

Edinburgh Tram: Update

The City of Edinburgh Council

8 March 2007

1 Purpose of report

- 1.1 This report provides an update to Council on progress regarding grant assistance for the Edinburgh Tram, the Ministerial Announcement and land acquisition; and seeks approval for further actions.

2 Summary

- 2.1 At the date of drafting this report the Ministerial Announcement on further tram funding is awaited, although it may have been received by the date of the Council meeting.
- 2.2 The report updates Council on the land acquisition matters.
- 2.3 The report seeks approval for further required actions.

3 Main report

- 3.1 On 29 December 2006 Transport Scotland wrote to the Director of City Development confirming amendments made to the provisions of the Grant Offer letter dated 20 July 2006. The letter confirmed the increase in the grant available by £3,900,000 to provide sufficient funding (together with use of underspend elsewhere on the project in 2005-06 and 2006-07) to cover advance land purchase for the scheme in the period to 31 March 2007. The cumulative grant offer for drawdown in 2006/07 financial year is £44 million. A Ministerial statement is expected shortly regarding future Tram funding.
- 3.2 The Council at its meeting on 26 October 2006 noted the intention that, when the Business Case was approved by the Council and Ministers, the General Vesting Declaration would be made and the Second Notice issued. Ministerial Announcement is expected very shortly and may have been made by the date of Council meeting. However, Ministerial Announcement was not made by 2 March and Transport Scotland have made it known that the General Vesting Declaration Notices should follow the Minister's statement if appropriate. On this basis Transport Scotland have intimated that they will roll over £10.6 million grants for land acquisition into the next financial year, repeating the provisions of their correspondence of 27 February. It is the Director of City Development's recommendation and advice that the General Vesting Declaration Part 2 Notices be issued immediately on receipt of the Ministerial Announcement consistent with current progress and timescales for this Project.

Comment [SMcG1]: Yes we have Damian's confirmation of that fact be email. Should we be confirming with TS that there is no impediment to saying this publicly?

- 3.3 The sum of £10.6 million for land acquisition and compensation costs approved by Transport Scotland provides part of the total sum identified in the report to Council on 21 December 2006.
- 3.4 Officers have been made aware informally that the Ministerial Announcement may not provide express approval of the draft Final Business Case and that this would be considered at Final Business Case stage at the end of September 2007.
- 3.5 It is recognised both by Transport Scotland and Council officials that further safeguards are required to be in place for this project. In particular, these should protect the Council's interests given that it is not a party to any of the major contracts, whilst it is the recipient of grant and bound by all the conditions set by Transport Scotland.
- 3.6 The Council is, in effect, acting as banker for the project although it bears the obligations set by Transport Scotland through the grant award. TIE is the contracting party for "Mudfa", "Infraco" and "Tramco". The Council will require TIE to enter into an agreement governing all aspects of the project. In particular, it should be noted that the Council is obliged to repay grant if there is a breach of the conditions. The Council will reinforce its control over TIE as the contracting party through a robust monitoring agreement.
- 3.7 Having acquired land for the scheme authority is required to let contractors have possession of the land to carry out works for the project. A lease of the land is proposed to TIE to allow land management following land assembly, setting out the responsibilities and rights of the Council and TIE in relation to the project land and to facilitate the granting of the possession of land for various contracts connected with the construction of the tram.
- 3.8 It is anticipated that this will be the final report on the Tram project during the lifetime of this Council. During the next few months, decisions will require to be taken by the Director of City Development and/or the Head of Planning on issues relating to prior approvals in relation to the project. In order to ensure the project can continue smoothly following Ministerial Announcement it is necessary to request that Council delegate authority to the Director of City Development in consultation with the Council Solicitor.

Comment [SMcG2]: The fact they are coughing up another £60m is tantamount to DFBC approval in my opinion.

Comment [SMcG3]: tie is a 100% owned CEC subsidiary and as such is it not the case that CEC is in effect the contracting party? CEC is not indemnified in respect of the actions of tie on the tram project except to the extent we have insurances in place.

Comment [SMcG4]: Sorry, I think this paragraph suggests to the reader that there is insufficient control by CEC over tie at the moment – we have an operating agreement in place and there is CEC representation on the tie Board, the Tram Project board and the TEL Board. Also – CEC is the project sponsor and eventual owner of the tram assets – its more than a banker.

Comment [SMcG5]: I would check that there are no Stamp Duty implications of any proposed lease arrangement.

4 Recommendations

- 4.1 It is recommended that the Council:
- Instruct the Council Solicitor, in discussion with the Chief Executive and Director of City Development, to conclude an agreement with TIE Limited protecting the Council's interests in all aspects of the project;
 - authorise the Director of City Development in consultation with the Director of Finance to instruct the execution and service of the General Vesting Declaration Part 2 Notices following receipt of a positive Ministerial Announcement;
 - To delegate to the Director of City Development to grant a lease of the project land to TIE on terms to be agreed by the Director in consultation with the Council Solicitor.
 - instruct the Directors of Finance and City Development to apply to Transport Scotland for further grant approval for the whole land acquisition costs and compensation for Phase 1A of the project.

Andrew Holmes
Director of City Development

Jim Inch
Director of Corporate Services

Appendices

Contact/tel Colin MacKenzie – [REDACTED]
Gill Lindsay – [REDACTED]

Wards affected All

Background Papers
1. Report to Council on 26 October 2006.
2. Report to Council on 21 December 2006.
Grant letters from Transport Scotland.