

Review of arrangements for Edinburgh trams and Edinburgh Airport Rail Link projects

Project Brief, 6 June 2007

Audit Scotland is undertaking this study on behalf of the Auditor General for Scotland (under the Public Finance and Accountability (Scotland) Act 2000 Section 23, 'Economy, efficiency and effectiveness examination').

Audit Scotland is a statutory body set up in April 2000. It provides services to the Accounts Commission and the Auditor General for Scotland.

Introduction

1. This brief set out the Auditor General's terms of reference for a review of the arrangements in place for estimating costs and managing the Edinburgh trams and Edinburgh Airport Rail Link (EARL) projects. The review will not look at the policy decisions which have been made on the two projects or revisit options appraisals already undertaken, and it will not provide assurance on the accuracy of the cost estimates.
2. The Auditor General has already made a commitment that Audit Scotland will undertake a review of major capital projects in Scotland in its current work programme. This project was strongly supported by the Parliament's Audit Committee when the Auditor General presented the forward work programme to them in February 2007. That project is currently being scoped and we expect to publish a report in spring 2008. The Auditor General has agreed to bring forward a more focused review of Edinburgh trams and EARL as part of the planned work, and that is the subject of this brief.
3. Audit Scotland published an overview of the performance of transport in Scotland in September 2006. This report included a position statement on 15 major road and rail projects, including Edinburgh trams and EARL. We have continued to monitor the progress of these projects on a monthly basis and will draw on that work on carrying out this review.

Aims and objectives of Audit Scotland's review

4. The overall aim of the review is to assess the arrangements for managing the delivery of the Edinburgh trams and EARL projects to time and cost.
5. The objectives of the project are to assess:
 - How the Edinburgh trams and EARL projects are progressing in accordance with time and cost targets.
 - What are the current targets for delivery to time and cost?
 - How far are current targets based on robust information?
 - Are the latest forecast timescales and costs on or within authorised targets?
 - Whether appropriate management systems are in place to promote successful completion of the Edinburgh trams and EARL projects.
 - Is project organisation consistent with good practice?
 - Do the projects have proper risk management systems?

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- Is there effective financial control and programme management?
- Do the forms of contract for the projects lend themselves to effective risk management and successful project delivery?

Scope and methodology

6. The review will include examining the process for estimating project costs and project management arrangements within Transport Scotland, City of Edinburgh Council (CEC) and transport initiatives edinburgh limited (**tie**). As stated in paragraph 1 we will not provide assurances on the accuracy of the estimated project costs.
7. A small team of Audit Scotland staff will carry out the review. It will involve:
 - Interviews with senior officials from Transport Scotland, CEC and **tie**.
 - Document review for each project including for example, business cases, project board minutes and papers, cost and monitoring reports, programme information and risk assessments.
 - Confirming factual accuracy with relevant parties as the work progresses.

Reporting

8. The Auditor General will publish the findings of this review to the Parliament on 20 June 2007. Due to the nature and timescale of this review being different from standard projects in Audit Scotland's work programme we will not carry out the customary formal clearance process with Accountable Officers. We will, however, confirm factual accuracy as the review progresses.

Background

9. Developing rail links for Glasgow and Edinburgh airports were two of the major projects identified by the Scottish Executive in its 2002 publication "Scotland's Transport: Delivering Improvements". This publication also highlighted the need to develop an effective public transport system for Edinburgh, and the 2004 Transport White Paper "Scotland's Transport Future" confirmed support for CEC's proposals to introduce a modern tram network to Edinburgh.
10. The Edinburgh trams and EARL projects were promoted via separate Private Bills to obtain the required Acts of the Scottish Parliament. Both have now received Royal Assent and the Acts provide the necessary powers to construct the routes and acquire the necessary land.

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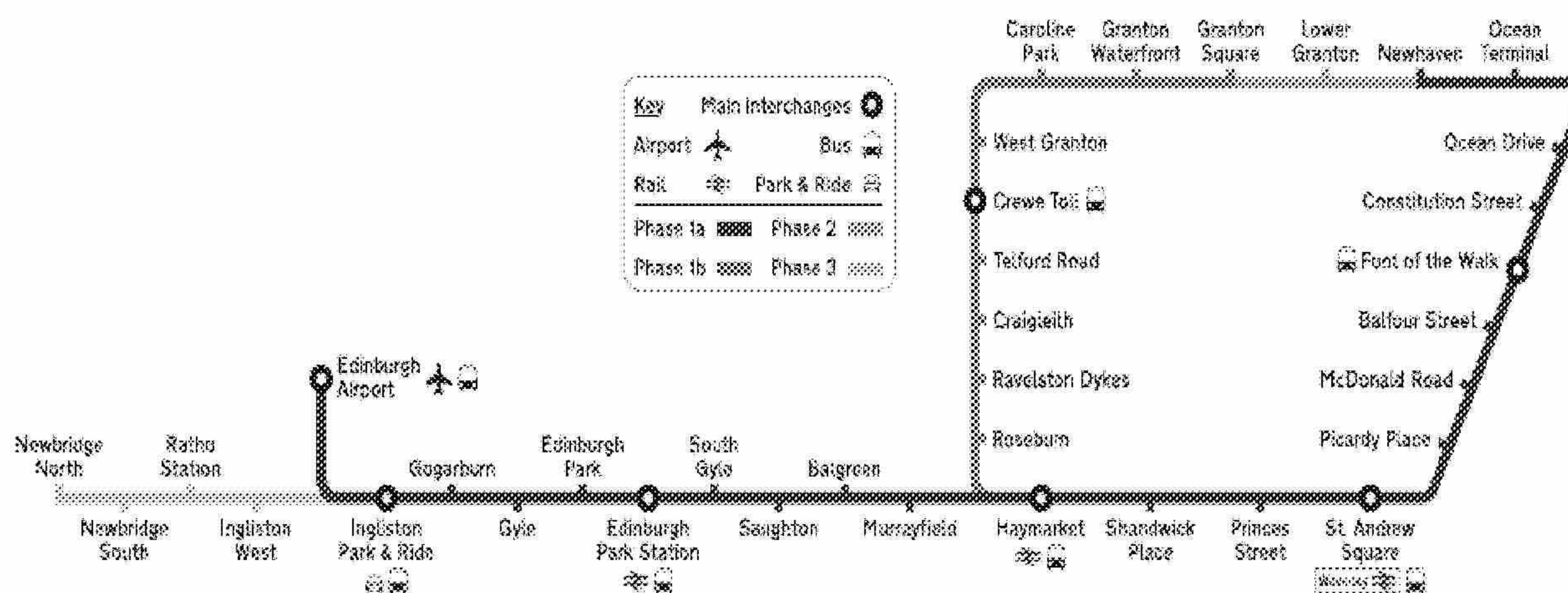
11. The Scottish Executive is expected to be a major funder of both projects. It has offered, subject to further appraisal, £500 million support for Edinburgh trams. Its share of the EARL project has not been determined. Both of these projects will take several years to deliver and will require annual approval of budgets by Parliament.
12. Both EARL and the Edinburgh trams project were subjected to Scottish Transport Appraisal Guidance (STAG). This guidance is applied to all transport projects for which Scottish Executive support or approval is required. STAG is a two-part process: Part 1 is the initial investigation of the impacts against a number of important objectives (environment, safety, economy, integration, accessibility and social exclusion). Part 2 follows Part 1 and is a more detailed scrutiny of the scheme.
13. Both projects have a number of organisations involved – these are outlined in each of the sections but the key players in both projects are:
 - **Transport Scotland** – an executive agency of the Scottish Executive is the principal funder of both projects.
 - **City of Edinburgh Council** is responsible for the Local Transport Strategy, and the promotion of Parliamentary Bills
 - **transport initiatives edinburgh limited (tie)**, a non-profit private company which is wholly owned by CEC - tie was set up by the Council to deliver major transport projects for Edinburgh.

Edinburgh trams

Background to Edinburgh trams project

14. Two separate tram routes were presented to the Scottish Parliament as individual Bills. In March 2006, the Scottish Parliament voted to pass the Edinburgh Tram (Lines One and Two) Bills, and the Bills received Royal Assent in April 2006 (Line Two) and May 2006 (Line One). See Exhibit 1 for the proposed tram lines.
15. A detailed Draft Final Business Case was approved by CEC in December 2006. The Business Case also requires approval from Scottish Ministers.

Exhibit 1. Proposed route of the Edinburgh tram project



(Note: Only Phases 1 and 2 have so far been approved)

Source: *Trams for Edinburgh website*

What will Edinburgh trams deliver?

16. The Edinburgh trams project is expected to:
 - have the capacity to carry 20,000 passengers per hour with more than 20 million tram passenger journeys a year being forecast.
 - create 930 new jobs, and over 1,000 jobs will be created during the construction phase.
 - Provide £1.63 of benefits for every £1 invested.

Project costs

17. The initial estimated cost of the trams project was £473 million (at 2003 prices). The current estimate of the total cost of the project is £592 million (at current prices): £500 million for the route from Edinburgh Airport to Leith, plus £92 million for the route from Haymarket to Granton.

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18. To date a total of £79 million has been spent on the project - £17 million on the parliamentary process which led to the two Tram Acts, and a further £62 million investment in the project's implementation. A further £60 million is due to be spent on the project in 2007, currently at a rate of £5 - £10 million per month.¹
19. The Scottish Executive has committed £500 million towards the cost of the project, with a further £45 million committed by CEC. In March 2007, the Scottish Executive released £60 million funding for the project, to permit preparatory work to remove the underground pipes and cables beneath the proposed tram tracks.

Project timescale

20. Construction was initially due to start in 2006, with completion in 2009. The current estimate for the first trams to start operating is early 2011.
21. In order to deliver the project to timescale a number of contracts have already been awarded:
 - In May 2004 TRANSDEV was announced as the operator of the tram network.
 - In October 2006 Alfred McAlpine was awarded the contract to carry out utility diversions. This work started in April 2007.
 - Procurement of the main construction and tram vehicle supply contract is well advanced and will be concluded in autumn 2007.
22. Full construction will begin once the Business Case is approved by Ministers, and once the utilities have been removed.
23. In the meantime, tie is running a series of public consultation events to give communities along the tram route an opportunity to comment on the preliminary design proposals for their local areas. tie also issues regular newsletters to update stakeholders on the progress of the trams project.

Project management

24. There are four key players responsible for the delivery of an integrated transport system for Edinburgh - Transport Scotland, City of Edinburgh Council, tie Ltd and Transport Edinburgh Ltd (TEL). TEL is the central focus for Tram delivery and was specifically set up by the Council to establish an integrated bus and tram system for Edinburgh. Councillors and Council officials, Lothian Buses executives and one tie

▪ ¹ Source: Trams for Edinburgh - Post Election Briefing Note. tie, 2007.

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executive sit on the Board of TEL. The Board of TEL, also has seats for representatives of the private sector.

- tie's role has been centred on project managing the development of the Tram, preparing the case for the Parliamentary process, and procuring the Tram system

Edinburgh Airport Rail Link (EARL)

Background to the EARL project

25. The EARL proposal was subject to widespread public consultation which was commended by the Scottish Parliament's EARL Bill Committee. In March 2007 Parliament approved the EARL Bill and the Bill received Royal Assent in April 2007.

What will EARL deliver?

26. The EARL project is expected to deliver:
 - direct rail services to and from Edinburgh and will connect to stations throughout Scotland. EARL will give over 3 million people in Scotland direct access to Edinburgh Airport.
 - approximately 14 km of new railways and nearly 4 km of upgraded existing railway which is expected to remove 1.7 million road trips per year from the road network.
 - £2.16 of benefits for every £1 invested with an estimated total of £920 million transport benefits over the first 30 years of its operation and £1.35 billion over 60 years.
 - create 3,000 new jobs in Scotland during the construction phase.

Project costs

27. The initial cost of the EARL project, when the Bill was introduced to Parliament, March 2006, was £497 million (at 2004 Q4 prices). The total cost of the project is now estimated to be £610 million (taking into account inflation and current market forces). It is anticipated that the Scottish Executive will be the principal funder.

Project timescale

28. The "Explanatory Notes" which accompanied the Bill stated that construction was programmed for 2007 to 2011 (subject to a margin of uncertainty of around one year). Full construction is now due to start in 2008, with the rail link operational from 2011.

Project management

29. tie is the client and project manager for the EARL project and is the promoter of the scheme under the Edinburgh Airport Rail Link Act 2007. CEC has statutory

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responsibility for various planning, highway and environmental issues. **tie** is expected to receive the majority of funding for the EARL project from Transport Scotland.

30. Responsibility has now passed to the EARL Project Board. This comprises directors of key stakeholder organisations, namely **tie**, Scottish Executive, British Airports Authority, Network Rail and First ScotRail and this Board has started to meet.