



**EDINBURGH TRAM  
Highlight Report to the  
Chief Executive's  
Internal Planning Group  
25 February 2009**



## 1 Background

This 'highlight report' is an update to the Chief Executive's Internal Planning Group (IPG) on the Edinburgh Tram Project to inform on the progress on this project and any decisions required.

A version of this report (with commercially sensitive and confidential material removed) is also to be circulated within the Council as a means of communicating progress with the Tram project.

## 2 Executive Summary

### 2.1 Matters Arising

#### **Verbal update on the contractual position between Bilfinger Berger and tie ltd.**

Due to the confidential nature of the ongoing discussions a verbal update will be provided at the IPG meeting. It is also recommended that confidential formal written update be sought from **tie ltd.**

#### **Princes Street Diversion**

The traffic management diversion for Princes Street was successfully implemented on Saturday 21 February as planned.

#### **Communications Update**

An update is provided on the tram works delays and the Princes Street diversion.

#### **Statutory Council Approvals and Consents**

As the detailed design continues, there are several statutory consents that the Council must provide. These include Planning Prior Approvals, Building Warrants, Roads and Structures Technical Approvals.

#### **Financial Update**

A financial update is provided for the project which includes a breakdown of the Council's contributions and projected cash flow, including the Tram Developer Contributions. Cost saving options are also highlighted.

#### **Progress Update for Mudfa and Infracore**

An updated position on the major contracts is provided. There remains some concern about the lack of progress with the Infracore mobilisation. Progress against programme information is also supplied. Minor delays have been incurred in the building fixing court action.

#### **Governance Review**

The Director of Corporate Services is chairing an operation team to undertake an inter-departmental review of the tram governance. A report will be presented to Council on 12 March 2009.

There is also the option to consider sharing Communications and Finance services between **tie ltd** and the Council to reduce overhead costs to the project. There is also potential to reduce project costs by altering the scope of the project by terminating the tram at Ocean Terminal instead of Newhaven.

#### **Change Management**

An updated position is provided for the Change Notices and Change Requests.

#### **West End Traffic Management**

A report is being prepared to respond to a motion of the TIE committee to allow traffic to be permanently returned to Charlotte Square.

#### **Tram Line 1b**

A report is being prepared for the decision on tram line 1b. It is anticipated that the report will be considered by Council at its meeting on 30 April.



## 2.2 Matters to Note or for a Decision

- To note the verbal update on the contractual position between Bilfinger Berger and **tie ltd** and **to determine if a formal report is required from tie ltd.**
- To note the position with the Princes Street Diversion and the communications update
- To note the position with the status of the statutory Council approvals and consents
- To note the Financial update, the Tram Developer Contributions and **determine if shared services should be considered between tie ltd and the Council.**
- To note the progress on Mudfa and Infraco
- To note the ongoing Governance Review
- To note the Tram Monitoring Officer (TMO) update
- To note the Change Management update
- To note the position with the Committee reports for tram line 1b and West End Traffic Management
- To note the progress with Public Realm
- To note the position with CEC resources.

### 3 A verbal update will be provided on the contractual position between Bilfinger Berger and tie ltd at the meeting.

In accordance with the **tie ltd** operating agreement, it is recommended that the Tram Monitoring Officer (TMO) request a formal written update report from **tie ltd** surrounding the options being considered at this stage. This report will need to remain confidential, but it is important that the Council maintains appropriate written records. Dave Anderson will raise this directly with David Mackay.

### 4 Princes Street Diversion

**tie ltd** have produced a series of plans and procedures for implementing the Princes Street diversion on Saturday 21 February. These are listed below. The Council has dovetailed its procedures into this to ensure that the traffic management is implemented as smoothly as possible.

- Project Management Plan
- Implementation Plan
- Contingency Procedure
- Emergency Action Plan
- Logistics Assistance for Hauliers and Retailers
- Logistic Plan
- Stakeholder Plan

Since the last IPG report, the Head of Transport has led the traffic management preparations for the Princes Street works which went live on Saturday 21 February. Cross departmental working, particularly with Services for Communities, has worked very well, and taking on the lessons learned from the aborted Mound closure arrangements introduced on 1 October, the Head of Transport has led the Peer Review Group, comprising the Council, **tie**, Lothian Buses and the Police. This has ensured a much better level of preparation including much more extensive traffic modelling, risk identification and mitigation and scenario planning.

The cross-agency, one-family approach has resulted in a much more robust set of arrangements being in place than was the case on 1 October.



## 5 Communications Update

### Communications on tram works delay

- Legally approved media statement was issued at 9.30 on Friday 20 February, with an exclusive story appearing in the Evening News. Councillor Dawe conducted broadcast interviews with BBC, STV and Radio Forth.
- Group party Leaders were briefed from 8am on Friday 20 February.
- Key stakeholders were briefed by phone on the evening of Thursday 19 February and Friday 20 February. Wider stakeholders were emailed with an update on Friday 20 February (by tie and Council Leader's office)
- 7,000 letters were delivered to businesses and residents in the city centre area on Friday 20 and Sat 21 February. The letter used the wording agreed for the media release, advising that the tram works would not take place as planned but diversions would remain.
- Council website and intranet were updated, and an email was issued to all staff. Councillor briefing note emailed out.

### Princes Street diversion/road work communications

The planned major communications campaign still rolled out to alert people to the relocated bus stops and to stress that the city is still open and accessible. This includes;

- A two week advertising campaign starting on Thursday 19 February on Radio Forth and Galaxy.
- 120,000 leaflets are being distributed to libraries, shopping centres, shops, schools, community centres, petrol stations and bike shops.
- Of the 120,000 leaflets, around 10,000 were handed out on-street on Saturday 21, with further leaflets being handed out on Monday and Tuesday to commuters, shoppers and others using the city centre. Distribution starts at 8am around Waverley and Haymarket Stations and the bus station. Following this, the teams cover Princes Street and surrounding streets, including shops, other outlets and taxi ranks. They then return to the areas outside Waverley and Haymarket Stations and the bus station.
- Around 40,000 leaflets will go on Lothian Buses. Lothian Buses had previously distributed leaflets on their buses and travelshops etc
- Adverts are in the Evening News, Metro, Lothian regional newspapers
- Poster sites in Waverley train station
- Two pedi-cabs touring the city centre
- 30 bus shelters throughout the city.
- Displays and leaflets have been placed in Waverley Court, Chesser House and the City Chambers
- 3,800 black cab taxi drivers have been written to with details of the diversions. Information will also be given out at taxi ranks.
- There is also information on the work-site banner signs in Princes Street which will help people understand the location of shops on Princes Street.





### Open for Business marketing

- A two week Radio Forth campaign started on 18 February which promotes shopping and visiting the city, including competition prizes.
- A new shopping website will launch at the end of February ([www.edinburghshopper.com](http://www.edinburghshopper.com)). This will highlight retailer news, offerings and events. A full marketing plan supports this website to ensure wide take-up.
- A new lifestyle/shopping magazine – called EH Living - will be launched at the end of March. Coming out twice yearly during the course of the tram works, this will highlight shopping, attractions, event, restaurants, cafes etc along the tram route. 50,000 copies will be distributed with the Evening News.

### Tram mock-up public display

The tram mock-up arrived on Princes Street on Sunday 22 February as planned. It will be open 11am until 6pm until Saturday 14 March. It may be open beyond this, once demand is established. Staffing is being provided by CEC, Lothian Buses, Transdev, tie and TEL. Information materials is available for people attending. Disabled access has been provided.

VIP visits have been organised for 27 Feb and 4 March, to be hosted by the Council Leader and Councillor Phil Wheeler. Approximately 300 invites have been issued to city stakeholders, businesses, politicians and key Council employees. The Library in the Royal Scottish Academy has been booked to host attendees prior to the visit.

## 6 Statutory Council Approvals and Consents

The table below provides an updated summary position on all the necessary approvals required from the Council for the tram project. A further detailed breakdown is attached as Appendix 1. Fortnightly 'Task Force' meetings are held between tie Ltd, the designers, BSC and the Council to closely monitor progress and minimise potential delays. Current progress is broadly in line with V31 of the programme. Where delays have occurred mitigation plans are in place.

CEC Statutory Council Approvals and Consents	Total Number of Submissions	Total number of Approvals	% Complete
Prior Approval	62	58	94%
Full Planning Permission	9	7	78%
Listed Building Consent	11	11	100%
Scheduled Monument Consent	1	1	100%
Building Warrant	16	10	63%
Technical Approvals (including Structures, Roads and Drainage)	121	92	76%
<b>Total</b>	<b>220</b>	<b>179</b>	<b>81%</b>





An approvals tracker that identifies each of the approvals and their status has been developed. An extract from that tracker is also included as Appendix 2. The status of the approvals relates to the Issue for Construction drawings which is on the critical path for the project construction. However, there remains many 'conditioned matters' that need to be closed out. A programme is awaited from tie ltd.

## 7 Financial Update

A financial update, the Council's contribution to the project and cashflow, is detailed in Appendix 3. In summary, the contribution, which is unchanged from what was reported to the IPG on 28 January 2009, comprises:

CEC Contribution Breakdown	Planned Contribution	Achieved Contribution
Council Cash	£2.5m	£2.5m
Council Land	£6.2m	£4.3m
Developer Contributions – Cash*	£25.4m	£3.02m
Developer Contributions – Land	£1.2m	£0.0m
Capital Receipts (Development Gains)	£2.8m	£0.0m
Capital Receipts	£6.9m	£0.0m
<b>Total</b>	<b>£45.0m</b>	<b>£9.82m</b>

### \*Tram Developer Contributions - Cash

As reported previously £3.022m has been contributed to date. £2m is being sought from the Tiger development at Haymarket. Negotiations are still ongoing with Tiger and if that was agreed this would increase the total to £5.022m once this contribution is banked. It should be noted that the Councils risk in relation to the tram contribution would be significantly reduced should the Planning Application with Forth Ports (FP) be agreed.

Discussions with FP are progressing and a number of meetings are now planned. The purpose of these meetings is to establish the level of infrastructure funding that can be borne by the Leith Docks development, and then to agree the terms of the agreement. The agreement may provide for the amount of contribution to be assessed in relation to each village area or for the Council to receive an overage payment based on outturn prices. This is to ensure that the Council does not lose out on infrastructure funding as a result of an appraisal based on the current economic conditions. Contributions to the tram project are, as far as possible, being treated as a priority given that the Council is already financially committed to providing this infrastructure.

Work is also being undertaken to look at the effect on the value of these Capital Receipts due to the wider economic climate. An initial assessment on the sites which made up the previous estimate (£9.7m) are now valued at £7.4m.

There are circa £12m of developers contributions in the planning system. The table below shows the value of the contributions at each stage in the planning process.



Breakdown of Phase 1a Contributions	
Tram Cash	Value (£m)
Amount received	£3.02
Amount in concluded legal agreements (where development has commenced)	£1.69
Amount in concluded legal agreements (where development has not commenced)	£1.44
Minded to grant/Pending Consideration	£6.23
<b>Potential Total (* note that this excludes FP)</b>	<b>£12.38</b>

### Cashflow/Spend Profile

Transport Scotland (TS) funding is capped at £120m for 2008/09 with **tie's** current spend forecast £109m. The call on TS funding in the current financial year will therefore be £101m. The spend forecast for 2009/10 is £181m (£166m TS and £15m Council). However, TS funding is capped at £149m in 2009/10, therefore the Council would have to fund the difference in the short term. The forecasts for both the 2008/09 and 2009/10 are dependant on agreed programme being reached with the contractor in the next few weeks. TS have contributed £233m funding to date with forecast spending for the next period of £5.3m.

The project Anticipated Final Cost (AFC) reported to Transport Scotland remains at £512m. A range of possible changes to the project budget have been presented to the Tram Project Board and Transport Scotland this period, the quantum of these changes will be ratified by a report to Council once the revised contractually agreed programme is agreed.

### Cost Saving Options

Aside from the wider governance review, it may be prudent to review **tie's** overhead costs at this time given the potential cost increases that may be incurred as a result of the claims and disputes between BSC and **tie ltd**. A few functions, such as Communications, Finance and HR are also performed by the Council and there are opportunities to reduce **tie's** costs by sharing services. A shared service approach would also encourage with the one-team approach.

There is also the opportunity to alter the scope of the project by shortening line 1a by terminating the tram at Ocean Terminal instead of Newhaven (an initial assessment of the developer contributions suggests that this would have minimal impact on the funding being received from developers).

Direction is sought from the IPG on how to proceed.



## 8 Progress Update

### MUDFA (Utilities)

Work recommenced in the city centre on 5 January and in Leith Walk / Constitution St on 19 January following the Christmas embargos. Additionally, the delayed traffic management switch at Haymarket (closure of Manor Place) went ahead successfully on 10 January. Reintroduction of the Mound closure also went ahead successfully on 24 January to allow for the continuation of utility diversions.

Carillion related diversions are now complete in Sections 5A and 5B other than for final BT cabling and transfer of service. The BT programme for the cabling and jointing works is being finalised.

Cumulative progress to date is as follows:

	Rev 7.9 total (m)	Revised total (m)	Plan to date (m)	Completed to date (m)	% of plan completed	% of total completed
On-street	40,625	36,308	33,741	23,365	69.2%	64.3%
Off-street	11,969	9,452	8,421	7,085	84.1%	75.0%
<b>Total</b>	<b>52,594</b>	<b>45,760</b>	<b>42,162</b>	<b>30,450</b>	<b>72.2%</b>	<b>66.5%</b>

The following is of note:

- The pipe jacking of the second leg of the A8 sewer has commenced and good progress is being made;
- Good progress is being made with the design of The Mound gas diversion and agreement has been reached with SGN;
- Final commissioning of the 800mm watermain at Gogar has progressed well and this is due for completion in the week ending 7th February;
- Disappointing progress was made against the plan during the period albeit the additional Leith Walk embargo did have an impact on this; and
- Incomplete utility diversions are now delaying construction works at Haymarket and Leith Walk.

### INFRACO (including TRAMCO)

Work commenced at several locations following the Christmas break and embargos. However, the project continues to experience problems with slow mobilisation and, in particular, appointment of direct BSC resource and final appointment of the main package contractors. Package contractors 'Farrans' and 'Barrs' are on site working under letters of intent and sub-contractors on site include 'Mackenzies', 'Crummocks' and 'Expanded'.

A revised three-month look-ahead is now in place to manage progress through the first quarter until the recalibrated programme is agreed.







Planning for the full closure of Princes Street, including traffic management, enabling works and construction methodology, as well as work package plans, has progressed very well during the period.

The Princes Street diversion was successfully implemented from Saturday 21 February 2009. Ongoing traffic monitoring is being undertaken by Transport to minimise delays.

Good progress is being made with delivery of Tramco deliverables against the schedule. The production line is due to be operational from Q1 2009 with the delivery of the first tram still on schedule for April 2010.

### Other progress

- Draft schedules for the Traffic Regulation Orders have been prepared and formal consultation will commence in May / June;
- Building fixings – deemed consent has been obtained from 306 owners as well as 66 consents with the owners’ agreement. There are 12 fixings where matters remain unresolved and negotiations remain ongoing. However, there remains a possibility that these relevant owners may have to be referred to the Sheriff for resolution in March. The Council are leading the legal process, supported by **tie Ltd**. Legal Services have received the Building Fixings supporting technical information and will be working closely with City Development to ensure that the Summary Applications for the Sheriff Court contain sufficient technical and legal justification to persuade the Sheriff to grant the necessary orders.

Whilst there has been delay in the progression of the Court applications, it is expected that papers will be lodged with the Court in the next two weeks. The process is still within the critical time limits as discussed at the Financial, Commercial and Legal Committee of TEL.

- Murrayfield pitch works are completed; and
- Frontline are progressing well with the alterations to the road adjacent to the guided busway.

### Progress against Contract Programme

Summary milestones against the agreed Infraco contract and the previous four month look ahead (1 September to 31 December 2008) milestones are shown in the table below (number of milestones).

#### Milestone progress

	Period (4-month look-ahead)			Cumulative (4-month look-ahead)			Cumulative (contract programme)		
	Planned	Achieved	%	Planned	Achieved	%	Planned	Achieved	%
Prelims	3	3	100%	30	30	100%	30	30	100%
Construction	10	3	30%	20	14	70%	235	14	5%
<b>Total</b>	<b>13</b>	<b>6</b>	<b>46%</b>	<b>50</b>	<b>44</b>	<b>88%</b>	<b>265</b>	<b>44</b>	<b>17%</b>



**9 Governance Review**

The Director of Corporate Services is chairing the Operational Team for Governance, a group which comprises representatives from Finance, City Development and Legal Services, as well as from Lothian Buses and **tie ltd**. The remit of this team is to produce the report for Council meeting on 12 March. The team has already met to agree the scope of the Council report, the preferred structure of the Council owned companies and the project plan. Drafting of the Council report is at an advanced stage, whilst all team representatives are clear on the tasks that require to be undertaken to implement the various phases of the re-structuring once the recommendations are approved by Council. The ultimate destination is a single operating company, run by a single board, to deal with a fully integrated bus and tram system for the Edinburgh City Region.

**10 Tram Monitoring Officer (TMO) Update**

No contractual claims have been submitted for approval by **tie** to the TMO since the last IPG report. The Carillion claim for £1.2m previously submitted by **tie** and approved by the TMO has yet to be formally signed off by **tie** and Carillion.

**tie** has been involved over recent days in negotiating with BSC, the Infraco/Tramco consortium, over some very significant claims. The financial impact of these claims could be substantial and, if a formal contract resolution process is required to deal with them, further programme delay is likely. This is obviously a concerning situation and the TMO will be looking for an early formal briefing from **tie** on the financial and programme implications.

**11 Change Management**

A total of four Change Notices have been issued to **tie ltd**. Three of these have been acknowledged to date. **tie ltd** have agreed with the Council that one of them (for the potential relocation of utilities at Picardy Place to accommodate a possible hotel) will not be costed because of the ongoing difficulties with BSC. Henderson Global Investors will need to be informed that utility costs will not be forthcoming, and consideration given will need to be given on how best to deliver and coordinate both projects.

Two number Change Requests were issued internally for approved. Once approved, these will be issued to **tie ltd**. A schedule of Change Notices and Change Requests is attached as Appendix 4.

**12 West End Traffic Management**

At the Transport, Infrastructure and Environment Committee on 10 February a motion was approved that requested the Director of City Development to consider the possibility of permanent routing of traffic around Charlotte Square to mitigate against displaced traffic from Shandwick Place. A report is currently being drafted for the TIE Committee on 5 May 2009.



**13 Public Realm**

Public Life Public Space committed the Council to progress a public realm strategy and masterplan for Princes Street Public Realm. Work is progressing on establishing a 'vision' and 'principles for change' that will inform a brief for the preparation of a public realm masterplan. This brief is seeking to pull together the evolving work related to the tram public realm and the city wide public realm exercises, seeking to bring forward early improvements, particularly to the interface between Princes Street and the access to the gardens on the south side.

**14 Tram Line 1b**

A report is being prepared for tram line 1b. It is anticipated that the report will go to Council on 30 April 2009 for a decision, however that report may be influenced by the ongoing difficulties between Bilfinger and tie ltd.

**15 CEC Resources**

- **Internal Resources**

Existing CEC staff are carrying out the statutory approvals process and the related necessary administration for the tram project. Over fifty individual internal members of staff are directly involved in the tram project at this time. A total of 10615 staff hours has been utilised on the tram since April 2008 at a cost £350K. These costs are being borne by CEC and are contained within existing budgets.

- **Additional Resources**

To assist with the approvals process additional staff have been brought in to either carry out the necessary work directly or alternatively free-up existing resources to do that work and use the extra resources to cover that shortfall. A total of 18 FTE have been employed since April 2008 at a cost of £428K, which was contained within the tram budget costs.

**List of Appendices:**

- 1 Statutory Council Approvals – Tables 1 and 2
- 2 Statutory Council Approvals – Tracker
- 3 CEC Financial Update (9 February 2009)
- 4 Schedule of Change Notification and Change Requests



## Statutory Council Approvals Summary Table

CEC Statutory Council Approvals and Consents	Total Number of Submissions	Total number of Approvals	% Complete
Prior Approval	62	58	94%
Full Planning Permission	9	7	78%
Listed Building Consent	11	11	100%
Scheduled Monument Consent	1	1	100%
Building Warrant	16	10	63%
Technical Approvals (including Structures, Roads and Drainage)	121	92	76%
<b>Total</b>	<b>220</b>	<b>179</b>	<b>81%</b>

**Table 1 - Planning and Building Warrant Approvals**

CURRENT STATUS	Sub Totals	Prior Approval	Full Planning Permission	Listed Building Consent	Scheduled Monument Consent	Building Warrant
Informal consultation not required	1	0	0	0	0	1
Informal consultation not started	1	1	0	0	0	0
Informal consultation started	1	0	1	0	0	0
Application submitted	9	3	1	0	0	5
Approval granted	87	58	7	11	1	10
<b>GRAND TOTAL and Sub Totals</b>	<b>99</b>	<b>62</b>	<b>9</b>	<b>11</b>	<b>1</b>	<b>16</b>
<b>% Complete</b>	<b>88%</b>	<b>94%</b>	<b>78%</b>	<b>100%</b>	<b>100%</b>	<b>63%</b>

**Table 2 - Roads & Structures Technical Approvals**

CURRENT STATUS	Sub Totals	CEC Technical Approval	*Network Rail Form A	*SW Drainage Outfall Consent	*SNH	*BAA Approval	Roads Construction Consent
TA delayed due to recent change	0	0	0	0	0	0	0
Issued for informal consultation	0	0	0	0	0	0	0
Issued for Technical Approval	25	11	2	11	0	1	0
Technical Approval Granted	92	79	9	3	1	0	0
Not Yet Due	4	2	1	0	0	0	1
Delay	0	0	0	0	0	0	0
<b>GRAND TOTAL and Sub Totals</b>	<b>121</b>	<b>92</b>	<b>12</b>	<b>14</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>% Complete</b>	<b>76%</b>	<b>86%</b>	<b>75%</b>	<b>21%</b>	<b>100%</b>	<b>0%</b>	<b>0%</b>

\* These consents are not CEC's responsibility, but for completeness they have been included as they are required to allow construction to commence.



Prior Approvals Status

					Approved by CEC	IFC	
Section	Batch	CEC Delay	SDS/TIE/BSC Delay	Activity ID	Current forecast (live)	v31	Notes
3B	3/16			Tram Stop West Pilton	06/08/2008	15/08/2008	"Application Clock Stopped" BSC to issue Change Order.
5A	5/06			Tram Stop Murrayfield Stadium (Task 700.2.6)	01/08/2008	27/06/2008	SDS received Change Order 6/2/09; SDS to submit revised drawings
5A	5/06			W18 Murrayfield Stop Retaining Walls (Task 700.2.17)	01/08/2008	27/06/2008	SDS received Change Order 6/2/09; SDS to submit revised drawings
5A	5/07a			Murrayfield Accommodation Works	17/10/2008	?	SDS issued change estimate 11/2/09.
5C	5/30			Tram Stop Gogarburn	11/09/2008	11/09/2008	SDS issued change estimate 13/2/09.
7	7/29			W14 Gogar Burn Retaining Wall One	10/10/2008	08/10/2008	SDS has submitted revised drawings; with CEC for approval
7	7/29			W15 Gogar Burn Retaining Wall Two	10/10/2008	09/09/2008	SDS has submitted revised drawings; with CEC for approval
7	7/29			Tram Stop Edinburgh Airport (Task 800.2.10)	10/10/2008	09/09/2008	SDS submitted revised drawing 5/2/09; with CEC for approval

Technical Approvals Status - Structures

					Approved by CEC	IFC	
Section		CEC Delay	SDS/TIE/BSC Delay	Activity ID	Current forecast (live)	v31	Notes
5A				S22B Balgreen Road NR Access Bridge		16/01/2009	Delayed -undergoing Cat 3 check; SDS in discussion with Network Rail over edge protection detail



Technical Approvals Status - Roads & Drainage

Section		CEC Delay	SDS/ TIE/ BSC Delay	Activity ID	Approved by CEC	IFC	Notes
1A3	Road			VO252 Subsection 1A3 - Roads (Ocean Terminal to Port of Leith)	09/01/2009	21/01/2009	Not submitted; v40 revised date 16/3/09
1A3	Drainage			VO252 Subsection 1A3 - Drainage (Ocean Terminal to Port of Leith)	09/01/2009	21/01/2009	Not submitted; v40 revised date 16/3/09
1C2	Road				?	24/11/2008	Revised details to be submitted to CEC
1C2	Drainage				?	24/11/2008	Revised details to be submitted to CEC
6	Road			Roads, Street Lighting & Landscaping inc. car park	22/08/2008	13/08/2008	Revised details to be submitted to CEC
6	Drainage			Depot Drainage Design (Task 870.8)	19/08/2008	13/08/2008	Revised details to be submitted to CEC



Tram Project Briefing – 9 February 2009

CEC Financial Update

1 Introduction

1.1 This paper is intended to give you an update on the main issues/workstreams associated with the tram project and issues arising from the tram Project Directors (PD) review meeting.

2 Funding Agreement with Transport Scotland (TS)

2.1 TS have now contributed £233m to the project to facilitate spending to the end of period 13 (period ending 28th March 2009). The latest cash application to TS is for £4.9m with the Council contributing £438k.

3 MUDFA

3.1 Spend currently stands at £49.9m excluding risk against a budget of £49.9m. The anticipated final costs (AFC) for MUDFA are currently forecast at £56.5m which includes a transfer from the risk allowance to settle claims.

3.2 MUDFA works are now 66% complete; a July 2009 finish is now predicted.

3.3 The table below highlights MUDFA progress in period 11 and cumulative.

	Period 11 (04.01.09 - 31.01.09)			Overall Performance to Date		
	Planned	Actual	Variance	Planned	Actual	Variance
Full Phase 1a	7.4%	1.5%	-5.9%	92.1%	66.5%	-25.6%

3.4 tie have settled £1.2m of claims with Carillion recently, a further £800k is likely to be payable in claims by the end of the financial year. This claim is in relation to extended prelims due to MUDFA not yet being completed, additional contract works, indexation and revised programme and milestones.

3.5 Lack of completion on MUDFA works continues to conflict with Infraco progress.

4.0 Infraco

4.1 As with previous periods Infraco progress to date is significantly adverse to the look ahead programme. Reporting of progress in the period has been hampered due to BSC's lack of providing programme information in an acceptable format. Provision of competent and timely estimates from BSC are hampering progress as is agreement in project changes from base date design to Issue for Construction drawings. tie continue to negotiate with BSC on an revised commercially agreed programme which will form the basis of the agreed cash flow going forward. This revised programme, will also attempt to make up the failed milestones since Financial Close. tie expect the recalibrated programme to be agreed in March 2009.



- 4.2 Lack of finalised design and conflict with MUDFA remain the prime areas of risk in relation to Infraco.
- 4.3 The four prime Infraco risks identified by **tie** this period are:  
MUDFA do not finish diversion works prior to commencement of Infraco
  - Lack of visibility of design changes between from Nov 08 – current period
  - Lack of effective engagement from BSC towards **tie** and third parties such as Forth Ports, Network Rail and BAA.
  - Failure of BSC to effectively resource up for the project
- 4.4 Construction milestones continue to be missed which is having a serious impact on the planned spend in the current year; the forecast outturn of £37m is well below the initial forecast of £76m. The current period sees critical works at the depot start and on the 21 February Princes Street diversion being put in place allowing tram track construction to start. It has emerged that all designs will not be finished on the depth of road reconstruction in Princes St before work commences, this will require full depth reconstruction for the first sections until the design detail emerges. The initial design has full reconstruction all along Princes St, which, in **tie**'s view is too conservative and costly.
- 4.5 The Infraco Anticipated Final Cost (AFC) line is forecast currently at £258.9m against a budget revised budget of £241m, this adverse variance of £17.9m does not take account of any drawdown from the Infraco risk allowance which would cover prolongation claims.
- 4.6 Value Engineering (VE) opportunities of £8.3m have been instructed to date. Total VE opportunities amount to £12.6m in relation to Infraco, **tie**'s view of actual savings is currently around £7.1m. This shortfall would effectively be an increase to the AFC.
- 4.7 It has emerged that BSC's sub contractors have still not signed official contract documents and are operating under letters of intent. While this doesn't impact on the risk profile between **tie** and BSC, it is having an effect on the sensibleness of estimates given by sub contractors to BSC.

**5.0 Tramco**

- 5.1 Tramco is currently showing no variance on the final AFC. Budget stands at £58.1m, there is no risk allowance for Tramco. Costs are currently in line with budget. Fabrication of the tram vehicles have begun with the first tram vehicle approximately 2 months ahead of programme. The first tram is programmed to be complete and delivered by November 09.
- 5.2 The Council have two tram vehicles from the fleet which can be customised to carry a livery of the Councils choice. Work is currently being undertaken by the Council to looking at the various options though any costs over the £20k standard cost for each tram would have to be borne by the Council.

**6.0 Phase 1b & Tramline 3/South East Tram Line (SETL)**

- 6.1 The assessment of the Phase 1b business case and lobbying for support on SETL is ongoing. A report updating members on Phase 1b will go to full Council on the 30 April.





7.0 SDS (Systems Design Services Contract)

7.1 Progress on Issue for Construction (IFC) packages Prior/Planning/Technical Approvals are highlighted in the table below. The current AFC for SDS is £28.5m which is an adverse variance of £1.62m on budget as a result of £300k of incentivisation costs related to on time delivery of IFC packages which will only be payable if this is achieved. £125k post novation MUDFA design changes, £1.175m of additional design and construction support. Agreement is to be sought regarding the cost of CEC driven design changes, the cost of which will have to be borne by the Council. These changes relate to betterment only.

7.2 Completion of the design continues to be the biggest blocker to progress on both the MUDFA and Infraco contracts and potentially represents the basis for a number of commercial disputes.

	Period 11 (04.01.09 - 31.01.09)				Overall Performance to Date			
	Planned	Actual	Variance	Percentage Complete	Planned	Actual	Variance	Percentage Complete
IFC Packages submitted to tie	4	0	-4	-400.00	117	84	-33	71.79
Prior Approvals/Planning Applications Submitted	0	0	0	0.00	71	69	-2	67.18
Prior Approvals/Planning Applications Granted	0	2	1	n/a	71	65	-6	91.55
Design Packages Finished	0	0	0	n/a	319	319	0	100.00
Technical Approvals Submitted	0	0	0	n/a	95	91	-4	95.79
<b>TOTAL</b> Technical Approvals Granted	2	2	0	100.00	95	86	-9	90.53

8 Council Contribution

8.1 Council's contribution is to be made up from a variety of sources. The latest position is detailed below:



CEC Contribution Breakdown	Planned Contribution	Achieved Contribution
Council Cash	£2.5m	£2.5m
Council Land	£6.2m	£4.3m
Developer Contributions – Cash*	£25.4m	£3.02m
Developer Contributions – Land	£1.2m	£0.0m
Capital Receipts (Development Gains)	£2.8m	£0.0m
Capital Receipts	£6.9m	£0.0m
<b>Total</b>	<b>£45.0m</b>	<b>£9.82m</b>

8.2 **CEC Cash - £2.5m – Achieved** - This funding has been contributed through the Council’s Capital Investment Programme.

8.3 **CEC Land - £6.2m (No Change)** - £4.3m is for Phase 1a. The £4.3m £2m of the £6.2m is for Phase 1b. If Phase 1b does not go ahead alternative funding sources will be required.

8.4 **Developers Contributions Land - £2.2m (No Change)**

Of the £2.2m land contribution from developers £1m relates to Phase 1b. Again if Phase 1b does not go ahead further funding sources will be required.

8.5 **Developers Cash Contributions - £25.4m**

**£3.022m** It should be noted that the Councils risk in relation to the tram contribution would be significantly reduced should the Planning Application with Forth Ports (FP) be agreed, which would yield £28m in tram contributions, though this figure has been flagged as currently unaffordable by FP and is subject to further negotiations. There are circa £12m of developers contributions in the planning system. The table below shows the value of the contributions at each stage in the planning process. A report will be provided to the Director of Finance and City Development in the next period refreshing the assumed contributions and likely interest costs borne by the Council.

Breakdown of Phase 1a Contributions	
Tram Cash	Value (£m)
Amount received	£3.02
Amount in concluded legal agreements (where development has commenced)	£1.69
Amount in concluded legal agreements (where development has not commenced)	£1.44
Minded to grant/Pending Consideration	£6.23
<b>Potential Total</b>	<b>£12.38</b>



8.6 **Capital Receipts - £9.7m** – Work is currently being undertaken to look at the effect on the value of these Capital Receipts due to the wider economic climate. An initial assessment on the sites which made up the previous estimate are now valued at **£7.4m**.

**9 Cashflow/Spend Profile**

9.1 Transport Scotland funding is capped at £120m for 2008/09 with **tie**'s current spend forecast £109m. The call on TS funding in the current financial year will therefore be £101m. The spend forecast for 2009/10 is £181m, £166m TS and £15m CEC. However TS funding is capped at £149m in 2009/10, therefore the Council would have to fund the difference in the short term. The forecasts for both the 2008/09 and 2009/10 are dependant on agreed programme being reached with the contractor in the next few weeks. TS have contributed £233m funding to date with forecast spending for the next period of 5.3m.

9.2 The project AFC reported to Transport Scotland remains at £512m. A range of possible changes to the project budget have been presented to the Tram Project Board and Transport Scotland this period, the quantum of these changes will be ratified by a report to Council once the revised contractually agreed programme is agreed.

**10.0 External Interfaces/Risks**

10.1 Management of key interfaces with other known projects will be key as the project develops. The major projects currently known are:

- Waverley Steps/Roof (Transport Scotland)
- Gogar Station (Transport Scotland)
- St James Centre Re-development (CEC/Henderson Global)
- Haymarket Interchange
- Haymarket Station Refurbishment (Network Rail/Scotrail)
- Haymarket Hotel (Tiger Developments)
- RBS Tramstop (RBS)
- National Portrait Gallery.

**11 Key Dates**

Table 1 highlights the key dates in the next 12 weeks



Table 1

Milestones	Actual / current forecast date
1B Roadworks Foot of the Walk – Balfour Street	16-Oct-08A
1B Trackworks Foot of the Walk – Balfour Street	30-Apr-09
1B Roadworks Balfour Street – McDonald Rd	13-Apr-09
1C Roadworks McDonald Road to Picardy Place	15-May-09
1D Roadworks – Enabling Works	05-Jan-09A
1D Roadworks and trackworks Princes Street	23-Feb-09
1D Roadworks Lothian Road junction	29-Jan-09
S19 Haymarket viaduct	01-Sep-08A
2A Trackworks Haymarket to Roseburn junction	11-Mar-09
S20 Russell Road bridge	27-Mar-09
W3/W4 Russell Road retaining walls	13-Apr-09
S23 Carrick Knowe bridge	20-Oct-08A
5B Trackworks Balgreen Road to Saughton Road North	27-Apr-09
S26 South Gyle Access bridge	27-Apr-09
5B Trackworks Saughton Road North to Bankhead	02-Mar-09
5B Trackworks Bankhead to Edinburgh Park Station	12-Nov-08A
S27 Edinburgh Park viaduct	25-Aug-08A
5C Trackworks Edinburgh Park to Gyle	09-Oct-08A
W28 A8 underpass	01-Sep-08A
Gogar depot earthworks	27-Feb-09
Gogar depot building foundations	03-Apr-09
Gogar depot access roads	27-Apr-09
S29 Gogar underbridge	13-Oct-08A
S30 Gogarburn culvert No.1	01-Dec-08A
S32 Gogarburn culvert No.2	12-Jan-09A

Table 2 highlights key dates on the project in the current period and into the future. Whilst an unmitigated straight import of the progressed programme into the master programme forecasts a potential revenue service slippage into May 2012, **tie** is confident that sufficient float and false logic constraints exist in the programme, along with construction methodology improvements, to maintain the open for revenue service date as July 2011 (with a range of July 2011 to January 2012).



Table 2

Milestones	Baseline programme date	Actual / current forecast date – unmitigated
Approval of DFBC by CEC	21 Dec 06A	21 Dec 06A
TRO process commences	14Dec07A	10-Dec-07A
MUDFA – commencement of utility diversions	02 Apr 07A	02 Apr 07A
Approval of FBC by TS – approval and funding for Infraco / Tramco	09 Jan 08	Dec 07A
Tramco / Infraco – award following CEC / TS approval and cooling off period and SDS novation.	28 Jan 08	14 May 08A
Construction commences	14-Apr-08	14-May-08A
Haymarket viaduct commences	08-May-08	01-Sep-08A
Edinburgh Park viaduct commences	06-Aug-08	01-Sep-08A
A8 underpass commences	08-Aug-08	28-Aug-08A
Carrick Knowe Bridge commences	21-Aug-08	19-Aug-08A
All demolition work complete	22-Aug-08	13-Feb-09
Tram mock-up delivered	Oct 2008	Nov 2008A
First track installation commences – on street	03-Nov-08	Apr 2009
MUDFA works complete	Nov 2008	Jul 2009
Haymarket viaduct complete	08-Dec-08	08-Jul-09
Roseburn viaduct commences	20-Jan-09	28-Jan-10
Design assurance complete	20-Jan-09	21-Jul-09
All Issue for Construction (IFC) drawings delivered	21-Jan-09	07-Aug-09
Princes Street closed	03-Feb-09	22-Feb-09
Roseburn viaduct complete	20-Apr-10	03-Mar-11
Carrick Knowe bridge complete	11-May-09	19-Aug-09
All consents and approvals granted	18-May-09	07-Aug-09
Edinburgh Park viaduct complete	24-May-09	05-Aug-09
A8 underpass complete	14-Jul-09	07-Dec-09
Princes Street re-opened	01-Aug-09	16-Nov-09
NR immunisation complete	Nov 2009	Nov 2009
TRO process complete	01-Dec-09	Sep-10
1 <sup>st</sup> OHL installed (Commence Section 2)	11-Dec-09	25-Mar-10
Commission Section 2 (Haymarket to Roseburn junction)	11-Jan-10	29-Oct-10
Commission Section 6 (depot)	25-Mar-10	13-Dec-10
1 <sup>st</sup> Tram delivered	09-Apr-10	09-Apr-10



## APPENDIX 3

Milestones	Baseline programme date	Actual forecast / current date – <u>unmitigated</u>
Test track complete	23-Apr-10	09-Mar-11
1 <sup>st</sup> section (other than depot) complete ready for energisation	25-June-10	29-Oct-10
Commission Section 7 (Gogar to Edinburgh Airport)	25-June-10	25-Mar-11
Driver recruitment commences	July 2010	Oct 2010
Commission Section 5 (Roseburn junction to Gogar)	09-Nov-10	25-Nov-11
Driver training commences (depot only)	Dec-10	Jan-11
Driver training commences (excludes depot)	Nov 2010	Dec 2011
System testing complete off street	09-Dec-10	Dec-11
Final tram delivered	17-Jan-11	17-Jan-11
Construction Line 1a complete	17-Jan-11	Nov-11
System testing complete on street	16-Feb-11	Dec-11
Commission Section 1 (Newhaven to Haymarket)	11-Mar-11	Jan-12
Letter of “no objection” from Independent Competent Person to commence tram running	17-Apr-11	Jan-12
Shadow running starts	18-Apr-11	Feb-12
Shadow running complete	July 2011	May-12
Letter of “no objection” from Independent Competent Person to commence revenue service	July 2011	May-12
Open for revenue service	July 2011	May-12



## Change Control Register

## Change Notice

Change Notice	Title	Budget Allocation	Date sent to Finance	Date sent to Marshall	Date received from Directors (Authorised)	Date issued to tie	Copy issued to (state)	tie acknowledgement	tie Response	Cost £	Comments
CN-CEC001	Picardy Place – Utility diversion works	Henderson Global Investors	-	16-Dec-08	22-Dec-08	23-Dec-08	Russell O'Hare of Henderson Global Investors	05-Jan-09			13-02-09 Email from Damian Sharp - tie not providing a price. Awaiting confirmation from Marshall (20-02-09)
CN-CEC002	Picardy Place Gyrotory – Carriageway realignment	Henderson Global Investors	-	16-Dec-08	22-Dec-08	23-Dec-08	Russell O'Hare of Henderson Global Investors	05-Jan-09			13-02-09 Email from Damian Sharp - with BSC for pricing
CN-CEC003	Cathedral Lane – Sub station	Henderson Global Investors	-	16-Dec-08	22-Dec-08	23-Dec-08	Russell O'Hare of Henderson Global Investors	05-Jan-09			13-02-09 Email from Damian Sharp - with BSC for pricing
CN-CEC004	Future Proofing of Tram Stops - West End	?	05-Feb-09	04-Feb-09	06-Feb-09 (10-Feb-09)	11-Feb-09	-				

## Change Requests

Change Request	Title	Budget Allocation	Date sent to Finance	Date sent to Marshall	Date received from Directors (Authorised)	Date issued to tie	Copy issued to (state)	tie acknowledgement	tie Response	Cost £	Comments
CR-CEC001	The Mound / Market Street - Junction Signalisation	£50K Section 75 & £50K Internal Budget	05-Feb-09	04-Feb-09						100,000	
CR-CEC002	Fast Link Surface Appraisal	SFC Roads Services - 4501,38861	05-Feb-09	06-Feb-09						23,000	