

## Joint Tram Project Board and tie Board

22 January 2009

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## Agenda

Minutes and Matters Arising	D Mackay
Overview	Steven Bell
HSQE	Steven Bell
Governance Matters	Graeme Bissett
Project Delivery	Steven Bell
- Post embargo start up	
- Princes Street programme and contingency	
- Utilities – programme & commercials	
- InfraCo programme & commercial issues	
- Other key areas	
Finance	Stewart McGarrity
Risk Management	Steven Bell
Network Extensions	Stewart McGarrity
Change Control	Steven Bell
HR, Comms and Stakeholder	Colin McLauchlan

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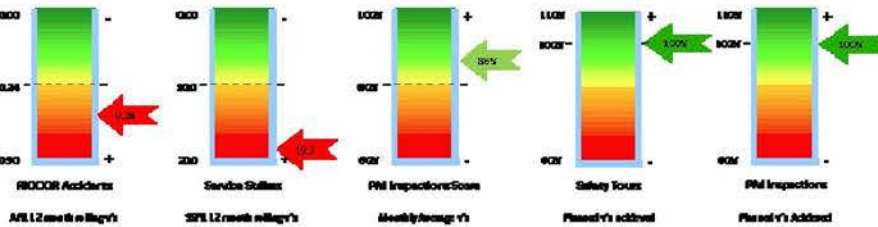
## Overview

- HSQE performance stable and active monitoring / initiatives for improvement are underway
- Post Embargos start up generally implemented as planned
- Coordinated progress on Princes Street closure preparation
- Utilities works still requiring very active management of CUS with specific areas we are integrating works with Infraco to optimise access.
- Infraco – disappointing progress up to Christmas. Securing the right effective engagement to resolve the delivery & commercial challenges is proving extremely hard. This is critical to success.
- Cost forecast and risk for the project reviewed in detail as planned.
- Programme recovery work still in detailed progress with Infraco.

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## HSQE



- Zero reportable accidents P10. Annual rolling 0.28 (improving) – If no further reportable accidents within the next 3 periods AFR by year end will be 0.24 (based on 1,250,000hrs).
- BSC and Carillion have re-inducting all operatives and re-checked competence for the start of the New Year.
- Safety seminar planned and held 08.01.09 with tie, Infraco, Transdev and other stakeholders.
- The monthly frequency of service damages fell again for period 10, mainly due to the current program of works being reinstatement rather than excavation.
- 5 areas of construction works were stopped by tie PM's during period 10. Meetings have been held with the Principal Contractors to discuss preventative measures.
- Effective arrangements were made for the holiday period. There were no reported incidents during the break.
- 100% of planned tie inspections achieved. 3 inspections of CUS sites fell below 80%

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## Governance Background and work done

- The December TPB and wider discussion confirmed the desire to streamline and clarify the existing governance and corporate model, creating a robust future-proofed model
- Two single-entity options were examined in detail to identify fatal flaws, particularly from a tax and legal perspective
- Concluded that both Option A (TEL) and Option B (tie) are deliverable
  - Option A carries risk in relation to contract assignation, interests of BSC and time / legal cost
  - Option B creates potential presentational difficulties

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## Governance Alternative approach – Option D – and next steps

- A model in which the tie shares are transferred to TEL offers a possible best alternative to the single-entity.
- Restructuring of the Boards of tie and TEL will be needed to ensure the firepower is properly focussed, responsibilities are clear and duplication is avoided.
- Critical role of LB would be maintained under all three options
- Dialogue is now needed to conclude on the preferred option, execute a programme to test it to destruction and if it survives then to develop an effective Board and management model and communications strategy
- The structure to manage an operational tram and bus system should also now be addressed

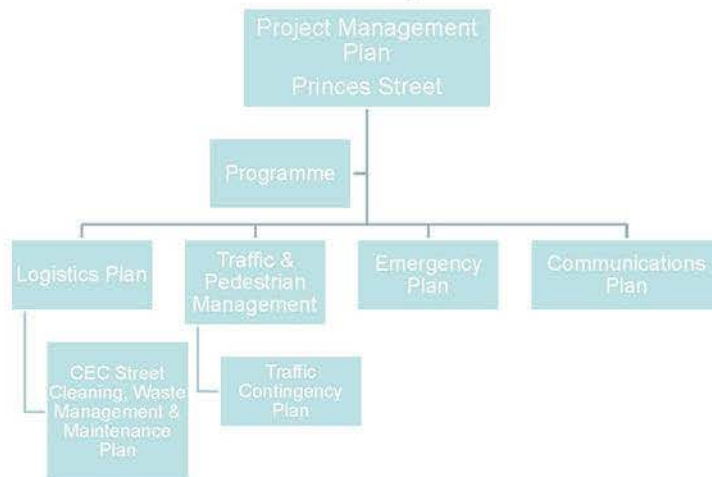
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## Project Delivery Post Embargo Start Up

- 5 January Works – implemented as planned, including commencing Princes St enabling works.
- 10 January Works Manor Place Closure – implemented as planned.
- 19 January Works Leith Walk / Constitution Street - implemented as planned.
- Mound on schedule for 24 January as planned.

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## Project Delivery Princes Street – Management Framework



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## Project Delivery Princes Street

- Enabling works – on programme, Mackenzie's performing well
- Traffic/pedestrian management - modelling complete, core TM approved, remaining pedestrian , Mound parking & contingency to TMWG today
- Logistics – plan in draft, logistics support tenders returned, delivery route maps being produced for traders by end Jan
- Emergency plan – drafted and being completed . Reflects requirements of emergency services and CEC
- Traffic contingency plan – in final draft
- Fencing – decision on fencing made and meetings next week with CEC and suppliers to conclude wraps and imaging
- Readiness – worksite layout plan due 23/01, start work checklist being used to ensure everything in place

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## Project Delivery Utilities works

- Overall 65% complete
- Effective close down for embargo and restart
- Outstanding works at Depot 800m watermain to be fully completed by late January.
- Sewer diversion work on programme.
- Edinburgh Airport works ready to commence, subject to provision of a collateral warranty from Carillion to EAL. This is a risk item.
- BT diversions commencing in January.
- Mound diversions: SGN technical solution being finalised but progressing well.
- Integrated programme of works at Ocean Terminal, Leith Walk and Haymarket is being finalised to minimise impact on the main construction works. Output expected for February Board meeting.
- Further elements of scope may be transferred to BSC if there are advantages in cost and programme and confidence in delivery.

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## Project Delivery InfraCo Progress

- Generally poor progress up to December 2008, with delay related to;
  - Delayed appointment and mobilisation of package contractor
  - Incomplete/delayed utilities diversions
  - Design slippage and design changes (including instructions)
  - Completion of change orders
  - Consortium integration programme
- However, works are progressing well on:
  - Princes St closure and associated planning, enabling and sub-contractor engagement / mobilisation.
  - Tram vehicle works including commencement of production line works in line as programmed.

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## Project Delivery InfraCo issues resolution

- Review held with BSC senior executives on 16 Dec including representative from Germany.
- Action plan agreed to address;
  - Princes Street enabling / closure works
  - Outstanding barriers, including integration of design, mobilisation and utilities works
- Review and escalation of areas of contract / commercial disagreement actioned.
- Progress joint programme recovery activities and evaluation to enable a re-calibrated programme to be formally agreed during Q1 2009.
- R Walker / M Flynn meeting on 22 January to check progress and address escalation items.
- This is a very challenging area to balance the contractual, commercial and delivery problem solving whilst creating a momentum for delivery to recover programme time.
- Review with D Mackay / Dr Keysberg on 9 February 2009.

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## Project Delivery Other issues

- TROs progressing including assessing change proposals from informal consultations.
- Fastlink (Guided Busway) wide area measures and associated TRO underway and on programme currently.
- Haymarket Car Park compensation agreed with Network Rail (within budget) and opportunity being pursued with Transport Scotland for recovery of franchise extension (2011-14) element of First ScotRail compensation. Response promised this week.
- Final elements of Murrayfield pitches relocation works expected to be concluded in period 12.

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## Costs Review – Principal Assumptions

- The utilities diversion and infrastructure delivery programmes will proceed as anticipated – no future significant disruption as a result of unforeseen traffic management arrangement or design changes
- No future significant design changes with a capital cost impact which is not separately funded
- Phase 1b does not go ahead in 2009
- The Infraco will commence construction on Princes Street and the Depot as programmed in Jan/Feb 09
- Commercial engagement with Infraco and delivery impetus improves significantly
- The improved commercial engagement leads on to a revised programme with service commencement date not significantly different to July 2011 – with marginal costs shared equitably in accordance with the Infraco contract

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## Costs Review – Summary of Outputs

- Costs of Phase 1a delivery now estimated to be in the range **£522m to £540m** – approved estimate is **£512m**. Components are:
  - Increase in Base Costs of between £2m and £12m
  - Increase in Risk Allowance required (at Jan09) of between £8m and £16m (**NB** existing risk allowance for Infraco has not been committed)
- Assumed Phase 1b does not go ahead in 2009 – cancellation costs of **£3.2m** to Infraco plus **£3m** design costs – so total costs to be funded in a range **£528m to £546m**
- Outturn within the range depends on a multitude of factors incl
  - Principal Assumptions (previous slide)
  - equitable commercial engagement with Infraco
  - Conversion of opportunities to mitigate costs
- **NB – No changes are part of the approved budget until they have been approved by the TPD under Delegated Authority or presented to the TPB for approval.**

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## Costs Review – Summary Table

£m	Spent to					Low Opps Outturn
	P10 08/09	Approved Budget	Increases	High Outturn		
<b>Base Costs</b>						
Infrastructure and Vehicles	62.8	304.9	2.9	307.8	(4.4)	303.4
Utilities diversions	45.3	49.9		49.9	(1.8)	48.1
Land and Property	18.1	20.6		20.6	(1.0)	19.6
Design, modelling and technical services	36.9	39.0	0.8	39.8	(0.4)	39.4
Team Resources (tie/TEL/CEC/Transdev)	21.6	38.4	6.3	44.7	(1.4)	43.3
Legal costs	5.4	5.8		5.8		5.8
Insurance	1.3	4.5	0.5	5.0	(0.5)	4.5
Accommodation and overheads	7.4	10.9	1.1	11.9		11.9
Other	7.6	9.2	0.4	9.6	(0.6)	9.1
<b>Total Base Costs</b>	<b>206.3</b>	<b>483.1</b>	<b>12.0</b>	<b>495.1</b>	<b>(10.1)</b>	<b>485.0</b>
<b>Risk Allowance</b>						
Infrastructure and Vehicles		17.5	13.9	31.4	(6.3)	25.2
Utilities diversions		6.7	(0.2)	6.4		6.4
Land and Property		1.1	(0.1)	1.0	(1.0)	(0.0)
Approvals		1.3	(0.1)	1.2	(0.9)	0.4
Value engineering delivery		2.0	2.3	4.3		4.3
Other		0.4	(0.0)	0.4		0.4
<b>Total Risk Allowance</b>		<b>28.9</b>	<b>15.8</b>	<b>44.7</b>	<b>(8.1)</b>	<b>36.7</b>
<b>Total Phase 1a Delivery</b>	<b>206.3</b>	<b>512.0</b>	<b>27.8</b>	<b>539.8</b>	<b>(18.2)</b>	<b>521.6</b>
Phase 1b Cancellation				6.2		6.2
<b>Total Costs to Fund</b>				<b>546.0</b>		<b>527.8</b>

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## Costs Review – Base Costs

£m	Increases	Opps	Net	
Infrastructure at Airport (Burnside Road)	2.5	(1.0)	1.5	Separate slide
Changes to Tram vehicle interiors	0.2		0.2	
Infraco Provisional sums (Picardy Place & UTC)		(3.0)	(3.0)	
Betterment opportunities with SUs		(1.8)	(1.8)	
Land costs (Haymarket Car Park)		(1.0)	(1.0)	
Technical services (TSS) costs	0.8	(0.2)	0.6	
Insurance (OCIP)	0.5	(0.5)	0.0	
Combined team resources	6.3	(1.4)	4.9	Separate slide
Accommodation ICT and overheads	1.1		1.1	Separate slide
Tram branding costs	0.4		0.4	
Other	0.2	(1.2)	(1.0)	
<b>Base Costs Inc &amp; Opps</b>	<b>12.0</b>	<b>(10.1)</b>	<b>1.9</b>	

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## Costs Review – Risk Allowance

£m	Increases	Opps	Net	
General delay allowance (existing allowance £5.3)	4.7		4.7	Separate slide
Full depth road reconstruction (existing allowance £1.5m)	2.3	(1.5)	0.8	Separate slide
Design changes Base Date to IFC (existing allowance Nil)	6.1	(3.0)	3.1	Separate slide
Provision for non-delivery of VE (existing allowance £3.2m)	2.3		2.3	
Wide Area infrastructure (existing allowance £1.8m)		(1.0)	(1.0)	
Mitigate increased land costs allowance		(1.0)	(1.0)	
Mitigate TRO hearing costs allowance		(0.9)	(0.9)	
Other items net	0.4	(0.7)		
<b>Base Costs Inc &amp; Opps</b>	<b>15.8</b>	<b>(8.1)</b>	<b>8.0</b>	

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## Costs Review – Review of specific Changes

### Infrastructure Changes at Burnside Road (+£1.5m to +£2.5m)

- Approved Budget included £1m for works required by the 3<sup>rd</sup> Party Agreement with EAL
- Option Development has outlines the most feasible economic option (option 5) as costing up to £4m.
- Review of the assumptions suggests a worst case of ~£3.5m (+£2.5m above budget) with a more likely range of £2m - £3m (allowed +£1.5m above budget)
- Systematic challenge underway with EAL to minimise any increase.
- Procurement decision being made now to protect InfraCo programme, due to need access by October 2009.

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## Costs Review – Review of specific Changes

### Additional Risk Allowance for delay (+£4.7m)

- Total of £10m equiv to 30wks Infraco delay attributable to us – significantly greater certainty when we have an updated Infraco programme commercially agreed
- Allowance is for both EOT which may be awarded to Infraco and the cost of acceleration measures which are to our account
- Allowance includes for the cost of delay and disruption to Infraco due to traffic management conditions not previously anticipated – Manor Place, Leith Walk Xmas Embargo and Princes Street
- All Traffic Mgt related disruption to MUDFA programme is contained within the MUDFA Risk Allowance
- Estimated cost of v26 to v31 design programme provided for elsewhere in Risk Allowance

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## Costs Review – Review of specific Changes

### Additional allowance for design changes between Base Date design and IFCs (+£3.1m to +£6.1m)

- At the core is a Legal interpretation of the Infraco contract
- Normal design development included in the price
- Specific potential exposure on structures and piling/foundations on the railway corridor
- Certain items are changes which are client responsibility (e.g. Murrayfield Tram Stop changes driven by planning)
- Legal and independent Commercial review has supported our case
- However, this is an area of significant change which BSC will fight very robustly.

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## Costs Review – Review of specific Changes

### Additional Risk Allowance for full depth road reconstruction (+£0.8m to +£2.3m)

- Changes to specification in road construction make-up
- Planing / road reconstruction out-with defined pricing assumption locations (4 specific items in Contract)
- This does link to Base Date Design Information and Design responsibilities, but again, there is a robust case as previously argued. The risk allowance is prudent.

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## Costs Review – Review of specific Changes

### Additional Resource Costs (+£4.9m to +£6.3m)

### Additional Accommodation and Overhead costs (+£1.1m)

- High side additional resource costs based upon:
  - +£3.5m - tie resourcing plan reflecting significant additional resources in Project Mgt, Commercial and Stakeholder Mgt,
  - +£0.9m – CEC resources in 0910 including the extension of the approval team (£0.4m) and recharge of previously capitalised cost
  - +£1.6m – TEL resources including LB management input to the Tram project
- Exercise underway to develop efficient one-team for delivery of the project and significant resource cost saving anticipated.
- Additional accommodation and overhead costs represented by one year additional cost of occupying 1<sup>st</sup> floor at Citypoint plus incremental ICT costs for additional headcount across all teams.

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## Risk Report

- The Corporate Risk Register was reviewed and, where applicable, updated. The significant changes are described below.
- The risk profile of risk 2 (Response to Traffic Issues) was downgraded from amber to green. This is due to the progress being made following the increased co-operation between tie and key stakeholders, particularly CEC, TEL and the police. Additionally, three action plans which were reported as closed at the last meeting have been removed and new treatment plans have been added.
- The status of the action plan 'Rectification of all findings by December 2008' on risk 5 (Mudfa Management Procedures) was upgraded from amber to red as it is not yet complete, however progress continues to be made and all findings should be rectified by end of February 2009.

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## Risk Report

- Risk 7 on the previously submitted register was "*Lack of tie Business Continuity Plan*". This risk has been closed as a plan has been approved and added to the register of tie procedures.
- The risk profile of risk 8 (Management Reporting) was upgraded from green to amber and an additional action plan relating to the implementation of the Information Management Strategy was added.
- A further action plan was added to risk 9 (Communication Weaknesses) referring to the forthcoming audit of the Stakeholder Management arrangements.
- The action plan for risk 10 (Human Resources Management) was updated to reflect the impending review of the 'One Family' requirements.
- The Corporate Risk Register will be reviewed prior to the next tie Board meeting and an update provided.

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## Network Extensions

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## Change Control

- Manor Place paper
- Princes Street paper
- Update on status at January 2009 – P11 changes in progress

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## HR & Comms

- Integrated Edinburgh Trams Communication Plan
  - CEC, tie, Lothian Buses
  - Organisations, Employees, Bus users, Community, Commuters, Visitors
  - Tram Operations Group
  - Six Construction Surgeries – 11, 12 and 13 February
  - New Edinburgh Tram website
  - Customer Services team – respond
  - 3 full-time Tram Construction Advisers
  - Community Groups and Residents Associations
  - Leafleting
  - Signage
  - Media and advertising
- Logistics Survey, Plan and Resources (c350 business and retailers) – Logistics Adviser co-ordinate
- Open for Business – co-ordination with activities and additional £200k funding
- Schools Programme

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END

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