

Edinburgh Tram Project Update

Audit Committee

26 January 2012

1 Purpose of report

- 1.1 The purpose of this report is to update the Audit Committee on progress on the Edinburgh Tram Project following Council approval on 2 September 2011 to progress the scheme to York Place. The report covers the period from 2 September 2011 to 31 December 2011.

2 Background

- 2.1 On 2 September 2011, the Council approved officers' recommendations to progress the Edinburgh Tram Project to York Place.
- 2.2 Revised governance arrangements for the project were implemented as part of this decision. The revised governance arrangements included a requirement that general performance of the project be reported to the Audit Committee.

3 Main report

3.1 Contractual framework

The Settlement Agreement for the project was signed on 15 September 2011. The main features of the contractual arrangements were set out in a confidential appendix to the 30 June 2011 Council report and included:

- a lump sum price for the off street section between the airport and Haymarket subject to certain exceptions; and
- a measurement contract basis for the on street section which included the Council carrying certain risks, including those risks associated with utility diversions.

3.2 New governance arrangements

- 3.2.1 The revised governance arrangements as reported to the Council on 25 August 2011 are now in place.
- 3.2.2 Revised arrangements are set out in Appendix 1 of this report.

3.2.3 The key features of the revised arrangements include:

- a quarterly principals' meeting;
- a monthly Joint Project Forum;
- a fortnightly Project Delivery Group;
- twice weekly tram briefing meetings;
- weekly themed operational groups;
- political oversight by means of a monthly All Party Oversight Group and a quarterly Audit Committee; and
- representation by Transport Scotland at all levels of the project.

3.2.4 Attendees to these meetings are set out in detail at Appendix 1.

3.2.5 This is the first meeting of the Audit Committee since the new governance arrangements were implemented. All the other meetings are now well established.

3.2.6 The Joint Project Forum, chaired by the Chief Executive, which includes attendance of the principals from the Infraco consortium and CAF, has met on five occasions since the signing of the Settlement Agreement. The tone and content of the meetings have been very productive with no areas of discussion remaining unresolved. These meetings have further consolidated the relationships that have been developing over the months since mediation and to date the parties have been acting in the spirit of partnership working.

3.2.7 The All Party Oversight Group has met on two occasions. The meetings have taken the form of a presentation by officers covering programme, progress and finance related matters and followed by questions from elected members.

3.2.8 The revised arrangements also include the role of an independent certifier.

3.2.9 Since the signing of the Settlement Agreement, the independent certifier has ruled on four matters in relation to commercial valuations and two matters of contractual interpretation. There have been no challenges to any of these rulings which would otherwise have required escalation to the Joint Project Forum.

3.3 **Transition from tie Ltd**

3.3.1 Following the decision of the Council to appoint Turner and Townsend as project managers, the process of winding down tie Ltd is underway.

3.3.2 As at the date of signing the settlement agreement the remaining staff employed by tie Ltd numbered 29 at a total cost of £1.9m. At that point, there had already been an initial phase of voluntary redundancies which reduced the staffing compliment of tie Ltd from circa 60 staff to 29.

- 3.3.3 Since then 18 staff have accepted voluntary redundancy. The total cost of both phases of voluntary redundancy was £2.3m.
- 3.3.4 Seven remaining tie Ltd employees have transferred to Turner and Townsend and four to the Council.
- 3.3.5 The tie Ltd office at Citypoint is now vacant with arrangements currently being made to terminate the lease for the building with effect from 9 March 2012.
- 3.3.6 Arrangements have been made either to terminate tie Ltd's contractual arrangements or transfer the remaining arrangements to the Council. The Infraco contract was assigned to the Council on 12 December 2011.

3.4 Programme

- 3.4.1 Since signing the Settlement Agreement, significant progress has been made on the construction site.
- 3.4.2 A significant milestone for the project occurred on 16 December 2011, when the depot building was transferred to the ownership of the Council. In addition, on the 9 December 2011, testing of five tram vehicles commenced on the two mini test tracks at the depot.
- 3.4.3 A master programme assessment has been conducted by Turner and Townsend. The key milestones are set out in Appendix 2 of this report.
- 3.4.4 The impact of adverse weather and utility diversions has been closely managed and this will remain the case for the rest of the project.
- 3.4.5 Parties are continuing to work together to review and revise the programme for the effective management of the project, with a value engineering culture having been embedded within the project. Risks are being identified at the earliest possible opportunity and managed to ensure the minimal effect on the overall project completion date.

3.5 Budget

- 3.5.1 The budget approved by Council for the project was set at £776m. The budget allowance included a base budget of £742m and a risk allowance of £34m.
- 3.5.2 The project remains on budget. Expenditure to date is £521m and there has been approximately £1m drawn down against risk, leaving a balance of £33m in the risk allowance.
- 3.5.3 A full breakdown of the amount drawn down against risk is set out in Appendix 3. This is primarily attributed to finalisation of the valuation of design items on the off street section that arose in the period from mediation to signing of the settlement agreement. It was not possible to complete the valuation of these items for inclusion in the settlement agreement, prior to signing on 15 September 2011. Adequate provision was therefore made in the risk allowance for these items, which has now been drawn down.

3.6 Preparation for operations

- 3.6.1 Lothian Buses is now fully engaged within the project governance structure. The Managing Director of Lothian Buses is an attendee at the Joint Project Forum and also attends, with the Operations Director of Lothian Buses, the relevant project control meetings.
- 3.6.2 Lothian Buses has seconded 5 staff for training, testing and commissioning and has indicated that it now has in place the structure and resource to prepare for operations.

3.7 Moray Feu complaint to the Aarhus Convention Compliance Committee

- 3.7.1 An individual resident of the Moray Feu in 2010 lodged a complaint against the UK (which is the signatory state) alleging breach of the Aarhus Convention. The Convention seeks to ensure that ordinary people have “access to justice” especially in relation to environmental issues.

The Aarhus Convention Compliance Committee (ACCC) is a United Nations committee with jurisdiction to review compliance with the Aarhus Convention. The sanctions that can be imposed by the ACCC are limited even if the complaint is upheld. The ACCC has no power to impose a fine or set aside any decisions, although it can issue a report which formally censures the UK for failure to comply.

- 3.7.2 The ACCC considered written submissions from the Moray Feu and from DEFRA (representing the UK) and called the hearing to seek clarification on a number of issues. The conclusion of the full-day hearing was that the Committee still had a number of questions on which it required clarification. We understand that DEFRA is still waiting to receive these written questions.
- 3.7.3 The ACCC has not advised when it will publish their findings

3.8 Open for business

- 3.8.1 A budget allowance of £355,000 was agreed by Council at the meeting of 2 September 2011, in addition to the £90,000 already committed to fund 3 Town Centre Coordinators to the end of 2012/13.
- 3.8.2 The Tram Animation Group has met to consider how best this funding should be allocated in order to maximise support for SMEs and encourage footfall into the city centre.
- 3.8.3 A set of priorities have been identified by the Tram Animation Group to ensure that these objections are fulfilled. Consultation is due to continue and details of the funding allocation for 2012/13 will be available in the next report to the Audit Committee.

4 Financial implications

- 4.1 The budget approved by Council for the project was set at £776m. The budget allowance included a base budget of £742m and a risk allowance of £34m.
- 4.2 The project remains on budget. Expenditure to date is £521m and there has been approximately £1m drawn down against risk, leaving a balance of £33m in the risk allowance.

5 Environmental impact

- 5.1 Reference is made to the Council reports of 16 May, 30 June, 25 August and 2 September 2011.

6 Conclusions

- 6.1 Satisfactory progress has been made on the project since signing the Settlement Agreement. The new governance arrangements have been working well, building on the relationship developed between the Council and the contractors since mediation and the project will continue to be closely managed until completion.

7 Recommendations

To note the report.

Sue Bruce
Chief Executive

Appendices 1 Revised governance structure
 2 Key milestones
 3 Amounts drawn down against risk

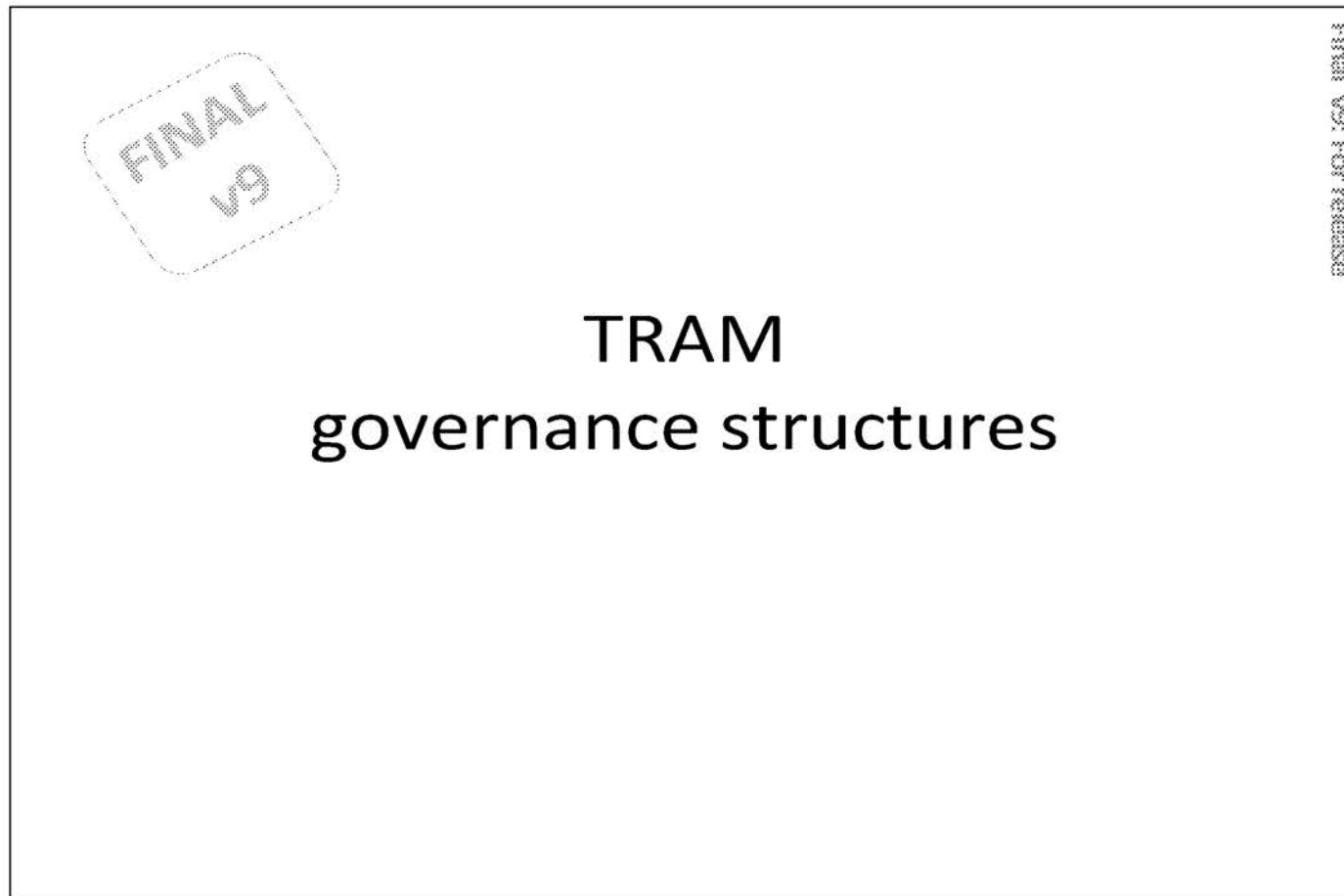
Contact/tel/Email

Wards affected

Single Outcome
Agreement

Background
Papers

Appendix 1 (a) – Project governance structure

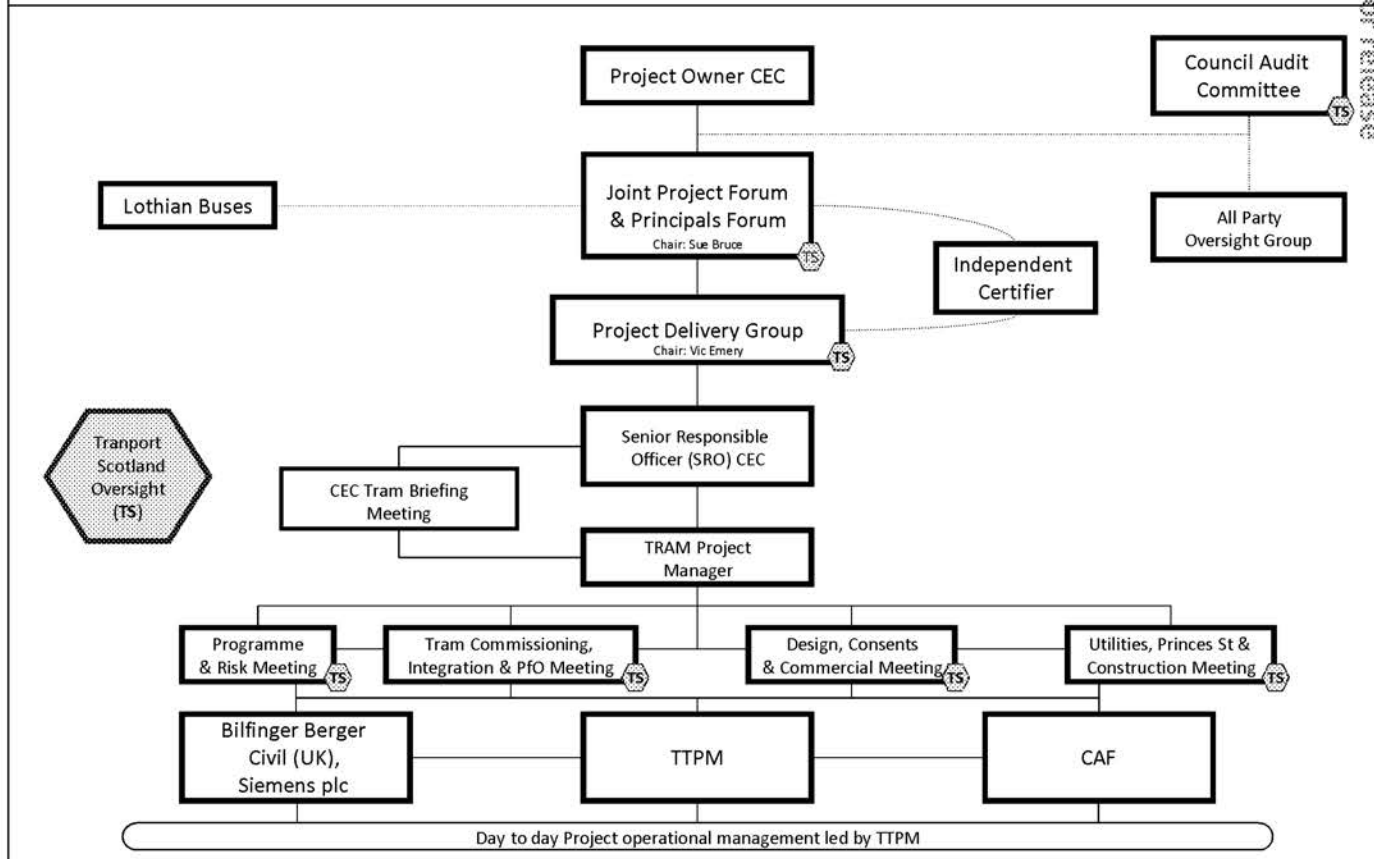


Appendix 1 (b) – Project governance structure

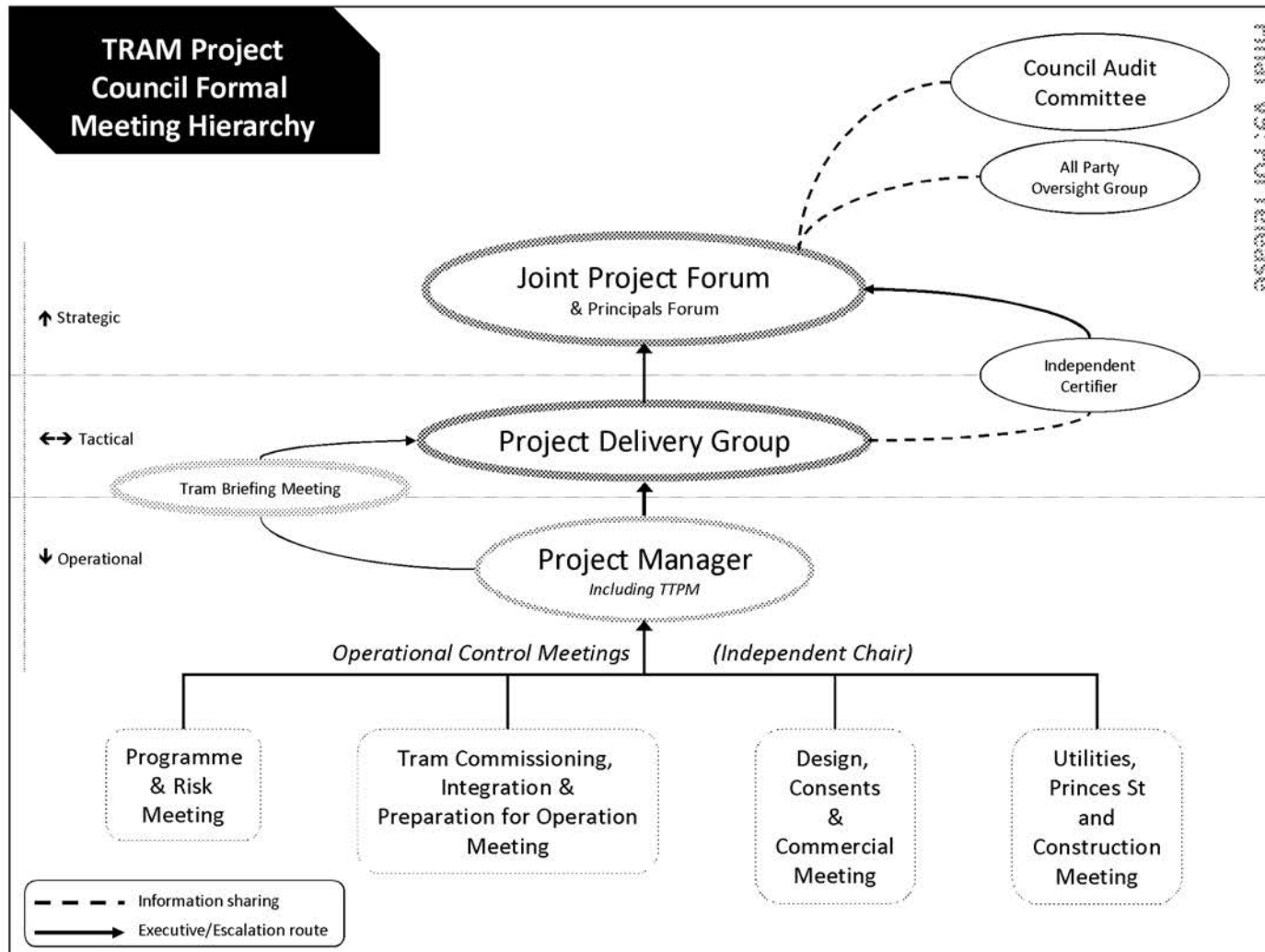
Governance Structure

as agreed at Council 25 August 2011 and 2 September 2011

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Appendix 1 (c) – Project governance structure

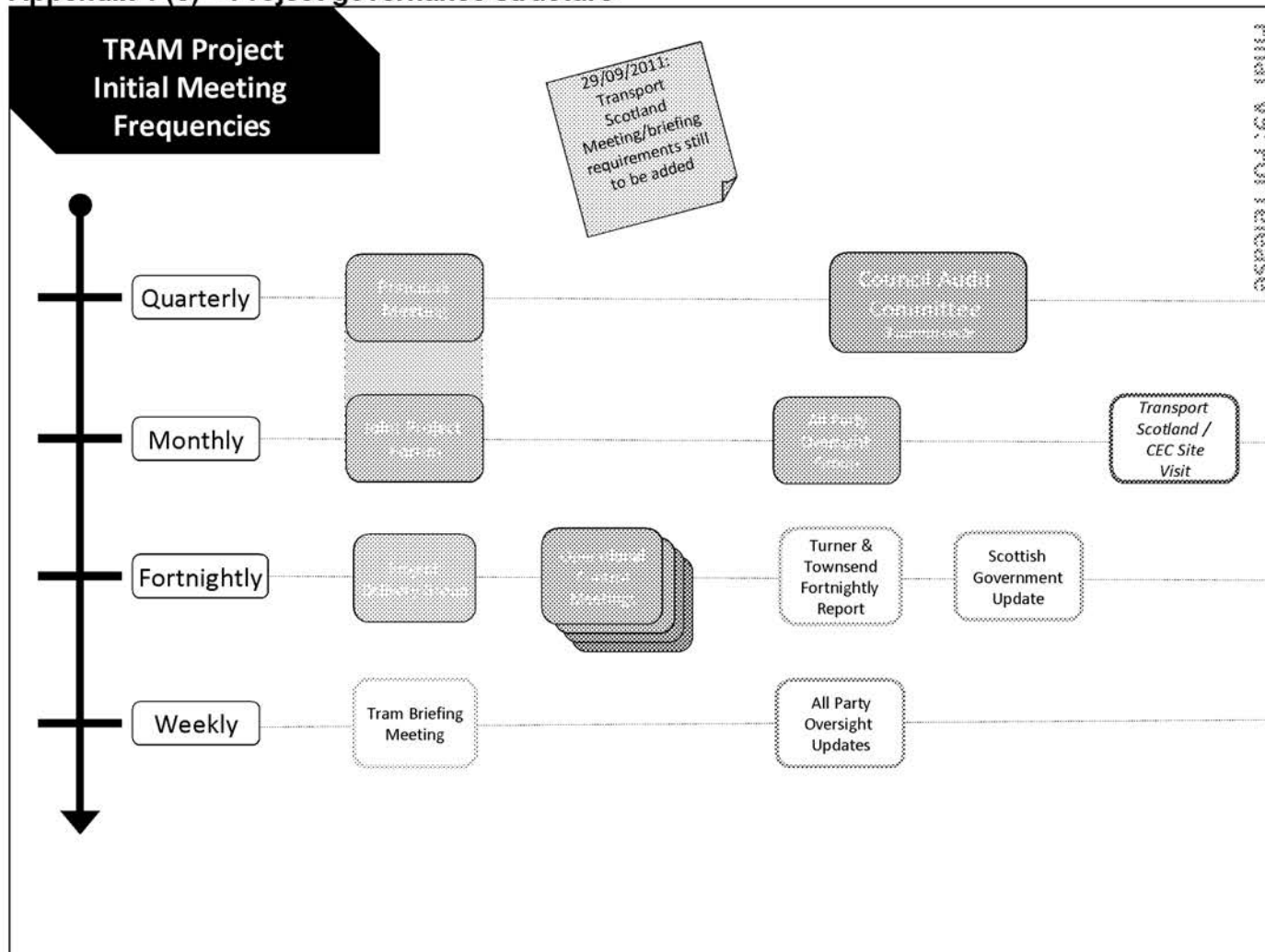


Appendix 1 (d) – Project governance structure

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Governance meeting diary

Appendix 1 (e) – Project governance structure



Governance meeting terms of reference

Appendix 1 (g) – Project governance structure

TRAM Project Meeting Descriptor		Meeting title: Joint Project Forum & <i>Principals Forum</i>	
Chairmanship:	Council Chief Executive	Standard Attendee List	Principals Invited Quarterly
Vice Chairmanship:	Vic Emery		
Location for meeting:	Waverley Court		
Day held	Wednesday (18/10/2011)		
Frequency	Monthly/ <i>Quarterly</i>		
Duration	1 hour 30 minutes		
Meeting Purpose	To provide clear strategic leadership and direction to the project		
Decisions expected	<ul style="list-style-type: none"> • Confirmation of project progress • Resolution of escalated issues 		
Escalation	N/A		
Reporting Route	<ol style="list-style-type: none"> 1. Council Audit Committee 2. Scottish Ministers 		
Agenda Issued	Three days in advance	Standard Agenda Items	
		<ol style="list-style-type: none"> 1. Consolidated Project Update Highlight Report 2. Escalated Issues 3. Key Milestones due in next quarter 4. Communications 	

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Appendix 1 (h) – Project governance structure

TRAM Project Meeting Descriptor		Meeting title: Project Delivery Group	
Chairmanship:	Vice Chair Joint Project Forum	Standard Attendee List	
Vice Chair:	Senior Responsible Officer	Vic Emery	Alan Coyle
Location for meeting:	Lochside	Dave Anderson	Kelly Murphy
Day held	tbc	Colin Smith	Lucy Adamson
Frequency	Fortnightly	Bob McCafferty	Andy Conway
Duration	2 hours	BBS reps [tbc]	
Meeting Purpose	To manage the operational delivery of the project and report on progress against programme and budget.	Richard Garner	
Decisions expected	<ul style="list-style-type: none"> Confirmation of project programme progress Confirmation of project budget progress Identification of issues for Escalation. 	Graham Porteous (TS)	
Escalation	Joint Project Forum	Ian Craig/Bill Campbell	
Reporting Route	1. Joint Project Forum	Julian Weatherley (T&T)	
		Nick Smith	
		Standard Agenda Items	
		1. Project Update Highlight Reports	
		a. Programme	
		b. Budget	
		2. Issues for Escalation	
		3. Communications	

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Appendix 1 (i) – Project governance structure

TRAM Project Meeting Descriptor		Meeting title: Programme & Risk Meeting	
<p>Chairmanship: Vice Chair:</p> <p>Location for meeting:</p> <p>Day held</p> <p>Frequency</p> <p>Duration</p> <p>Meeting Purpose</p> <p>Decisions expected</p> <p>Escalation</p> <p>Reporting Route</p>	<p>Independent Certifier <i>Alan Coyle</i></p> <p>Lochside</p> <p>Tuesdays (4/10/2011)</p> <p>Fortnightly</p> <p>1 hour</p> <p>To ensure compliance with the contract programme and to mitigate and manage risk.</p> <ul style="list-style-type: none"> • Confirmation of compliance • Escalation of non compliance • Management actions to control risk • Escalation of risks that are manifesting themselves. <p>Project Delivery Group</p> <ol style="list-style-type: none"> 1. CEC Internal Weekly Review Meeting 2. Project Delivery Group 	<p>Standard Attendee List</p> <p>Colin Smith</p> <p>James Cowie</p> <p>Martin Foerder</p> <p>Jim Donaldson</p> <p>Martin Hutchinson</p> <p>Steve Sharp</p> <p>David Steele</p> <p>Alfred Brandenburger</p> <p>Julian Weatherley</p> <p>Alan Coyle</p> <p>Bob McCafferty</p>	<p>Distribution</p> <p>Kevin Russell</p> <p>Neil Hibbert</p> <p>Bob McCafferty</p> <p>Dave Anderson</p> <p>Marshall Poulton</p> <p>Alan Coyle</p> <p>Graham Robertson</p> <p>John McLaughlin</p> <p>TS Rep TBC</p>
		<p>Standard Agenda Items</p> <ol style="list-style-type: none"> 1. Items Programme Review 2. Risk Register Review 3. New Risks 	

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Appendix 1 (j) – Project governance structure

TRAM Project Meeting Descriptor		Meeting title: Tram Commissioning, Integration & Preparation for Operation Meeting		
Chairmanship:	Independent Certifier			
Vice Chair:	<i>Alan Coyle</i>			
Location for meeting:	Lochside			
Day held	Wednesday (5/10/2011)			
Frequency	Fortnightly			
Duration	1 hour			
Meeting Purpose	To ensure efficient delivery, commissioning and integration of the total tram system to an operational state.			
Decisions expected	<ul style="list-style-type: none"> • Acceptance of handover criteria. • Compliance with ROGs • Compliance with commissioning Programme • Health and Safety compliance of system 			
Escalation	Project Delivery Group			
Reporting Route	<ol style="list-style-type: none"> 1. CEC Internal Weekly Review Meeting 2. Project Delivery Group 			
		Standard Attendee List	Distribution	
		Colin Smith	Steve Westwood	Dave Anderson
		Martin Foerder	Michael Wilken	Marshall Poulton
		Stefan Rotthaus	Martyn Ayres	Kevin Russell
		Jim Donaldson	Bill Campbell/Ian Craig	Eddie Inglis
		David Steele	Transport Scotland Rep TBC	Patrick Scully
		Alastair Richards		
		Alfred Brandenburger		
		Julian Weatherley		
		Pall Palsson		
		Standard Agenda Items		
		<ol style="list-style-type: none"> 1. Acceptance Criteria 2. Commission Progress 3. System Testing 4. Programme 5. Health and Safety 		

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Appendix 1 (k) – Project governance structure

TRAM Project Meeting Descriptor		Meeting title: Design, Consents & Commercial Meeting	
Chairmanship:	Independent Certifier	Standard Attendee List	
Vice Chair:	<i>Alan Coyle or senior representative of Hg Consulting for Valuation and Certifiers Review meetings</i>	Colin Smith	Alan Coyle
Location for meeting:	Lochside	Simon Nesbitt	Julian Weatherley
Day held	Wednesday (5/10/2011)	Martin Foerder	Gary Easton
Frequency	Fortnightly	David Gough	
Duration	1 hour	David Steele	
Meeting Purpose	To ensure capture any potential requirement for design change; To develop the scope of any change orders that arise; To monitor the progress of any change orders issued; To agree the originator of the change and the value/cost of the change; To review resource allocation and records reconciliation; To confirm Valuation and Certifiers Review (Every other Meeting)	Alfred Brandenburger	
Decisions expected	All draft and agreed change orders and their cost consequences are recorded and reported to the client and the contractor.	Axel Eickhorn	
Escalation	Project Delivery Group	Bob McCafferty	
Reporting Route	1. CEC Internal Weekly Review Meeting 2. Project Delivery Group	Andy Conway	
		Alan Bowen	
		Michael Wilken	
		Shabu Dedhar	
		Standard Agenda Items	
		1. Review of design consents Report	
		2. Commercial Consequences of Change and liability identification	
		3. Monthly Valuation and Certifiers Review	

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Appendix 1 (I) – Project governance structure

TRAM Project Meeting Descriptor		Meeting title: Utilities, Princes St and Construction Meeting	
Chairmanship:	Independent Certifier	Standard Attendee List Colin Smith Jim Cowie Jim Donaldson Andrew Renwick Martin Foerder Peter Widdowson David Gough Stefan Rotthaus Andy Conway Bob McCafferty David Steele Alfred Brandenburger Klaus Dieker Julian Weatherley Steven Lewcock Standard Agenda Items 1. Identification of utilities clashes 2. Solution coordination 3. Traffic management 4. Stakeholder requirements 5. Resolution of Construction Blockers 6. Review of NCR Register	
Vice Chair:	Alan Coyle		
Location:	Lochside		
Day held	Tuesday (4/10/2011)		
Frequency	Fortnightly		
Duration	1 hour		
Meeting Purpose	To ensure coordination of approach between the contractor, utilities contractors and design solutions; To ensure that there is efficient working on Princes Street while interfacing with city requirements; To ensure that communication with stakeholders is maintained; To clear construction blockers and to ensure the quality systems, health and safety and NCR reporting is compliant with employer's requirements.		
Decisions expected	Confirmation of coordination of utilities works; Escalation of non-conformity of utilities works; Confirmation of efficient management of construction work; Confirmation of any specific communication issues for stakeholders.; Confirmation that construction activity is meeting employer's requirements.		
Escalation	Project Delivery Group		
Reporting Route	1. CEC Internal Weekly Review Meeting 2. Project Delivery Group		
		Distribution Kevin Russell Dave Anderson Steve Westwood Graham Robertson Steve Westwood Klaus Dieker Kelly Murphy Marshall Poulton Dennis Murray	

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Appendix 1 (m) – Project governance structure

TRAM Project Meeting Descriptor		Meeting title: Tram Briefing Meeting	
Chairmanship:	Council Chief Executive	Standard Attendee List	Alternate Meeting Attendee List
Vice Chair:	Vic Emery		
Location for meeting:	Waverley Court	Sue Bruce	<i>To also include:</i>
Day held	Tuesdays and Thursdays (06/10/2011)	Vic Emery	Ainslie McLaughlin
Frequency	Weekly	Alastair Maclean	Graham Porteous
Duration	1 hour	Dave Anderson	Julian Weatherley
Meeting Purpose	To provide clear operational oversight as client, to provide challenge to issues and change requests and to be the client sign off point for change requests.	Colin Smith	Gary Easton
Decisions expected	<ul style="list-style-type: none"> • Identification of issues for escalation. • Confirmation of potential changes to be actioned through formal change process • Client agreement of Change request applications 	Alan Coyle	<i>Others as required</i>
Escalation	N/A	Bob McCafferty	
Reporting Route	1. Project Delivery Group	Kelly Murphy	
		<i>Secretarial support</i>	
		Standard Agenda Items	Alternate Week Agenda Items
		1. Governance	1. Turner & Townsend Report
		2. Project Management	<i>Client only</i>
		3. Operational Issues	1. Client Instructions
		4. Communications	2. Finance
			3. Consents and Approvals
			4. Communications
			5. Political Feedback & Updates

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Appendix 1 (n) – Project governance structure

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Other meeting descriptors

Appendix 1 (o) – Project governance structure

TRAM Project Meeting Descriptor		Meeting title: All Party Oversight Group	
Chairmanship:	Council Leader	Standard Attendee List Councillor Dawe (LD) Sue Bruce Councillor Cardownie (SNP) Dave Anderson Councillor Burns (LAB) Alastair Maclean Councillor Balfour (CON) Alan Coyle Councillor Burgess (GR) Kelly Murphy Councillor Mackenzie (LD) Bob McCafferty Councillor Hinds (LAB) Colin Smith Councillor Jackson (CON) Councillor Johnstone (GR)	
Vice Chair:	Senior Responsible Officer		
Location for meeting:	City Chambers (room TBC)		
Day held	Monday 03/10/2011		
Frequency	Monthly		
Duration	1 hour		
Meeting Purpose	To provide updates on Tram project progress, current issues and the Open for Business activities		
Decisions expected	<ul style="list-style-type: none"> Confirmation of project progress Identification of additional information required Confirmation of Open for Business activities 		
Escalation	N/A		
Additional Briefings	1. Regular electronic briefing to be issued to elected members between meetings		
		Standard Agenda Items 1. Project Update Highlight Report 2. Current Issues 3. Open for Business Update	

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Appendix 1 (p) – Project governance structure

TRAM Project Meeting Descriptor		Meeting title: City Centre elected Members Briefing
Chairmanship:	Director of City Development	<p>Standard Attendee List</p> <p>Joanna Mowat</p> <p>Charles Dundas</p> <p>Alastair Rankin</p> <p>Kelly Murphy</p> <p>Dave Anderson</p>
Location for meeting:	Tbc	
Day held	Tbc	
Frequency	Monthly	
Duration	30 minutes	
Meeting Purpose	To ensure city centre elected Members remain informed of progress on the Tram Project and to allow a formal channel through which key issues can be raised.	
Decisions expected	None	
Escalation	Tram Briefing Meeting	<p>Standard Agenda Items</p> <ol style="list-style-type: none"> 1. Programme Update 2. Key Milestones due in next month 3. Open for Business Programme 4. Issues arising
Reporting Route	<ol style="list-style-type: none"> 1. Project Delivery Group 2. Tram Briefing Meeting 	

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Appendix 2 – Key milestone schedule

The Overall Client Target Programme covers the following key sections

Location	Work	Start Date	Finish Date	Status
York Place	All	Q.3 2012	Q.1 2014	Due to start Q3
	Traffic Management	Q.3 2012	Q.4 2013	Due to start Q3
	Road/Track Works	Q.3 2012	Q.4 2013	Due to start Q3
	Overhead lines and electrification works	Q.3 2013	Q.1 2014	Due to start Q3
St Andrew Square	All	Q.1 2012	Q.1 2014	Commenced on programme
	Road Closure	Q.1 2012	Q.4 2012	Commenced on programme
	Traffic Management	Q.1 2012	Q.4 2012	Commenced on programme
	Road/Track Works	Q.1 2012	Q.1 2014	Commenced on programme
	Overhead lines and electrification works	Q.3 2012	Q.1 2014	N/A
Princes Street	All	Q.4 2011	Q.1 2014	Commenced on programme
	Traffic Management	Q.4 2011	Q.3 2012	Commenced on programme
	Road/Track Works	Q.4 2011	Q.3 2012	Commenced on programme
	Overhead lines and electrification works	Q.4 2011	Q.1 2014	Commenced on programme
Shandwick Place	All	Q.1 2012	Q.1 2014	Commenced on programme
	Road Closure	Q.1 2012	Q.2 2013	Commenced on programme
	Traffic Management	Q.1 2012	Q.4 2013	Commenced on programme
	Road/Track Works	Q.1 2012	Q.4.2013	Commenced on programme
	Overhead lines and electrification works	Q.2 2013	Q.1 2014	N/A
Haymarket Junction	All	Q.4 2011	Q.1 2014	Commenced on programme
	Traffic Management	Q.4 2011	Q.3.2013	Commenced on programme
	Road/Track Works	Q.4 2011	Q.3 2013	Commenced on programme
	Overhead lines and electrification works	Q.2 2013	Q.1 2014	N/A

Appendix 3 – Amounts drawn down against risk

Infraco Contract – Change Register

Location	Description	Agreed Cost for Approved Contract Changes £
Hawthornevale Cycle Link	Change the design to widen the footway alongside the south side of Lindsay Road	£20,020.51
Ocean Drive Footway	Amend the design of Ocean Drive to reinstate the footpath to the north of Ocean Drive	£10,230.82
Depot Access Bridge	Amend the design of the OLE at the Depot Access Bridge to enable construction of the Depot	£67,646.03
Blenheim Place	Review of the banned right turn into Blenheim Place as part of the design for Section 1C2 roads	£46,247.09
York Place Terminal Point	Production of a feasibility report, initial feasibility design for option ii), run time modelling etc	£228,652.80
The Mound	Review Design for providing a new cycleway from the Mound to Princes Street	£9,436.93
St Andrew's Square	Provide a clarification report and completion of the St. Andrew's Square Public Realm design	£133,075.48
Eastfield Avenue	Review EAL approval for the highways design drawings at Eastfield Avenue tram crossing	£10,025.09
Cathedral Lane Substation	Review Design of Cathedral Lane Substation	£233,595.67
Gogar Lane	Review Storm Water Connection from Gogar Lodge to the landowners new septic tank	£5,750.46
Ocean Terminal	Re-design of Ocean Terminal Bypass Road	£53,685.15
Airport to Gyle	Tram Delivery Temporary Works	£6,878.44
Section 6 - Depot Access Road	Amend the design of the Depot Road turning head as per RDC191. Option 2	£27,000.00
Edinburgh Park	Extension to Edinburgh Park Office to accommodate CEC / Transport Scotland	£159,900.00

£1,012,144.47

