

Tram Project Board

Wednesday 9 January 2008

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Trams for Edinburgh
Lothian Buses

CEC01485421_0001

Developments since 19th December

Stewart McGarrity

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Resume of Position at 19th December

- Infraco deal agreed in Wiesbaden on 14th December at £218.3m after deducting VE at £13.8m (subject to conditions) and £10.2m remaining provisional items.
- Potential increase in Base Costs compared to FBC = £10.1m:
 - Infraco + £10.4m
 - Tramco + £3.7m
 - MUDFA - £3.0m
 - Other - £1.0m
- Potential increase in Base Costs well within procurement stage risk allowances with £6m unutilised.
- Deal based upon BBS taking design development risk and programme for commencement of operations in Q1 2011.

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Events since 19th December

- “Agreement for Contract Price for Phase 1a” signed on 20th December at £218.3m.
- Detailed programme for resolution of remaining price and contractual issues established (including VE, provisional items and third party agreements).
- Final Business Case approved by CEC and final Grant Award Letter approved by Transport Scotland.
- Final Tramco price agreed including fixing of exchange rate – result is £5.3m above Base Cost estimate compared to £3.7m previously reported (primarily due to currency fluctuation).
- Tramco adverse variance of £1.6m offset by £2m allowance for remaining design included in Infraco price but already included in SDS Base Cost.
- No change in overall estimated £10.1m increase in Base Costs.

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“Agreement for Contract Price for Phase 1a” Reminder of Key Principles & Exclusions

- BBS taking design development risk which excludes “changes of design principle, shape and form and outline specification”
- Based upon programme for operation commencement in Q1 2011

Excludes:

- Work in St Andrews Square outside track alignment
- Extra over cost of work in Forth Ports Estate
- Adverse ground conditions
- Bernard St streetscape works
- Frontage to frontage replacement in Leith Walk
- Changes at Edinburgh airport – diversion of Burnside Road

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Grant Award Letter

w/ Reference to copies tabled

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Approvals Process

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Approvals Process

- Directors Planning and Finance and CEC Solicitor to give recommendation to Chief Executive CEC on contract award prior to IPG on 24 Jan.
- Following special IPG on 24/01, Chief Executive CEC will provide written delegated approval to **the** Chairman to formally enter into contracts and novation agreements.

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Governance

Graeme Bissett

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tie and TEL Operating Agreements

- On 20th December, the Council approved process to complete, including delegated authority given to Council Solicitor to conclude the agreements.
- **tie** Board met by conference call on 18th December and requested a set of changes to the version attached to the Council Report, **tie** awaits the Council's views on these.
- Question of “agency” status is a critical matter from a tax perspective.
- Otherwise, the **tie** draft needs to be kept consistent with the finalised contracts .
- TEL draft prepared based on tie agreement and submitted to Council 7.01.08.
- Comments awaited.
- Highly desirable to deal with points of principle early to minimise iterative drafting.

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Governance Model

- FBC contained clear view of model to be applied during construction, in line with previous presentations to TPB / TEL / **tie**.
- Detailed paper setting out delegation structures will be submitted to TPB on 23rd January as basis for operations after Close.

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Tax Clearance

- PwC Report has provided professional opinion on tax robustness of contract structure.
- The only variable to resolve is **tie**'s agency status .
- HMRC clearance also sought, informally given but HMRC want a meeting to improve their understanding given the scale of the contract.
- Slightly unsatisfactory, but we will have a clearer view after meeting HMRC.
- Awaiting HMRC views on grant award letter, no problems anticipated.

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Next meeting dates for approvals

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Overall Calendar and Rationale

- To be scheduled :
 - Council Tram Sub-Committee 6-8 weekly
 - Council / Transport Scotland 4-weekly
- Agenda / attendees for discussion :
 - Council Tram Sub-Committee 6-8 weekly
 - TPB Sub-Committees

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Next meeting dates for approvals

- 18/01 Issue notification of award
- 21/01 Legal Affairs Committee
- 23/01 TPB/TEL Board
- 24/01 IPG
- 24/01 CEC issue written delegated authority to tie
- 24/01 **tie** Board Tel conf (tbc)
- 28/01 Contract Award

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