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For Circulation to: Alan Coyle; Alastair Maclean; Carol Campbell; Dave Anderson; Sue Bruce (Chief Executive);
Lynn McMath; Lesley Ellen; Colin Smith



Item no
Report no

Edinburgh Tram Project

The City of Edinburgh Council

25 August 2011

1 Purpose of report

1.1 This report follows on from the Edinburgh Tram Report to Council on the 30 June 2011. Following consideration of that report the Council agreed and instructed that:

- The Chief Executive (prior to any deadline stated in the Settlement Agreement for satisfaction of the Funding Condition: 1 September 2011) bring a report back to the Council setting out how that funding was to be provided and to provide greater detail in relation to:
 - The risks being incurred, particularly in relation to utilities in the Haymarket to St. Andrew Square section;
 - The risks surrounding the potential sale or lease of tram vehicles; and,
 - The extent to which (and how) the Haymarket to St. Andrew Square section had been de-risked.

Comment [NS1]: Confirm date?

1.2 The Council also instructed the Director of City Development to:

- report back in the autumn on revised governance arrangements;
- review and refresh the 'Open for Business' programme in order to focus support for on small and medium sized businesses; and,
- to begin the procurement of road, pavement and public realm improvements for the Picardy Place to Newhaven section of Tram Line 1A with immediate effect, utilising funds which have been set aside in the Council's capital programme for that purpose.

1.3 This report addresses these instructions and updates Council on certain other related matters.

2 Summary

1

2.1 [to be added]

3 Main report

3.1 At the Council meeting on the 30 June 2011 a report on the Edinburgh Tram Report was presented. Following consideration of that report, the Council instructed the Chief Executive and the Director of City Development ; to; prepare a further report in order to address how funding was to be provided for the Project going forward. The Council also sought a detailed explanation of project risk; revised governance arrangements; and a refresh of the previous 'Open for Business' programme.

3.2 In addition, the Council instructed the procurement of road, pavement and public realm improvements for the Picardy Place to Newhaven section of Tram Line 1A with immediate effect, utilising funds set aside in the Council's capital programme for that purpose.

Progress since June Report

3.3 Since the June report there has been progress by the parties in commercial terms of the Settlement Agreement [procurement risk?]. In addition, there has also been significant progress in terms of mobilisation of the actual accelerated works.

3.4 An extension to MoV4 has been signed by the parties. This extends [•] to August 2011. The effect of this is [•].

3.5 [ETL transfer commentary here...]

Risk

3.6 In June Council requested greater detail in relation to the risks borne by the Council in relation to the project. This is to enable a fully informed decision to be taken as to the acceptability of any new funding commitment.

3.7 [insert here]

3.8 A review has also been carried out, as set out in paragraphs [xx to xx] below, of the budget risks, and verified by Faithful and Gould.

3.9 Utility Risks...

Funding

3.33.10 The report to Council on 30th June set out the requirement to identify additional funding for the project up to a value of £772m, this being a base budget allowance of £695m plus £77m of additional risk provision. The current approved budget for the project is £545m, comprising Transport Scotland funding of £500m and £45m from the Council.

Scale of Funding Requirement

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Comment [NS2]: Need to be clear how far we go.

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Comment [NS3]: Insert paragraph on integration, procurement, legal risk, contract risk, exclusions, etc.

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3.43.11 In the period since the Council meeting on the 30th June, Council Officers have been working seeking to validate the figures and provide further assurance on the project costs and required risk allowance.

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3.12 It should be recognised that whilst every effort has been and will continue to be made in relation to fixing an outturn cost for the project, it is not possible to guarantee a fixed cost. The works, particularly the on-street section, carry certain risks as highlighted in paragraph 3.9.

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3.53.13 Faithful and Gould, project cost management experts, have worked with Council Officers to validate the base budget to York Place and have also undertaken a thorough testing and validation of the proposed risk allowance. An Executive summary of the Faithful and Gould Budget Review is shown in appendix 1.

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3.63.14 The validation exercise has involved a comprehensive review of the relevant financial, legal and commercial information to enable a detailed budget for the project to be produced.

3.73.15 In addition, Faithful and Gould facilitated workshops to assess the robustness of the project risk allowance. The findings of this work have informed the quantified risk allowance for the remainder of the project.

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3.83.16 The outcomes of the review of the budget has validated that the base budget allowance for the project to York Place at [£695m]. The quantified risk allowance has suggested an appropriate risk provision for the project of [£77m].

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Comment [AAU4]: Figures being validated by F&G

Comment [AAU5]: Figures being validated by F&G

3.93.17 The review has confirmed that the additional funding required for completion of the project to York Place is [£227m] compared to the previous budget sum of £545m.

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Options Appraisal

3.10 Council officers are continually evaluating the options available to the Council in relation to the project.

3.11 Assessment of options

3.123.18

3.103.19 The Council report of the 30th June estimated the costs of separation from the infrastructure contract unilaterally and resolving matters through the courts to be £690m. This estimate was based upon detailed work conducted on behalf of the Council by McGrigors and validated by Faithful and Gould

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3.113.20 A specific agreement reached at mediation was that each of the Consortium members would prepare sealed envelope estimates of their costs

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for walking away from the contract in the event that the Council was unable to secure the necessary funding to complete the project. These estimates were received after the June 30th Council meeting. They indicate, in the event that the Council is unable to secure the funding to complete to St. Andrew Square, termination of the contract by this mechanism resolving all related liabilities could be achieved for a figure of £XXXX, i.e. some £xx below the costs of unilateral separation calculated by McGrigors. This option is only available if the Council is unable to secure the funding to complete to St. Andrew Square/York Place. In effect it means that project cancellation could be achieved at a lower price than the figure presented on 30th June, but only in the event that the Council is unable to secure the necessary funding to complete the project. Assessment of the Council's options for securing funding, from within those options available to it prior to the target date of the Settlement Agreement (30 August 2011) are set out below.

3.123.21 Discussions were held with Scottish Futures Trust to identify potential options and Inverleith Capital was commissioned to appraise a variety of financing routes. This analysis examined the pros and cons of options such as private sector equity / debt models, franchising, and Council prudential borrowing.

3.133.22 The outcome of the review is that at this time, the optimum source of funding, taking due account of various criteria including deliverability and cost, is to use prudential framework to fund the remainder of the project. A 30-year repayment period has been assumed for any additional borrowing undertaken and an interest rate of 5.1% has been assumed. The ratio of borrowing principal to annual debt servicing costs of such borrowing is estimated at 15:1. An examination of the Council's Long Term Financial Plan (LTFP) has identified a number of revenue streams that could be used to meet the costs of prudential borrowing.

3.143.23 The Council's long term financial plan makes specific provision for loan charges associated with Council borrowing. Additional borrowing would therefore have a direct impact on this plan. However there is scope to accommodate some additional borrowing within the limits of the LTFP. The following table presents options for funding additional borrowing through a combination of: existing loan charges provision previously allowed for infrastructure; additional headroom now identified from treasury management opportunities through the refinancing of previous high interest loans taken out during the 1980s; and other options to generate additional contributions. Table 1 below summarises the identified revenue streams.

	Revenue Impact £m	Capital £m	Cumulative Funding £m	Notes
TEL Business Plan	2.0	30.0	30.0	Previously Identified in Council's contingency planning
Infrastructure Provision in Budget	2.0	30.0	60.0	Previously Identified in Council's contingency

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				planning
Loans Charges Headroom	3.9	58.5	118.5	
Income from Leasing of Tram assets to operator	2.7	40.5	159.0	
Additional CEC Revenue (Unbudgeted pressure)	3.8	57.0	216.0	

Table 1: Long Term Financial Plan (LTFP) potential revenue streams

3.153.24 In addition in constructing the Council's Capital Investment Programme (CIP) 2011/15 a number of prudent assumptions were made about resources available from capital grants. At this stage a £11m contribution from the CIP could be assumed, to provide further headroom, the need for which will be confirmed as the project progresses.

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3.163.25 The Council's gross expenditure in 2011/12 is £1.4bn. The annual revenue costs of the full additional borrowing required by the Tram project is estimated at £14.3m, approximately 1% of the Council's gross budget. It is therefore not considered to be significant in overall terms.

Phasing of Funding Requirement

3.173.26 The timing of funding requirements is also important to note against the projected future cash flows for the project. The funds in question will be needed over a period of four financial years and the funding requirement will be managed within the context of the Council's overall treasury management. The phasing of the funds that will be required is highlighted in table 2 below.

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Comment [AAU6]: Figures to be validated against new budget and cash flow.

Financial Year	Estimated Cashflow £m	Remaining Grant from Transport Scotland £m	Funding Required £m	Revenue Impact £m
2011/12*	118.721	20.00	98.721	[2.545]
2012/13	88,434	20.00	68.434	[8.314]
2013/14	39.086	195.00	19.586	[11.091]
2014/15	24.363		24.363	[13.018]
Risk assessment (remaining)	4.896	0	4.896	0.326
Full Year Annual Cost				14.332

Notes: *Part year from full construction re-start

Table 2: Phasing of the funding requirement

3.183.27 These revenue streams, shown in Table 2, would support net additional borrowing of £216m, which when added to CIP investment of £11m would meet the base budget and risk outlined above.

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3.193.28 The earmarking of these certain revenue streams for the Tram project whilst placing no immediate pressure on other services represents an opportunity costs and will reduce the options available to the Council to meet future service pressures in the context of demographic changes, price inflation and reduced government funding. However, (i) all existing capital commitments will be honoured and (ii), as noted above, the costs of project cancellation would have a similar impact and ~~would~~ could leave the Council with only a partial Tram asset and no future tram operational revenue, which is one of the future funding streams identified to support the additional borrowing.

3.203.29 The reputational damage to Edinburgh and to Scotland as a whole of failing to the project would also be deeply damaging and could harm the City's future investment prospects.

3.213.30 In recognition of the impact that such earmarking of funds would have on Council services, it is intended therefore to seek an open dialogue with the Scottish Government on issues which have the potential to provide additional revenue resource to the Council. Opportunities for discussion with the Scottish Government include

- The SNP's manifesto commitment that no council should receive less government funding than 85% of the Scottish per capita average. It is estimated that an increase in Edinburgh's funding to this level would provide additional resources of £23m per annum;
- The current dialogue between Scottish Government and COSLA about a Non-Domestic Rates Incentivisation Scheme. Variants of such a scheme, recognising the specific circumstances of Edinburgh in terms of the annual NDR leakage from the Capital city may provide a new funding stream that could assist in funding the implementation of the Tram project.

Alternative Borrowing Options

3.223.31 The increase in the Public Works Loans Board (PWLB) margin over Gilts to 1% announced in the 11/12 Comprehensive Spending Review provides an opportunity to consider a Bond as an alternative to PWLB borrowing. The Greater London Authority recently issued a bond with an average maturity of just over 20 years at 5.017%, a discount of about 20 base points to the relevant PWLB rate at the time. A bond issue may be a cost effective option for raising the required borrowing. It is proposed that the Council puts in place some of the pre-requisites for a bond such as gaining a credit rating for the authority and examining the potential use of derivatives to manage the interest rate risks across the period of a bond issue.

3.233.32 It is hoped that the successful conclusion of dialogue with the Scottish Government could enable the Council to alleviate the pressure of £3.8m debt servicing costs for which no revenue stream has been identified and which therefore would represent a pressure on the Council budget in future years.

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Future Options

3.243.33 Whilst borrowing through the prudential framework is the optimum mechanism for the Council to provide the necessary funds for the project at this time there will be opportunities to re-finance the project in the future to completion to Newhaven. Several companies have approached the Council about sale and lease back proposals and similar variants

Comment [AC7]: [Highlighted in Inverleith report as a key mechanism to offload 30 year borrowing to private providers allowing completion of phase 1a. The leverage being the combined bus/tram company. [Politically sensitive – judgement call on whether to include].

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3.253.34 Council Officers will continue explore longer term options for re-financing that will enable the project objectives to be realised. This work will examine options both for re-paying the borrowing costs and also of the possibilities of progressing the final phase of construction to Newhaven.

3.35 As Council is aware, the Council and CAF were unfortunately unsuccessful in their bid to provide Transport for London with a lease of trams for the Croydon Tramlink. Officers will continue to look for ways to obtain any value from any other opportunities which may exist in relation to these, currently, operationally excess vehicles.

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Governance Proposals

3.263.36 The current Governance arrangements for the tram project were set out in the Operating Agreement and Memorandum of Understanding among TEL, tie Ltd and of February 2008 between the Council and tie Ltd. Schedule 1 of that agreement deals with the scope of services assigned to tie Ltd. Schedule 2 shows the current governance structure. These are reproduced at appendix XX to this report.

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3.273.37 Audit Scotland in its interim report of February 2011 on governance matters, made the following observations:

- Elected members of the current ruling coalition at CEC hold differing views of the Edinburgh trams project and considerable debate is generated at council meetings when the subject is discussed. This has made it more difficult for CEC as a whole to present a unified commitment to the project.
- CEC's governance arrangements for the project are complex and are intended to allow the work of tie to be subject to scrutiny while keeping all elected members informed of the project's progress.
- Some members of the project's main governance body, the Tram Project Board, are also members of tie's own board. CEC's Director of Finance and Director of City Development also exercise a number of different oversight roles in the project.
- Transport Scotland considers its need to be represented on the Tram Project Board ended in June 2007 when, following a Scottish Parliament debate and vote, Ministers announced that the Scottish Government's contribution should be capped at £500 million. Transport Scotland does not consider that it has the same oversight role for the trams project as it has for other Scottish Government transport projects because it is neither the promoter of the project or has a contractual relationship with any of the private sector bodies engaged in the project's

construction and delivery. Transport Scotland does, however, hold quarterly meetings with CEC where the project's progress is reviewed.

- tie makes regular reports on the project's progress to the Tram Project Board and CEC also provides regular reports to elected members at full Council meetings. The commercially sensitive nature of the dispute with BBS and future financial projections, however, has meant that information presented to full Council meetings has been limited. Given the high profile of the project, the lack of detail which has been made available to some councillors on, for example, the project's likely costs has caused frustrations.

Table 3: Audit Scotland in its interim report February 2011 - Extract

3.283.38 Project governance concerns the direction and control of projects. Corporate governance is about direction and control of organisations. Both must be effective so that proper scrutiny of performance can be achieved.

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3.293.39 The current governance arrangements for the delivery of the tram project have had to take into account of the organisational structures of the arms-length bodies that will deliver an integrated transport service once trams are operational. There has therefore been a need for effective scrutiny of Transport Edinburgh Limited (TEL) and tie in delivering the project as well as the need for political scrutiny because of the high political and media profile of the project and the wish to keep elected members informed of its progress.

Project Governance

3.303.40 The Council report of 30th June proposed that the governance arrangements for the management of the tram project should be revised and arguably there is a need to treat the project almost as if it were an entirely new project in terms of appraising the additional investment that will be required and assessing the costs, risks and benefits.

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3.313.41 The Office of Government Commerce uses a best practice model known as PRINCE2 (PProjects IN Controlled Environments) which is a process-based method for effective project management. The PRinCE2 standard is used extensively by the UK Government and is widely recognised and used in the private sector, both in the UK and internationally. The key features of PRINCE2 are:

- Its focus on business justification;
- A defined organisation structure for the project management team;
- Its product-based planning approach;
- Its emphasis on dividing the project into manageable and controllable stages; and,
- Its flexibility to be applied at a level appropriate to the project.

3.323.42 Prince 2 methodology identifies a number of key roles for successful project management:

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- Executive/ Project Sponsor: the key investment decision maker responsible for overall control of the project.
- Project Board: responsible for overseeing project progress and deciding upon key issues that require to be escalated for resolution.
- Project Manager: dealing with the acceptance, execution and delivery of project work ensuring that work is authorised and agreed, team members and suppliers are clear as to what is to be produced in terms of costs, timescales and quality, timely, accurate reports on progress are prepared and stakeholder expectations are managed.

3.333.43 In fulfilling the above roles it is proposed that the Council's Chief Executive will become the Executive sponsor for the project chairing a Project Board to be constituted as a Joint Project Forum involving the Council, the main parties to the infrastructure contract – Bilfinger Berger Civil (UK) Siemens, CAF, and the future operator of the tram network, Lothian Buses. The Joint Project Forum would meet bi-monthly. Its remit is shown at Appendix XXXX.

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3.343.44 The Director of City Development would be the senior responsible officer acting for the Chief Executive in managing the operational delivery of the project, chairing a Project Delivery Group into which the Project Manager and individual team managers would report. It is proposed that Bob McCafferty, the Council's traffic and engineering manager would will fulfil the role of Project Manager on a full time basis.

3.353.45 It is intended that the revised governance arrangements will in effect herald a return to the principles of project partnering and collaborative problem solving that were envisaged when the contract was first awarded. These are captured in diagrammatic form in appendix XXX

Comment [RGS8]: Simplified version of previous diagram to be used here

3.363.46 This will require a commitment by all parties to the contract to adopt different behaviours to those that have bedevilled caused difficulties progress to date. Under the terms of the Settlement Agreement the infrastructure contractor will be obliged to deliver work to a standard that meets the employer's requirements.

Comment [RGS9]: This is recommended following a discussion with Committee Services.

3.373.47 A key question that has arisen in the course of discussions with the infrastructure contractor, in the period following mediation, concerns whether there is, any longer, a distinctive role that can be played by tie Ltd as an arms length company, that could not be met by the Council itself, were the infrastructure contract to be novated from tie Ltd to the Council upon conclusion of the Settlement Agreement.

3.383.48 In recognition of anticipated changes to the role of tie Ltd and TEL the independent non-Executive Directors of tie Ltd and TEL, with the exception of the Chairman, recently stood down from their positions. Audit Scotland also expressed its views about the potential conflicts of interest faced by elected members who served on the Boards of tie Ltd and TEL.

3.393.49 In order to fulfil the necessary requirements of good governance the Council's Director of City Development and Acting Director of Financial Services were co-opted as non-Executive Directors to the Boards of tie Ltd and TEL to ensure appropriate scrutiny following the departure of the independent Directors.

- 3.403.50 In the course of recent discussions between senior Council officers and the Chairman of tie Ltd about the future role of tie Ltd a proposal to move towards the introduction of a specialist Project/Contract Management Organisation to support the Council in the delivery of the project going forward has emerged.
- 3.413.51 The number of staff employed by tie ltd has also been reviewed by the Director of City Development working in cooperation with senior tie personnel in light of the revised project governance arrangements. As a result a number of staff will leave tie Ltd over the next two months under a programme of voluntary redundancies which has XXXX to reduce the staff headcount by over 50%. Staff taking up the voluntary redundancy option will receive their contractual period of notice plus one month for each year of service (most tie staff have between 3-4 years of service).
- 3.423.52 The Council has asked Turner and Townsend to review contract management arrangements and assess whether further savings can be achieved in project management costs, without compromising commercial risk management, construction and health and safety risks. Once a final organisational structure has been agreed it is proposed that any remaining staff of tie Ltd should be subject to TUPE transfer to the Project Managers, or in small number of cases to the Council, and plans should proceed to achieve the orderly wind up of tie Ltd as a company and the closure of their offices at City Point by a target date of 31st October 2011. Thereafter, the project would be directly managed by the Council, with external project management support to ensure the most efficient management of the infrastructure of the project programme. It is envisaged that the revised arrangements will enable savings to be made in future year project management costs, once the one-off costs of restructuring tie Ltd have been paid.

- 3.433.53 Finally, as reported in June, the importance of effective arrangements for political scrutiny of the Tram Project is clear, and elected members need to have the opportunity to question the arrangements for managing the project and accounting for public funds. At that time it was proposed that a new Audit Committee should be set up, chaired by the Leader of the Council, and attended by Transport Scotland and by elected members from each party group on the Council.

- 3.443.54 Having reviewed the potential arrangements it is now being recommended that the Council's existing Audit Committee should fulfil this role, given it already audits all other works of the Council. Transport Scotland would still be expected to attend these review sessions, in an expert witness role.

- 3.453.55 In addition the Project would utilise a Stakeholder Forum.

'Open For Business' Review and Programme

- 3.463.56 At its meeting on 30 June the Council agreed that the 'Open for Business' programme should be reviewed and refreshed to improve the focus on support for small and medium sized businesses.

- 3.473.57 The original 'Open for Business' programme was developed during the initial phase of tram works to provide support for businesses that were adversely affected by the works. The programme included:

- a communications and marketing campaign to promote areas where work was taking place;

Comment [NS10]: Alternate suggestion here. To ensure proper delivery of the project the Council has also engaged Turner and Townsend as project managers. They have previously been involved in advising the project (TBC) and have considerable experience of light rail systems. Indeed, they have just successfully project managed the delivery of the extension to the Dublin Tram System (TBC). Turner and Townsend are being appointed under a Government Procurement Service Framework. They are presently working with tie staff to look at how best to deliver the project in the future.

Comment [RGS11]: This proposal follows a discussion with Committee Services.

Comment [RGS12]: Still to be completed

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- one to one support and advice to businesses in Leith and the West End provided by a Business Co-ordinator;
- a small business support scheme; and,
- a business rates revaluation scheme, administered by the Lothian Assessor.

| 3.483.58 Prior to commencement of the next phase of city centre tram works, it will be important to refresh the programme:

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- to give confidence to businesses, affected by the works, that they have support during the period of construction; and
- to encourage footfall into the city centre and demonstrate to shoppers, commuters and visitors that Edinburgh remains a vibrant shopping, business and leisure destination.

| 3.493.59 A number of consultation meetings have been held with key city centre stakeholders regarding the probable impact of the upcoming work programme and they are keen to see support to businesses continued. A number of measures have already been undertaken to communicate the scheduled works to those directly affected and also to inform the wider travelling public.

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| 3.503.60 A communications plan has been prepared to show that the city will remain fully accessible during the works programme. The plan includes advertising at key city gateways, in newspapers and on radio as well as the distribution of maps and dressing of worksites.

| 3.513.61 A logistics plan is also being implemented by the contractor to provide information to businesses about issues including access arrangements, rubbish collection and craneage. Regular communication either by letter, email or through one to one meetings with businesses and traders' associations, is also being undertaken to facilitate an open flow of dialogue.

| 3.523.62 A key element of the previous 'Open for Business' programme was the activity undertaken by a Business Co-ordinator for Leith/West End. This included activities such as:

- funding and creation of the 'I Love Leith' and West End village promotions;
- 'Dine Around' programme – encouraging customers to Leith restaurants;
- window dressing of empty shops;
- creation of a Business Hub in McDonald Road to deliver free workshops for businesses; and,

- shoppers' promotions, branding opportunities, website development and media promotions.

3.533.63 Following the success of this work, and to provide ongoing one to one support for businesses in Leith, the West End and the city centre, it was agreed that the tram project would contribute funding to employ three Town Centre Co-ordinators for a two year period. The Co-ordinators report to the Council's Economic Development Unit with funding of £90,000 committed until April 2012.

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3.543.64 In order to provide additional one-to-one support for small and medium sized businesses, it is proposed that the activity budgets for these co-ordinators be increased by £20,000 for each of the three areas during the next phase of tram infrastructure construction works and the Picardy Place to Newhaven reinstatement works. This would allow initiatives such as those described in paragraph 3.28 above to be tailored for each area, in consultation with affected businesses and traders' organisations.

3.553.65 Targeting support in this way is felt to be more productive for businesses than the previous more generic small business support scheme as it is likely to encourage more people into the area and can help businesses develop for the longer term.

3.563.66 Discussions have been held with the Regional Assessor on the subject of a possible business rates relief scheme. The Assessor has confirmed that businesses affected by the tram works will again be entitled to apply for a revaluation of their business rates if they can demonstrate the rateable value of their property has been directly affected by the works programme, to gain a temporary reduction in rateable value. Every effort will be made to promote the message that Edinburgh remains 'open for business'.

3.573.67 Experience from the previous phase of tram construction demonstrates that events are proven to increase footfall in and around areas where they are held. A Tram Animation Group with representatives of Essential Edinburgh, Marketing Edinburgh, Edinburgh Chamber of Commerce, Lothian and Borders Police and the Council, has been established to consider how best to animate the city centre to attract visitors during the next phase of tram works.

3.583.68 The most high profile city centre events during the period of the proposed works will be the Winter Festivals. The tram infrastructure contractor has agreed that all work on Princes Street will be halted from 23 November until early January to allow the Winter Festivals to proceed unhindered by construction activity. Traffic will remain diverted from Princes Street during that period and, given the importance to businesses of the Winter Festivals in attracting visitors to the city centre, it is recommended that, for this year only, additional support of £70,000 should be provided to maximise the benefits of the Festivals and to animate the empty space on Princes Street.

3.593.69 A number of other events are due to be held in the city centre outwith the Winter Festivals period. The Council's events team are working closely

with Marketing Edinburgh and Essential Edinburgh to develop these events to help derive the maximum benefit for the city. Consideration is also being given to developing an animation programme that would involve the creation of additional events, city dressing and other promotional activities. It is recommended that funding of £50,000 should be allocated to this animation programme.

- | 3.603.70 It is proposed that an events contractor should be engaged to carry out the activity described in paragraphs 3.16 and 3.17, to be funded from the additional expenditure being recommended.
- | 3.613.71 To ensure that the activities initiated by the Town Centre Co-ordinators and the events contractor are effectively promoted throughout the next phase of tram works, it is recommended that a dedicated public relations contractor be appointed at a cost of circa £30,000.
- | 3.623.72 The additional expenditure associated with the refreshed 'Open for Business' programme set out in this report amounts to £210,000. The additional funds will provide direct support to small and medium sized businesses and will also help attract visitors into the city centre. There is also a further opportunity to work with partners to maximise the promotion of the city centre generally during the period of tram works and beyond, and it is recommended that a cross-agency working group be set up to progress this.

Princes Street

- | 3.633.73 As referenced in the May and June Council Reports, following the initial tram works on Princes Street, movement defects have appeared at the interface between the rails and the road. The contractor has claimed quality control, including adverse weather conditions and detailed design issues as the contributing factors and has agreed to carry out repair works at no cost to the Council.
- | 3.643.74 The detailed design has been reviewed by the Contractor and a new design solution has been developed. In an effort to ensure consistent results the Contractor has carried out several trial panels of the proposed new design to develop a new working method that will improve the quality of construction including weather protection. These trial panels will allow new procedures to be developed prior to the remedial works being carried out and will allow the Contractor to finalise the new design submission that will be presented to the Council officials for approval by 19 August 2011.
- | 3.653.75 The construction works to be carried out, whilst not as intensive as the initial works, will require the majority of Princes Street to be used as a construction site for the duration of the works. The surface finish for the new design will be black coloured concrete with a brushed finish to match the asphalt on either side of the trackform. Consultation has already been carried out with Historic Scotland and Edinburgh World Heritage to ensure that the completed finish meets with the Planning requirements.

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- | 3.663.76 Access for loading will be permitted in the evenings to allow loading for shops and premises (as currently exists) in the eastbound direction on Princes Street. Emergency access will also be provided at all times and both footways will remain unoccupied during the works.

- | 3.673.77 Several months of detailed planning, with the assistance of Lothian Buses and Lothian & Borders Police, has been carried out to ensure the diversion minimises the disruption to stakeholders. The traffic diversion had previously worked well when the original tram works were carried out and a similar diversion will again be used.

- | 3.683.78 The traffic diversion will be implemented over the weekend of 3 September 2011. As previously carried out, enabling works are required to be undertaken on Charlotte Square, George Street and St Andrew Square to allow buses to transfer onto the diversion route. The enabling works include the installation of traffic signals, the removal of parking bays, new bus shelters and bus tracker equipment and the relocation of loading bays to adjacent side streets. A copy of the bus diversion route and site extents is shown in Appendix XX.

- | 3.693.79 The majority of the enabling works are complete, with a further programme of works, comprising mostly of carriageway markings, being carried out from 20 August 2011.

- | 3.703.80 A full logistics plan has been developed to ensure that the work programme causes minimal disruption to businesses and residents throughout the worksite area and also the diversion route. This includes support to determine requirements for deliveries and access, refuse collections and loading requirements.

- | 3.713.81 There has also been coordination with other developers who are carrying out works on buildings on Princes Street and on the local diversion routes to ensure their needs are met, where practicable.

- | 3.723.82 Traffic will be diverted from Princes Street from 4 September 2011 until July 2012. A construction phasing diagram is attached as Appendix XX2. In summary, the works will commence at both ends of Princes Street and work towards the middle at the Mound. The extent of the track work required will not be known until the rail is exposed and testing on stray current is completed (which will be one of the early operations carried out). The programme developed by the Contractor is based upon the assumption that 200m of the rail is required to be lifted out and remedial works carried out on the rail. Until the actual condition of the rail is determined it is not possible to confirm the Contractors programme.

- | 3.733.83 Construction works will be suspended for the festive break and the road will be temporarily reinstated by 24 November 2011 which aligns with the switch on of the Christmas lights. Princes Street will then be pedestrian only until 4 January 2012 when works will recommence. During the period, the bus

diversion will remain on George Street and the Mound will remain closed.
Access for loading will remain permitted at night.

3.743.84 A full communications plan has been implemented to inform those travelling in the city of the traffic diversion associated with the work programme. This includes newspaper, radio and online advertising, use of Twitter and variable messaging signs. A diversion map will be handed out on-street, in shops and other key locations. Directional signage will also be provided around worksites. A copy of the communications plan is attached as Appendix 3.

Comment [RGS13]: Needs to be cross referenced with the OFB section above.

3.753.85 Finally, throughout the construction works there will likely be many requests for city events to take place on or around the tram construction work or diversion routes and serious consideration should be given to them before approval is given by the Council. Any delays to the tram project caused by events would have a serious financial implication for the Council.

Road, pavement and public realm improvements

3.763.86 [statement in relation to work to be done required] - DA

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4 Financial Implications

- 4.1 As previously reported to Council [to be completed by Alan Coyle].
- 4.2 Princes Street Works - The works are being carried out at no cost to the Council, but there will be a loss of parking income on George Street which is estimated at £700K. Mitigation measures, in the form of parking spaces on the Mound (when the Mound is closed) are being proposed, but that Traffic Regulation Order will take several months to promote and depending on the outcome of that, it may be possible to recover £100K from these parking spaces during the works.

5 Equalities Impact

- 5.1 The proposals and recommendations described in this report could contribute to the public sector general equality duty to: (i) advance equality of opportunity. There is no distinct relevance in respect of the general duties to; (ii) eliminate unlawful discrimination, harassment and victimisation, or; (iii) foster good relations.
- 5.2 The relevance score for the specific proposals and recommendations described in this report is: (i) one for relevance to equalities legal duties; (ii) three for level of public concern expressed by equalities groups, and; (iii) one for relevance to significant negative impact on the quality of life of equalities groups.
- 5.3 Consequently, matters relating to this report will be included in the ongoing full equalities impact assessment that is being undertaken of the Edinburgh Tram project.
- 5.4 It should also be noted that due care has been taken with regard to accessibility issues arising out of the proposed Princes Street works. In this

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regard, an Equalities Statement and Accessibility Statement has been published on the Council's website and distributed to relevant partner organisations.

6 Environmental Impact

- 6.1 The Council's local transport strategy (2007-2012) emphasised the important role that a modern transport system would play in supporting the economic, environmental and social development of the city and the key contribution of the tram network to the city's future.
- 6.2 A full Scottish Transport Appraisal Guidance (STAG) review was undertaken at the Parliamentary Approvals Stage in 2003; this demonstrated how the Council, as promoter of the tram, had satisfied government objectives in terms of environmental, safety, integration, accessibility and economic concerns.
- 6.3 An updated STAG report, in 2006, concluded that despite the predicted increase in the city's population and traffic growth to 2026, there would be a small, net improvement in air quality across the city as a whole, as a result of the introduction of the tram.
- 6.4 The STAG report acknowledged that within this overall net improvement there would be areas where air quality would deteriorate as a result of the displacement of traffic from the tram routes.
- 6.5 The Council remains committed to ensuring that any such air quality issues are properly monitored and addressed.
- 6.6 As a result of concerns expressed by residents of the Moray Feu, following the temporary diversion of traffic during the MUDFA utility works, additional air quality monitoring has been carried out on Great Stuart Street since July 2009 and, following the Tram Sub Committee meeting of 28 February 2011, additional air quality checks have been introduced in this area to include monitoring on building facades and at basement level.
- 6.7 The data from the existing and additional air quality monitoring levels in this neighbourhood will become available in the first quarter of 2012.
- 6.8 The tram itself has no carbon emissions at the point of service delivery and has the potential to contribute to the city's strategy for low carbon growth as electricity generation in Scotland transitions from fossil fuels to renewable energy sources.
- 6.9 As part of a broader sustainable transport strategy within the city the tram will, therefore, make a positive overall contribution to the environment by encouraging modal shift from private vehicles to public transport and mitigating the impacts of population growth and commuter and visitor generated traffic.
- 6.10 Air quality, especially in neighbourhoods which may receive traffic displaced from the tram route as a result of traffic regulation orders, will need to be

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carefully monitored and managed so that any issues can be dealt with and properly mitigated.

7 Conclusions

7.1 As set out above...

8 Recommendations

8.1 That Council:

a) Agree.

Dave Anderson
Director of City Development

Appendices

1. Faithful & Gould Report
2. tie Ltd Operating Agreement
3. Audit Scotland February 2011 Report
4. Joint Project Forum Remit
5. Governance Diagram
6. Princes Street: Diversion Route Diagram
7. Princes Street: Construction Programme Diagram
8. Princes Street: Communications Plan

Comment [RGS14]: To be confirmed

Contact/tel/Email Dave Anderson, Director of City Development
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Wards affected All

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Single Outcome Agreement	<p><u>National Outcomes:</u></p> <ul style="list-style-type: none">• National Outcome 1 - We live in a Scotland that is the most attractive place for doing business in Europe• National Outcome 10 - We live in well-designed, sustainable places where we are able to access the amenities and services we need• National Outcome 12 - We value and enjoy our built and natural environment and protect it and enhance it for future generations• National Outcome 14 - We reduce the local and global impact of our consumption and production.
Background Papers	<ul style="list-style-type: none">• The City of Edinburgh Council Meeting, 30 June 2011, Item 8.2: <u>Edinburgh Tram Project</u>• The City of Edinburgh Council Meeting, 16 May 2011, Item 2.1: <u>Edinburgh Tram Update</u>• The City of Edinburgh Council Meeting, 16 December 2010, Item 8.2: <u>Edinburgh Tram Project</u>• The City of Edinburgh Council Meeting, 14 October 2010, Item 8.1: <u>Edinburgh Tram Update Report</u>• The City of Edinburgh Council Meeting, 24 June 2010 Report, Item 8.2: <u>Edinburgh Tram Project - Update Report</u>

Appendix 1:

