of this have been delivered. These are identifying the locations and number of junctions outwith the limits of deviation where works may be required to ensure that the overall city traffic continues to run effectively on introduction of the tram.

2.2 There are 3 levels of funding for these works

Level	Scope of works	Funding
Level 1	Modelling and design works to anticipate impacts.	Included in DFBC and authorised changes.
Level 2	Reasonable estimate of alterations pre-tram to accommodate tram introduction.	£500k included in DFBC – any works over and above this have no funding allocated. SDS are not funded to carry out any design and claim it is not part of their contract.
Level 3	Post tram introduction impacts and mitigations.	To be funded by CEC post tram.

2.3 It is proposed that tie / CEC work together to identify, through the modelling process, additional level 3 works required, anticipated costs and procurement route for design. However, it is clear that any additional funding over and above the DFBC allocation will require to be funded by CEC. **The scale of this will be identified following the initial modelling outputs.**

**Comment [MT1]:** When?

**3.0 Streetscape betterment**

3.1 Through the work of the Council's Design Champion and others there is now a good understanding of how an urban design / public realm strategy can support the tram. A number of key locations have been identified and urban design work done through the 'design charettes' have defined the desired shape of the urban environment through which the tram will pass. These spaces include:

- Haymarket;
- West End / Shandwick Place / Lothian Road;
- Princes Street;
- St Andrews Square;
- Picardy Place;
- Foot of Leith Walk/ Constitution Street; and
- Ocean Terminal.

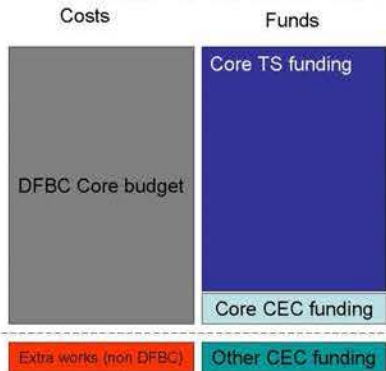


- 3.2 Using *Cities Growth Fund* monies allocated in 2006 a small team of urban designers have been put into place by CEC. The team has experience of integrating tram systems into a historic urban environment. The team will build upon the work accomplished by the charettes and develop a cohesive approach towards the finalisation of the design details for the key locations. This will potentially include kerb to kerb or even wall to wall renewal of surface finishes as distinct from the core boundaries set by the track alignment.
- 3.3 The Tram Design Manual clearly defines the level of finish and physical extent of core works required for the tram. The capital costs included in the tram project as justified in the DFBC are based on this document and its interpretation through the Tram and Road Design Working Groups
- 3.4 As a result of the public realm exercise, it may be possible to incorporate particular locations and pieces of work for streetscape into the tram project. This would avoid re-work, minimise disruption and potential provide overall cost savings.
- 3.5 However, any costs which are **additional to the general allowances made in the DFBC estimates** and the justification of any additional works or higher quality finishes are to be borne separately by CEC through other (non tram) funding streams. This principle had previously been discussed and agreed by the Tram Project Board.
- 3.6 A meeting has been scheduled with CEC to identify the areas and scope for inclusion of these works into tram works and the contractual mechanism for achieving this. For the purpose of project justification (DFBC and FBC) and future funding allocations, it is essential to ensure clear separation of costs and responsibilities.
- 4.0 Road to adoptable standards**
- 4.1 Specifically, this issue relates to roads being transferred from Forth Ports to CEC for the project **and includes such matters as the footbridges for Victoria Dock and Tower Place bridge**. This has been an issue between CEC and Forth Ports for a number of years in terms bringing these roads up to an adoptable standard prior to adoption by CEC. The proposal is that tram undertakes this work, but this requires to be funded separately from 1) the Forth Ports Section 75 agreement and 2) the core DFBC justified tram budget.
- 5.0 Street lighting**
- 5.1 This is closely related to the issues associated with roads adoption and the same principles should apply.
- 6.0 3<sup>rd</sup> party requests**

- 6.1 These relate to design alterations requested after effective completion of the preliminary design at specific locations;
- Lindsay Road – requested by Forth Ports;
  - Ocean Terminal frontage and bypass road – requested by Forth Ports;
  - Constitution Street – requested by CEC to get existing deficiencies in road layout corrected; and
  - Picardy Place – requested by CEC to realise potential development gains.
- 6.2 These changes are already increasing the design **and construction** costs of the tram project over and above the DBFC budget. These additional works are subject to change control processes. Costs are to be identified and funded from sources outside the core DFBC budget and funding.

**7.0 Cost reporting**

- 7.1 Following agreement to the principles outlined above, all of these works and costs are to be reported and funded separately from the core DFBC justified scheme. These additional costs are to be reported **below (i.e. as separate from the core scheme)** the line of the Tram Project budget.
- 7.2 An agreed funding drawdown mechanism will be required for any such works, which will identify the relevant levels of authority to commit resource and incur costs / programme impacts. This drawdown mechanism will be aligned to the agreement between CEC and TS for the core funding arrangements. It will be important to both funders to demonstrate that core funding is not applied to works outside the core scope of the project.



- 7.3 Change requests will be used to ensure all additional requirements are properly identified and funding source appropriately identified **prior to commitment to design**. This will also include an assessment of their potential impact on programme and future operations. The change sponsor must include a CEC TPB Board member if the requested works are deemed non-core.

**Paper to:** TPB                                      **Meeting Date:** 26 September 2007  
**Subject:** Public realm and tram  
**Agenda Item:**  
**Preparer:** Keith Rimmer

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## **1.0 Introduction / summary**

- 1.1 The TPB considered a report on tram-related public realm works on 14 June 2007 and agreed further actions including:
- To define in more detail a hierarchy, scope and prioritisation of the public realm treatment for the tram route.
- 1.2 New circumstances obtaining for the implementation of the project emphasise strongly the need for financial prudence and management in delivering a quality tram system for the capital city. The previous report highlighted the benefits of good quality public realm along the tram route but, equally, it accepted that a pragmatic approach was needed in the face of emerging financial constraints. This report develops that approach. It presents a first attempt at costing the required public realm works for the prioritised section of the route against the funds that might be available in the period to April 2010.

## **2.0 Funding**

- 2.1 Advice from senior CEC officials is that the project can expect little new capital funding from the Council which is currently reshaping its five year Capital Programme. The only sources suggested are:
- The Cities Growth Fund (CGF) where a decision on the fund's future is expected from the Scottish Executive in the early New Year. Preliminary bids for public realm work related to the tram have been produced by Council departments and will be finalised by the Council Management Team. Whether SEEL would match any funding that might be secured from a third round of the CGF, as happened in the first round, is unknown; and
  - The Council could now consider mainstreaming the tram project into departmental budgets. Some 'bending' of capital budgets to support the project might result although the sums involved are currently unknown. For example, rescheduling planned road maintenance to bring forward works such as renewing paved surfaces to support the tram programme could contribute to the public realm requirements. It has been suggested that a planning figure of no more than £1-2 million from this source is realistic in the period to April 2010.
- 2.2 In the longer term, i.e. beyond the commissioning of this phase of the tram, there are other options. The earlier report raised the possibility of using the Prudential Financial Framework in support of projects where the key criterion of affordability can be demonstrated. This suggestion will need

further work with the Council's financial officials and will also need to take account of wider affordability in the context of competing Council priorities.

- 2.3 Faced with these challenges, it is proposed to adopt a figure of £2 million as the maximum additional sum realistically available through mainstreaming of the CEC capital investment programme to the tram project for new public realm works to 2010. Clearly, there is a need for prioritisation of the works that can call upon these funds. There is also a need for quality urban design input to the final works.

### **3.0 Urban design team**

- 3.1 As indicated, there is no funding currently allocated by either Transport Scotland or CEC within the approved Draft Final Business Case (DFBC) for any public realm or urban design works associated with the tram. It is generally accepted however that such works are essential to achieve the successful fit of the tram into the city, the centre of which is a UNESCO designated World Heritage Site.
- 3.2 The majority of the excellent European trams illustrate the importance of public realm works to the setting, and public acceptance, of these new transport systems. CEC has been able to allocate limited funding using the current CGF which has allowed a start to be made on the design work for an integrated public realm programme. It is accepted that for funding availability, and other practical reasons, that the public realm programme will require to extend over a longer term horizon, going beyond the shorter term completion date of 2010 for the tram infrastructure. Therefore, it is vital that the tram design takes cognisance of the future public realm layouts, so that these long-term streetscape aspirations can be readily accommodated without occasioning future amendments to the implemented tram design.
- 3.3 The design is being carried out by an EDAW-SDG team commissioned by CEC. This work will lay out the appropriate contextual environment for the tram system as the route passes through the city. The new urban design team is funded to March 2008 and will work closely with Parsons Brinkerhoff (SDS), the tram system designers, integrating with the mainstream design programme. This contextual design work will assist the main tram programme in securing Prior Approval consents from the planning authority and in gaining public support as the design of the project is explained more holistically.
- 3.4 Joint working between SDS and the urban design team will allow future streetscape projects to be carried out seamlessly and will reinforce the work of both teams. The public realm design work is focused on areas immediately adjacent to the tram route and will be carried out within a remit that will not involve any increase in SDS costs.
- 3.5 In assessing the scale of public realm enhancement required, a hierarchy of treatment is being used by the urban designers to assess the design and

cost implications of the project's public realm component. Key considerations have included:

- In some cases 'wall to wall' treatment will be necessary but in others only part of the footway will have to be replaced;
- Reinstatement is not adequate for the tram project and what is returned to use has to be designed to fit both the capital city and the requirements of the tram;
- The standard of treatment will vary as indicated above; and
- The Council's document, Edinburgh Standard for Streets, provides a range of materials from natural stone to high quality slabbing that can be used for the project.

3.6 Drawings produced by the team will assist in the more accurate assessment of streetscape costs as the detailed design of the project progresses. The 'wall to wall' drawings that the urban designers will produce will enable general costs and delineation of responsibilities to be determined. The current budget for this financial year will only extend to the basic design layouts over the tram route from Leith to Haymarket and possibly one exemplar design for a key focal space (see below) that can be taken to Stage C or D design detail.

#### **4.0 Leith Walk – The priority**

4.1 Against the financial background described above, it is proposed that the project adopts a 'sensible minimum' approach to reinstatement and enhancement and that can be stated as identifying:

- Areas requiring comprehensive treatment of the highest standard – the city centre / WHS , Picardy Place and St Andrews Square are amongst these;
- Those areas experiencing high usage, frequently shopping areas which generate a need for improvement - Leith Walk is the key area in this group; and
- Other areas which warrant a 'clean and tidy' reinstatement standard.

4.2 Many of these areas cannot be treated in the short term and therefore will not form a part of the construction phase of the tram. For example, the city centre, the World Heritage Site and Picardy Place are all major projects which will warrant special treatment following the tram's development. Moreover, the sums involved in providing an adequate environmental treatment in such sensitive areas may only be available through, for example, the creation of special partnership vehicles with the private sector as part of the development process.

4.3 It is proposed that Leith Walk, including Constitution Street, is accepted as the immediate priority for public realm treatment using the limited funds available. Leith Walk is the focus of a vibrant community and commercial activity with a number of key conservation areas abutting the route. It is the

principal linking route between the city centre and Leith together with the new waterfront developments.

- 4.4 Leith Walk passes through and connects a number of spaces of great local importance, the Foot of the Walk being one. One of the most significant tram interchanges on the total route will be located here. Consequently, the 'sensible minimum' approach advocated above would support priority being given to public realm work to maintain and improve Leith Walk's functioning and amenity.
- 4.5 The extent of construction works directly associated with the tram (and consequently funded) will in effect leave mainly the pavement area to be addressed by additional public realm design and works. It is estimated that there is around 17,000 m<sup>2</sup> of footway from Picardy Place to the Foot of the Walk. Allowing for full footway reconstruction of up to 15,000 m<sup>2</sup> of that footway using pre-cast concrete slabs and, in addition, making the new footways partly traffic resistant would cost up to £2 million. With on street construction programmed to commence in summer 2008, the Leith Walk footway works would be completed in 2008-2010 with a possible spend profile being:
- £700,000 in 2008/9; and
  - £1,300,000 in 2009/10

#### **5.0 Relationship of Infraco and MUDFA works to streetscape**

- 5.1 The tram construction is, in effect, carried out in two discrete stages of works – MUDFA and Infraco. The Infraco works will follow a precise engineering design which defines an envelope within which the street environment is re-configured as part of the tram design on the basis of minimising the extent of the works (and their cost). This will potentially leave substantial areas of pavement in particular as unaffected (directly) by the Infraco works, (refer to 4.5 above). The desired works to upgrade the streetscape will therefore be carried out as an addition to the scheduled Infraco works, as they are effectively an extension of the tram design. Also, by adding the works to the project scope to be negotiated with the preferred Infraco bidder will secure best value.
- 5.2 The MUDFA works are undertaken to divert public utility apparatus clear of the tram in advance of the Infraco works commencing. The MUDFA works specification simply requires the reinstatement of the affected surfaces to an equivalent standard matching the existing. Some of these reinstatements will be within the areas subsequently reconstructed during Infraco and some will fall outside of the Infraco construction envelope.
- 5.3 At face value it may appear that the MUDFA reinstatements lying outside of the Infraco envelope might be upgraded to achieve the desired streetscape finishes. However, the reality is that, in the main, the scope of reinstatements in terms of square metres covered will fall well short of the

coverage required for the desired streetscape treatment of the street. Nor is it the case that the upgrading of these trench reinstatements to the desired final streetscape finish will necessarily be practical in terms of achieving a seamless tie-in to the subsequent streetscape upgrading of the surfaces adjacent to the reinstatement. Also, the detail of the MUDFA works is still evolving as the precise location of existing utility apparatus is determined, in conjunction with the finalisation of the position in the street available for the diversion of the affected apparatus.

- 5.4 This means that there are no routine opportunities to use the MUDFA works to add value to the later streetscape works. However, as the proposals for individual works sections are brought forward, each section can be individually assessed to determine the practicalities of such a contribution, also taking into account the effect of such change on the MUDFA programme and outturn cost. Where such a contribution is found to be practical, there will also require to be a financial mechanism in place for CEC to meet the cost of the upgraded or extended works so there is no net drawdown of the tram budget for the cost of streetscape related upgrading.

#### **6.0 Other areas for streetscape design**

- 6.1 The 7 June report identifies the following key areas affected by the Tram and requiring design treatment:
- St Andrews Square;
  - Haymarket;
  - Picardy Place;
  - Princes Street;
  - Foot of the Walk; and
  - Ocean Terminal.

These areas are described in more detail in the attached Appendix. Further reports will be brought to the Board on these areas as design work progresses

#### **7.0 Financial implications**

- 7.1 There are no financial implications for the tram project budget arising from this report.
- 7.2 CEC will require to establish provision within their five year capital programme for the Leith Walk public realm treatment.

**8.0 Recommendations**

- 8.1 The Board is requested to note this report and to agree:
- To request CEC to confirm that Leith Walk / Constitution Street is the immediate priority for reinstatement and public realm treatment at an estimated cost of £2 million;
  - To request that CEC confirm that the funding for this work is to be met from the CEC capital budget and to include the work within the scope of Infraco on that basis;
  - To note the position with respect to the Infraco and MUDFA works in relation to the public realm treatment;
  - The Board receives further reports on the other key spaces and areas requiring public realm treatment;
  - That sources of longer term funding are sought for urban design and public realm tram-related works for these areas; and
  - The CEC urban design team supports SDS as described above.

**Proposed:** Keith Rimmer Date: 19 September 2007  
Traffic Management Director

**Recommended:** Matthew Crosse Date: 19 September 2007  
Project Director

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



## Appendix

### Key focal spaces

**St Andrews Square** – A public realm project is already being carried for the gardens and central pavements of the square. Tram is being introduced with its stop alongside the east pavement of the gardens and the designs are carefully integrated using high quality materials. No further design or funding will be necessary unless in the longer term this design quality is extended over North and South St Andrew Street.

**Haymarket** – Haymarket is currently the focus of major transport interchange study 'HISAM', funded by Transport Scotland, in which CEC is involved. The increasing importance of the railway station in respect of increasing passenger volumes and its interface with tram and bus has made this study necessary. Major commercial development is imminent adjacent to the junction and a master plan is evolving in the next stage of the study. Public realm design at Haymarket is an important component and consideration is being given by the stakeholders on the approach to the design and the future funding sourcing of this. The introduction of the tram should be the catalyst for this happening and such work should conceptually relate to the emerging character of other public realm design character adjacent to the route.

**Picardy Place** – The current design addresses the basic traffic movements through Picardy Place, but is poor in terms of urban design in this significant civic space. A preferable urban design based approach is currently being assessed and if established as a feasible alternative, should certainly be pursued as the way forward. The basic configuration could be laid in initially and a programme of works using a range of funding sources including developer contributions over time can follow.

**Princes Street** – Princes Street public realm design is a major exercise in itself and will only be addressed in a draft conceptual manner at this stage. There are other initiatives emerging in Princes Street via City Centre Partnership Board activities and a fully integrated approach at a later stage will be appropriate when more becomes evident in the broader picture.

**Foot of the Walk** – The Foot of the (Leith) Walk is both a critical transport interchange and the principal focal public space for the community in Leith. All technical aspects of tram and transport systems have been resolved and remaining work can be focussed on public realm and urban design sensitive to this important location. It is not a particularly large space and it may be relatively modest in cost terms to achieve excellent contextual design that may be achieved in the early stages of a future programme of works. It may also be possible to consider this as an exemplar for the urban design team to develop to a more detailed level.

**Ocean Terminal** – Master planning of the Ocean Terminal area is currently being developed by Forth Ports' master planners in consultation with CEC City

**Transport Edinburgh**  
**Trams for Edinburgh**  
**Lothian Buses**

FOISA exempt

Yes

No

Development Department (Planning and Transport). The emerging spatial structure creates a major public space adjacent to the Ocean Terminal building that is exclusively for pedestrians and served only by public transport with general traffic becoming diverted. This public space will be the equivalent of the major city centre interchange spaces such as Haymarket, St Andrew Square and Picardy Place. The design by RTKW in conjunction with CEC is funded by Forth Ports and it is the view of CEC that following the building in of the tram infrastructure, Forth Ports should also be responsible for the provision of well specified public realm works.

**Paper to:** Tram Project Board

**Meeting date:** 26<sup>th</sup> September 2007

**Subject:** Council Contributions

**Agenda item:**

**Preparer:** Alan Coyle (CEC), David  
Cooper (CEC) Steve Sladdin (CEC)

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### **Executive summary**

The report provides an update to the August 2007 report on the progress made to date in securing the Council Contribution of £45m towards the tram project, and the next steps required to ensure that the opportunities to secure future contributions are maximised.

It is recommended that the Project Board notes the current position and endorses the approach being developed by the Council, bearing in mind that approval is required from the Planning Committee and Full Council.

### **Impact on programme\***

None.

### **Impact on budget\***

The current budget assumes total funding of £545m for the project (£45m from the Council). Additional contributions secured beyond the £45m will increase the headroom for phase 1a and / or provide additional funding for phase 1b.

### **Impact on risks and opportunities\***

The financial risk associated with the outlined approach lies with the Council. If future contributions from developers and/or capital receipts fail to materialise, there could be a significant impact on Council Revenue budgets in order to meet borrowing costs.

However, if the contribution can be maximised, there is an opportunity to build additional headroom into the budget to reduce the risk of overspend on Phase 1a and / or to provide funding for Phase 1b.

### **Impact on scope\***

The scope of the project will be determined by the funding available. As above maximising developer contributions will help protect the scope of the project.

FOISA exempt  
 Yes  
 No

**Decision(s) / support required**

To note notes the current position and endorses the approach being developed by the Council.

The continued support provided by tie Ltd and their agents is welcomed.

**Proposed**      Name Alan Coyle      Date: 21 September 2007  
                         Title Finance Manager, CEC

**Recommended**      Name Donald McGougan      Date: 21 September 2007  
                                 Title Finance Director, CEC

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

**1.0 Introduction**

At its meeting of 12<sup>th</sup> July 2007, the Tram Project Board requested that a regular monthly update be provided on the progress made to realise the Council's funding programme.

The purpose of this report is to set out for the Board, the work that is ongoing in securing the Council's £45m contribution and exploring the potential of securing additional funding. It provides an update of progress already made, the next steps required and the likely timescales.

The report looks at the four main elements of funding, namely:

- Council Cash
- Council Land
- Developers Contributions – Cash and Land
- Capital Receipts

The report also sets out the risks associated with each funding stream.

**2.0 Background**

The Draft Final Business Case for the tram projected was approved by the City of Edinburgh Council on 20<sup>th</sup> December 2006 on the understanding that the Council would contribute £45m towards the costs of the project.

The contribution was made up as follows:

Table 1

	January 2006 Estimate £m	November 2006 Estimate £m	September 2007 Update £m	Notes
Council Cash	2.5	2.5	2.5	
Council Land	6.5	6.2	6.2	£5m has been spent with GVD 5 making up the £6.2m. This figure will be confirmed once the final GVD's are issued.
Developers Contributions - Cash	10.2	24.4	25.4	
Developers Contributions - Land	7.9	2.2	1.2	£1m previously related to Phase 1b
Capital Receipts (Development Gains)	5	2.8	2.8	
Capital Receipts	12.9	6.9	6.9	
<b>Total</b>	<b>45</b>	<b>45</b>	<b>45</b>	

It has always been recognised that the exact make-up of the £45m is subject to change, as more work is done on each of elements constituting the £45m contribution.

### **3.0 Council Cash (£2.5m)**

The Council Contributed £1m to the project in 2005/2006. A further £1.5m is in the approved Council Capital Budget for 2007-10. This has been reprofiled so that the contribution can be made in the current financial year.

### **4.0 Council Land (£6.2m)**

4 tranche's of GVD's have been issued. £5m has been contributed to date with GVD 5 making up the total to £6.2m.

The figures will be confirmed once the final GVD's have been issued. The final GVD is expected to be served in December 2007.

The value of the land is based on the District Valuer's valuation. Given that any change to that valuation will result in a similar change to overall projects costs, it is not considered necessary to revisit it.

### **5.0 Developer Contributions**

#### **Background**

On 1 April 2004, a draft guideline on Tram Developer Contributions was presented to Planning Committee and was approved for consultation. The guideline was subsequently fully approved on 8 September 2004, but has been applied by the Council in the determination of planning applications since the draft guideline was approved in April 2004. It has provided a framework for agreeing contributions and has ensured a transparent and consistent approach to the negotiation process. A number of contributions towards the Tram project have now been received. The last time it was reported to Committee was on the 5<sup>th</sup> October 2006 when the contribution tables were updated and technical revisions were approved.

Contributions from developers have always been identified as a key component of the Council's financial contribution to the project. The original estimate was for an amount of £10.2 million (cash) and £7.9 (land) million to be secured (as above). The land value was subsequently reduced based on valuation by the District Valuer. This cash element was subsequently revised to £24.4 million as it became apparent that there was potentially additional funding available in relation to planned development proposals.

tie Ltd and their agents have monitored planning applications received by the Council and have provided advice to Transport (CEC) on whether a contribution should be requested. The Council through Planning has negotiated the contributions and monitored the subsequent developments to

ensure payment is made. The monitoring database has also provided a basis for assessing the potential value of future contributions.

**Current Position**

The Council has now concluded a number of agreements securing contributions towards the project. The tables below set out the amounts involved in relation to Phase 1a (Airport to Newhaven Road). It should be noted that there is no certainty that contributions will be received and there is always an element of risk until payment is actually made.

There have been some developments regarding the use of developer contributions as a funding stream, although the position remains largely the same as when reported to the Tram Project Board on the 9th of August 2007. These developments are as follows:-

The Tram Developer Contribution Guideline has been revised as a draft for consultation and is to be put before the Planning Committee on the 4th October 2007. It is intended that the Guideline will be put before the Planning Committee again in early December 2007 for full approval. Following the first of these Planning Committee reports will be a report to Full Council on the estimated level of borrowing to be secured against developer contributions. This will be reported along with the Final Business Case. Following full approval from the Planning Committee a further report to Full Council will seek approval to borrow money on this basis and provide a final amount. It is anticipated that this report will be put forward at the same time as the final report on the Infraco Contract.

Forth Ports have recently submitted an Outline Planning Permission for the Leith Docks Development Framework area. Forth Ports are identified as a key contributor under this approach and early discussion is required. The Director of City Development will lead in these discussions with Forth Ports.

Table 2

<b>Phase 1a</b>	<b>Value (£000's)</b>
1. Contributions Paid	<b>1328</b>
2. Contributions secured through agreement (where development has commenced)	<b>1667</b>
3. Contributions secured through agreement (where development has not commenced)	<b>1868</b>
4. Contributions not yet secured through agreement but where Planning Committee is minded to grant.	<b>3452</b>
5. Other contributions that may be used towards tram or associated works (either paid or secured through agreement)	<b>714</b>

6. Land Contributions	<b>1200</b>
<b>Total (1, 2 and 3)</b>	<b>4863</b>
<b>Potential Total (1, 2, 3, 4 and 5)</b>	<b>9029</b>

N.B.

5. This represents contributions not directly to tram but where the required works may be delivered as part of tram construction e.g. new traffic signals.

6. The land contributions have been secured through agreement.

**Potential Future Contributions**

In order to maximise the amount of contributions obtained from development the Council will need to continue applying the Tram Developer Contribution Guideline beyond the commencement of tram operation. The guideline currently does not explicitly state this to be the case. Initial advice has been obtained from Counsel and there is no legal barrier to this approach provided that the Council is seeking contributions to repay or service borrowing. A report to Planning Committee will be required in due course.

As the contributions are to be made over a period of time, the Council must determine how much it should borrow against future developer contributions. This will need to be a balanced approach – we cannot borrow too much and leave the Council in too much debt, and neither do we want to borrow too little and miss out on potential funding. In order to find this optimum figure, the Council will have to estimate the level of development we are likely to see in Edinburgh over the next 20 years and accordingly the amount of developer contributions. We will then need factor in some allowance for reduced levels of contribution and/or slippage in the timing of payments. The borrowing costs (interest etc) will also need to be considered.

Table 4

<b>Phase 1a</b>	<b>Value (£000's)</b>
Leith Docks Development Framework Area	<b>18000</b>
St James Centre Redevelopment	<b>2000</b>
Princes Street Redevelopment	<b>1000</b>
Caltongate	<b>900</b>
Tynecastle	<b>400</b>
West Edinburgh Planning Framework Area	<b>4000</b>
Accumulative development (small development)	<b>1700</b>
<b>Potential Total</b>	<b>28000</b>
<b>Potential Total – including applications with Minded to Grant Status (No 4. in Table 2)</b>	<b>31452</b>

The above table is populated with development anticipated over the next 20-30 years in Edinburgh. The amounts of contribution have been generated by anticipating the level of development and then using the contribution matrix



in the Tram Developer Contributions Guideline. These amounts once/if agreed will be index linked to ensure that they do not devalue over time. This may help to offset interest to some extent. Bearing these factors in mind the Council will have to reach a decision on how much money to borrow. In the light of the current circumstances a rough estimate might be £20 million to be recouped through contributions in respect of the above developments. This would allow the Council to meet the current target.

#### Next Steps

In order to progress with this approach a number of actions are required:

- Monitoring of developer contributions received and those that have been agreed but not received. This is on-going and is currently up to date.
- Review of the future development potential in relation to Phase 1a and calculate the likely amount of contributions. This work has been undertaken although constant review is required. Further involvement with **tie** and other CEC Departments will be required. It also may be worth considering obtaining an independent review.
- Review of the Tram Developer Contribution Guideline. If the maximum amount of contribution is to be sought we will need to revise the Guideline to make it clear that it will be applied by CEC to planning proposals beyond the commencement of tram operation. This will require Legal Advice, public consultation and ultimately Planning Committee approval. The revised Guideline has been drafted, but this should be taken further.
- In relation to the above point, Counsel's Opinion may be required to determine the latest time when borrowing can occur, and if the revised Guideline is suitable.
- A clear funding position is required from Transport Scotland with regard to when payments will need to be made. Every effort will be made to minimise the amount of interest charged against any borrow.
- Review of borrowing requirements and likely borrowing costs, and the effect of these factors on the amount we choose to borrow.
- Discussion with Forth Ports in relation to the LDDF Outline Planning Application. This represents a major proportion of the future contributions. It would be beneficial to discuss (and agree, if time permitting) the amount of contribution and the likely timings of payments. This exercise should also be extended to the other developments identified.
- Discussion with the Scottish Executive on contingency plans if Planning-gain Supplement is introduced and/or Planning Legislation in respect of developer contributions (Section 75 Town and Country Planning (Scotland) Act 1997) is revised.

#### 6.0 Capital Receipts (£9.7m)

There are number of Council-owned sites adjacent to the tram route that may be marketed. Council surveyors are currently estimating the market value of these sites, taking into account any uplift associated with the tram.

The two main sites making up the contribution (Lorry Park and Leith Walk Garage) are currently being valued using the DVs estimations. Council surveyors are currently revaluing them more aggressively to determine whether the contribution could be higher.

In addition to this, it is recognised that other Council sites may have to be sold to contribute to the project, should additional funding be required. Some of these sites may already have been ear-marked to fund other Council projects. This matter is being considered by the Council's Corporate Asset Management Group and, if necessary, the Council's capital programme may have to be reprioritised.

**7.0 Other Funding Sources**

In addition to the funding sources identified above, the Council and tie Ltd are looking at further funding sources to either substitute any of the above funding if it cannot be achieved, or provide additional headroom for 1A.

These funding sources will be the subject of future reports.

**8.0 Risks**

The risks for each element of the contribution are set out in the following table:

Table 5

Element	Risks	Management Action
Council Cash and Land	<ul style="list-style-type: none"> <li>This is secured and there is no longer any risk associated with it</li> </ul>	<ul style="list-style-type: none"> <li>None required</li> </ul>
Developers Contributions	<ul style="list-style-type: none"> <li>Development does not take place</li> <li>Development is slower than anticipated</li> <li>Interest rates change</li> <li>Inflation/deflation on indexed linked contributions</li> <li>Planning Gain Supplement or any other changes to Planning legislation adversely affecting CEC's ability to collect contributions</li> <li>Successful legal challenge to tram contributions policy</li> </ul>	<ul style="list-style-type: none"> <li>Ensure amount borrowed is based on conservative development assumptions</li> <li>Seek legal advice on all changes to tram contribution policy</li> <li>Active engagement with Scottish Executive on all proposed changes to planning legislation.</li> </ul>

	<ul style="list-style-type: none"> <li>• Failure to secure agreement with Forth Ports means that amount that can be borrowed under Prudential Code is significantly reduced</li> </ul>	
Capital Receipts	<ul style="list-style-type: none"> <li>• Inability to identify sufficient capital receipts to fund the tram project and the rest of the Council's capital programme</li> <li>• Change in local economic condition makes it difficult to sell sites within timescales and/or reduces eventual Capital Receipt</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure tram is prioritised when capital planning decisions are taken</li> </ul>

**9.0 Conclusion**

The Council is committed to provide funding of £45m towards the tram project and is monitoring the various elements making up this amount to ensure that it can be achieved.

Further work is required to refine the developer contribution assumptions and to identify and quantify capital receipts.

It is recognised that there are risks associated with this funding, but that this is being managed by the Council and other funding sources are being investigated to ensure that contingencies can be put in place.