



# **tie Board Meeting**

**22<sup>nd</sup> November 2004**



## Agenda for tie Board Meeting

@ tie Offices, Verity House, 19 Haymarket Yards, Edinburgh  
 @ 10.00 hrs – 12.00 hrs on Monday 22<sup>nd</sup> November 2004

Item No.	tie Board Meeting Agenda Item	Res p	Timing
1.	<b>Minutes of Meeting of 25<sup>th</sup> October 2004 for approval and signing –</b> a) Approve and signing of Full version of minutes	EB	10.00 hrs
2.	<b>Matters arising</b>	EB	
3.	<b>Chief Executive Report –</b> a) Chief Executive Board Report (C) * b) Risk Report and review of issues (C) *	MH	
4.	<b>Heavy Rail -</b> a) EARL (C) * b) SAK (C) *	PP	
5.	<b>ITI –</b> a) Project Progress Report (C) * b) tie report to CEC on outcome of congestion charge inquiry * c) Arrangements for Edinburgh Fastlink opening * d) Progress report on Tram Parliamentary process including ARUPS report e) Congestion Charging Procurement Strategy * f) Tram Procurement Strategy * g) Service Integration - TEL	AM AM AM GB AM IK GB	
6.	<b>Governance &amp; Financial Matters –</b> a) Financial Report (C) * b) tie Business Plan	GB	
7.	<b>Communications -</b> a) ITI communications – Information Programme * b) Stakeholder report *	MH	
8.	<b>AOB -</b>		
9.	<b>End</b>		12.00 hrs
10.	<b>Date of next meeting – Monday 20<sup>th</sup> December @ 10.00 hrs. Venue: tie office, Verity House, Edinburgh</b>		

**C = Commercially Confidential**

**\* = Paper enclosed**



Item 1

**Minutes of the Meeting**  
**held on 25<sup>th</sup> October 2004**

- a) Approve full version of minutes



**tie limited**  
**(Full Version)**

**Minutes of tie BOARD MEETING**  
in the Dunedin Room, City Chambers  
@ 10.30 – 12.30 hrs on Monday 25<sup>th</sup> October 2004

Board Members: Ewan Brown (Chairman)  
Maureen Child  
Andrew Burns  
Jim Brown  
Gavin Gemmell  
John Richards

In attendance: Michael Howell, tie Chief Executive  
Graeme Bissett, tie Finance Director  
Alex Macaulay, tie Projects Director  
Paul Prescott, tie Heavy Rail Director  
Ian Kendal, tie Procurement Director  
Andrew Holmes, CEC, City Development Director  
John Ewing, Scottish Executive  
Kenneth Hogg, Scottish Executive  
Ewan Kennedy, CEC, CDD, Transport  
John Burns, CEC, Corporate Finance  
James Papps, PUK

Apologies: Bill Cunningham

Circulation: As above +  
Keith Rimmer, CEC, CDD, Transport  
Ronnie Hinds, CEC, Head of Corporate Finance  
Andy Nichol, CEC, Leader's Office  
Damian Sharp, Scottish Executive  
Martin Buck, PUK

**Item**

**1. MINUTES OF THE MEETING OF 20<sup>th</sup> SEPTEMBER 2004 FOR APPROVAL AND SIGNING**

a) FOI (S) Act Protocol

The protocol for publishing the tie Board Minutes was approved.

b) The minutes of 20<sup>th</sup> September were approved.

**Action**  
**By**

**EB**  
**MC**  
**AB**  
**JB**  
**GG**  
**JR**

**MH**  
**GB**  
**AM**  
**PP**  
**IK**  
**AH**  
**JE**  
**KH**  
**EK**  
**JB**  
**JP**

**C = Commercially Confidential**

## 2. MATTERS ARISING FROM MINUTES OF THE MEETING OF 20<sup>TH</sup> SEPTEMBER 2004

Item 6 (b) – A date in January is being progressed for the Ken Livingstone visit to Edinburgh.

AB

Item 3 (a) – AB will progress the re-establishment of the PLG.

AB

## 3. CHIEF EXECUTIVE'S REPORT (C)\*

### General

The CE monthly report was tabled with the following comments:

#### i) Dublin/Rome - Visits

The visit to RPA, the Dublin agency operating the (LUAS) network has proved interesting to the Trams Development Programme in Edinburgh by providing information and experiences from which tie can learn before finalising its plans.

A visit to Rome was made by tie, as guests of Transdev to review the city's traffic exclusion charging scheme.

#### ii) Scottish Executive

An OJEU announcement has been published by the Scottish Executive requesting indications of interest from private companies who wish to programme manage Scottish Rail projects.

#### iii) Trams

The Chairman of Transdev, Philippe Segretain, visited Edinburgh on 6<sup>th</sup> October.

A subsequent shadow board meeting of Transport Edinburgh Limited proved constructive.

Members of the tram parliamentary committees have visited Nottingham to hear about the trams' recent launch and to try out the tram system for themselves.

#### iv) Congestion Charging

Work progresses to define the forward plan which will ensure launch of the Congestion Charging scheme as planned in 2006. The board expressed their appreciation to the tie Congestion Charge team for their efforts in progressing this programme

Action  
By

b) Risk Report (C)\*

The Risk Report was discussed.

***It was suggested by JE that tie may wish to consider issuing a "Draft" Parliamentary Bill on TL3 as this may allow flexibility in the overall parliamentary programme. AM to consider. (C)***

***GG made reference to Section 3 "Insurance Advisory Services" and made reference to the inclusion of Marsh UK Limited. Marsh have since withdrawn their tender submission. (C)***

## 4. ITI

a) Project Progress Reports (C)\*

The project progress reports were presented.

i) **INFRACO**

***There has been a delay in tie receiving the letter of award for INFRACO from SE. Any further delay on the approval of the procurement will result in a serious risk to the deadline. JE to progress with AM and AM to report to the Board by the end of the week.***

***The work programme was presented outlining the resource required to deliver the complete procurement programme, however funding has not been committed beyond March 2005 (see 5(b)). MH to provide a monthly update to the Board. (C)***

b) Look ahead at Year end – Trams/CC

Noted and covered under 5b)

c) CC Reporter's report

The conclusions from the Public Inquiry have been received by the Council who are preparing their responses for early December.

tie continue to work on the program and the recommendations in the report.

b) T1 & T2 Parliamentary Progress/Objectors report (C)\*

A report of the process and progress to date was presented.

**Action  
By**

AM

MH

c) Tram Funding and Implementation Update (C)\*

A report was presented following on from the submission of the Outline Business Case and the funding to support the procurement and design phase of the tram project.

d) Service Integration

## i) Transport Edinburgh Limited ("TEL") - (C)

***AB reported that there had been positive progress in the development of strategy for TEL.***

## ii) One – Ticket (C)\*

A paper was presented outlining an update on One-Ticket which makes reference to its future role in the integration process. MH to pursue progression within the scope of TEL.

MH

e) WEBS Launch

Construction of the WEBS project will be completed during the week beginning 22<sup>nd</sup> November. A launch, involving a leading politician, is planned for early December. Lothian Buses will commence operation of the Service 22 on the guideway on Sunday 5<sup>th</sup> December 2004.

It is proposed that the WEBS name will be changed to "Edinburgh Fastlink".

## 5. GOVERNANCE &amp; FINANCIAL MATTERS

a) Financial Report (C)\*

The monthly Financial Report was reviewed.

b) Outline Business Plan FY05 Outturn Review (C)

***The ARUP report to the Parliamentary Committee and the uncertainty of the costs involved from the outcome of the Parliamentary process are presenting difficulties in being able to accurately forecast the outturn for the FY05.***

***JE will liaise with the Parliamentary Committee to help formalise the process and will refer back to JB with advice in taking things forward.***

JE

***They are implementing some changes to the tram project monitoring processes to assist in producing more accurate forecasting of costs given the unpredictable demands of the laborious parliamentary process.***

<u>Action</u> <u>By</u>
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GB/AB
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*GB recommended that early planning for the FY05/06 Business Plan would produce a more accurate indication of the financial commitments required. This was welcomed by SE and CEC and AB will progress on behalf of CEC.*

## 6. COMMUNICATIONS

### a) ITI Communication

MH and AM have undertaken a number of engagements this month which have proved successful in addressing general negative publicity and opinion although some groups were less easily swayed than others.

Suzanne Waugh has joined as Communication Manager. CEC have engaged Stan Blackley to advise on the progress of the information programme.

### b) Stakeholder Report

Preparation for the next issue of the Stakeholder Newsletter is underway.

## 7. HEAVY RAIL

### a) EARL (C)\*

A progress report on EARL was presented. PP advised that BAA were now supporting an open-air station at the Airport. CEC had advised verbally that they would not wish to be promoter of the EARL Parliamentary Bill. KH advised that SE were also considering promoting the Bill. AH advised that he would re-examine the desirability of CEC's assuming the role of promoter.

The public consultation on EARL is scheduled to be launched on 28<sup>th</sup> October (since revised to 8<sup>th</sup> November)

### b) SAK (C)\*

A progress report on SAK was presented. KH requested that negotiations with Network Rail on the APA should be co-ordinated through SE.

## 8. AOB

### a) Future Meeting 2005 dates

Proposed dates noted.



b) Procurement Policy (C)\*

The policy was approved by the Board and it was suggested that it should be reviewed in more detail at the next OPCOM meeting.

**9. Date of Next Meeting**

The next meeting will be held on Monday 22<sup>nd</sup> November at the offices at 10.00 am.

Signed as approved on behalf of the Board by:

Ewan Brown (Chairman)..... Date.....

*Declaration:*

*Agenda items marked (C)\* indicate that a report or relevant paper on this subject, or part thereof, has been identified as "Commercially Confidential" and will not be made available under The FOI (Scotland) Act 2002. Subsequent comments marked as (C) and highlighted in bold italics in this minute will likewise not be made available under The FOI (Scotland) Act 2002*



Agenda Item 2

## **Matters Arising**



Agenda Item 3

## **Chief Executive Report**

- a) **Chief Executive Board Report (C)\***
- b) **Risk Report and review of issues (C)\***

**C = Commercially Confidential**  
**\* = Paper enclosed**



Agenda Item 3a

**a) Chief Executive Board Report**



**TransportEdinburgh**  
*making connections*

**tie BOARD MEETING – 22<sup>ND</sup> NOVEMBER 2004**

**Chief Executive's Report**

The pace continues to accelerate:

- Formal approval of the £4M for tram development was given by the Scottish Executive, and work is now well underway. It is clear that tram funding for 2005/6 will require some measure of Council contribution.
- Steps are underway to aid the Council's decisions about the recommendations in the Reporter's Report regarding the Congestion Charging scheme.
- The EARL consultation was launched on 8<sup>th</sup> November.
- A useful conference was held by SESTRAN and the Scottish Executive on the shape of the new Local Transport Partnership.
- Informal conversations continue with the Scottish Executive on the shape of the Transport Scotland Agency and tie's role in that context.
- The tram parliamentary hearings continue, and new tie personnel have been recruited to spearhead our response activity with objectors.
- Edinburgh Fastlink (formerly WEBS) will be formally opened on 2<sup>nd</sup> December and will start running on 5<sup>th</sup> December.
- Work is now underway to prepare tie's business plan for 2005/6, to add to what is already happening in assembling the PFCs for the first two tramlines.

**A. Scottish Executive & Heavy Rail**

- tie has held a number of informal conversations with SE about the emerging shape of Transport Scotland.

**tie limited**

Verity House 19 Haymarket Yards Edinburgh EH12 5BH  
Tel: +44 (0) 131 622 8379 Fax +44 (0) 131 622 8301  
e-mail: [michael.howell@tie.td.uk](mailto:michael.howell@tie.td.uk) web: [www.tie.td.uk](http://www.tie.td.uk)

- The first of a number of additional staff for the Public Transport Major Infrastructure Team have been appointed. PTMIT supervises the activity of tie and other major projects, and has recently issued an OJEU for external programme management resources. tie was encouraged not to respond to the OJEU, and so has not done so.
- The EARL launch was accomplished successfully with Nicol Stephen leading the press conference at the airport. Due to the six week delay, the date for lodging the bill for the scheme is now May rather than March.
- Discussions continue with SE about the timing of and approach to the lodgement of the third tram bill. SE have indicated that they wish EARL to precede TL3 in parliamentary consideration.
- It is emerging that progress on Stirling – Alloa is endangered by lack of progress with Network Rail on concluding one or two key points within the Asset Protection Agreement. Network Rail's lawyers have advised us that NR are not willing to enter an enforceable contract requiring their delivery of services with penalties in the case of non-performance. Despite that, they expect to make a healthy profit on everything we ask them to do. These policy matters are in the domain of the Scottish Executive. Until they are resolved, tie cannot finalise its view of revised project cost and timetable, both of which are already moving upwards.
- It is as well that these issues are emerging now, since the same hurdles will have to be overcome by EARL, and the stakes will be much higher. Better to resolve now in a more manageable context.
- It has been suggested by the Scottish Executive and ourselves that the scope of the tie/CEC Operating Committee meeting should be expanded to encompass current issues of note which involve tie, CEC and SE. Many of these will be financial in nature, and Graeme Bissett will be asked to take the lead in identifying issues that will be brought to this forum in the future.

## **B. Finance and Risk**

Graeme Bissett's and Mark Bourke's reports are attached.

## C. Trams

### Three streams of activity:

- Support to the Parliamentary hearings continues with apparent progress faster on TL2 than TL1 – unsurprising in view of the relative number of objectors. However TL2 faces questions about its level of ridership in the context of EARL. There is a fair chance that one or both bills could be through the “approval in principle” stage before the February referendum.
- Work is now underway on detail design and procurement under Ian Kendall’s leadership.
- Graeme Bissett and MH have put time into finalising the TEL terms of reference and have agreed these with Lothian Buses. Some remaining wrinkles need to be ironed out with Transdev. Good progress in achieving Lothian Buses buy-in has been made.
- For personal reasons, Andrew Callander has resigned from full time employment as Tram Programme Manager but will continue to contribute on a part-time contracted basis. We shall now seek to provide additional administrative support to the TL1 and TL2 project managers.

## D. Congestion Charging

- tie has prepared thoughts for the Council relating to the recommendations of the Public Inquiry reporters, with particular reference to the lifting of the outer Edinburgh exemption. The keen interest of the Secretary of State, nominated MP for the relevant constituency, may be noted.
- There are delicate procedural and legal obstacles which must be navigated. tie remains of the mind that this issue must be addressed, but understand the practical difficulties involved.
- There is now some encouragement from the Institute of Scottish Public Policy, as yet unconfirmed, that Ken Livingstone may be encouraged to visit Edinburgh in January.
- Both CC system developers will have a demonstration ready for roll out in early December; progress has been excellent. Assuming the referendum is affirmative, there will be delicacies relating to the timing of ministerial approval compared to the required onset of spending necessary to commission the system successfully in early 2006.

- Andrew Stevenson, who has been our business analyst for the CC business system development, is leaving early next month to take up a new appointment in the oil exploration industry. The bulk of his input of his input to Stage 1 on the contract is complete and we will not fill the post until after the referendum result.

### **E. One-Ticket**

Following the last board meeting, MH has been unable to elicit a response from Jamie Ross, Head of Transport Division 2, for a meeting about the future of Smartcards and One-Ticket. MH hopes to make progress on his return from holiday.

### **H. Communications**

Advertisements are now visible on buses, and a new edition of Outlook, the council newspaper, will provide more details of the Transport Edinburgh project.

A major push on communication will follow the Council's decision to confirm the shape of the Order. This will include efforts to assemble a group of high profile people willing to stand up for the transport initiative.

In view of the volume of stakeholder work that will need to be done during January and February, we are looking for temporary resource to help Suzanne Waugh. Suzanne has been given a baptism of fire in being presented with the Fastlink opening ceremony to organise, but will now shortly be able to refocus on the communication effort.

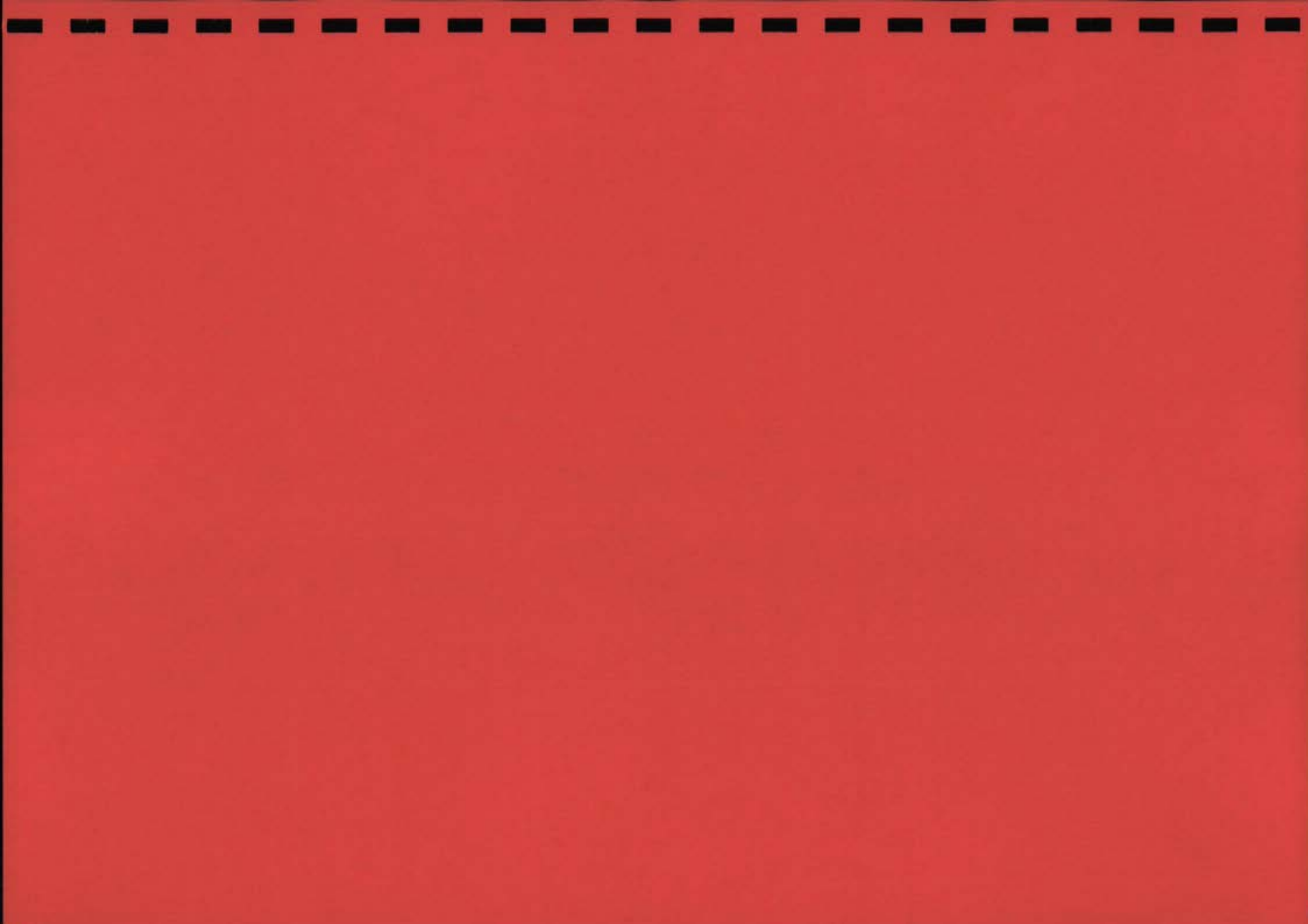
We are trying to build bridges to the Evening News, and their deputy editor, Jim Morrison, will be coming to tie's Away Day. Tighter personal relationships can only help the degree of balance in their coverage of transport issues in general, and the tram committees in particular.

The Transport Advisory Panel is to meet next week and we shall use the opportunity to extend the recruitment of active supporters from the business community. Recent interviews suggest that most leading commercial people are supportive, but constrained by the policy of their employers from saying very much publicly.

Michael Howell

17<sup>th</sup> November 2004







Agenda item 3b

**b) Risk Report and review of issues**

**tie Limited**  
**November 2004 Risk Report**

**tie Limited**  
**Risk Report**  
**November 2004**



Prepared by: **Mark Bourke**  
Date: **15 November 2004**  
Revision: **1**

File: **10.01.02 tie BOARD Portfolio Reports to Board**

**tle Limited**  
**November 2004 Risk Report**

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<b>Appendix</b>	<b>Title</b>
A	Tram, Congestion Charging and Ingliston Park & Ride: Optimism Bias Charts
B	Summary of Key Risks
C	Key Areas for Management
D	National Audit Office "Managing Risks to Improve Public Services"
E	National Audit Office "Improving IT Procurement"

# tie Limited

## November 2004 Risk Report

### 1. Overview

tie limited (tie) have placed risk management at the core of its service delivery to the Council. tie considers that the management of risk will be measured in the ability to achieve tie's Corporate Targets. The following sections provide a general overview of progress.

### 2. Optimism Bias Values

tie are tracking the progress in the management of risk for the following schemes and report current estimates of Optimism Bias as follows. The trends to reach these current values are presented in Appendix A, and demonstrate ongoing progress to reduce project risk as reported by tie's advisors and contractors.

Scheme	Optimism Bias Capex (%)	Optimism Bias Works Duration (%)
Congestion Charging	67* / 79**	16* / 17**
EARL	33	14
Line 1	25	10
Line 2	25	10
Line 3	27	11
fnollston Park & Ride	8	11

\* = Capgemini \*\* = IBM

### 3. Congestion Charging

Updates for the respective risk registers of IBM and Capgemini are under consideration.

A programme for development and reporting of the 'final' Assumption and Risk Registers, prior to bid submission, has been outlined to Bidders.

### 4. EARL

Detailed discussions have been held with each advisor on risk matters indicating further progress in risk reduction, with a view to scoping an 'interim' appraisal of Optimism Bias early in December 2004. It is noted that following discussions between our technical advisors and SE that some elements of the scheme are to be classified as 'non standard' civil engineering and have starting values of 66% on capex and 25% on programme (compared with 'standard' with starting values of 44% on capex and 20% on programme). This is likely to result in an increase in reported values above.

### 5. SAK

A detailed appraisal of the quantitative risk register prepared by the preferred bidder (First Engineering/Nuttall JV) has recently been carried out. The 'initial' conclusions and recommendations are as follows.

#### 5.1. Risk Review Conclusions

We need to agree the overall strategy with the team (excluding the Contractor) prior to making further steps to resolve these issues.

We consider that the analysis method for the estimation of risk to be wholly inappropriate.

We need to verify the source of costs from the bidder and verify that there is no double counting of risk in the base costs and contingencies. This could be explored through the recommended benchmarking.

**tle Limited**  
**November 2004 Risk Report**

We need to apply strong pressure to resolve these issues with the bidder and may need to consider the fall-back position of termination including re-opening discussions with 2<sup>nd</sup> bidder and/or applicability/success of this Form of Contract.

We need to examine the benefits of the £1.3m spend to date for the Phase 1 works.

We need to re-examine the payment mechanism to identify if there is too much incentive on the bidder to create a 'high' target price. This could include 'caps and collars', maximum pricing. We need to examine if an alternative form would be more suitable e.g. D&B, alternative NEC, JCT et al.

We need to ensure that the risk allocation is comparable with the gain share for the client e.g. 70% risk taken equates to 70% (minimum) gain share.

We need to ensure that no risks are pushed back to the client from the bidder.

We need to review the influence of profit margin on target cost and ensure no 'double counting'.

We need to verify subcontract arrangements for those that may be part of the group of the larger bidding team to ensure that the most economically advantageous subcontractors are selected (again without double counting profit/overheads).

We need to examine the worth of advance works (investigations, surveys, land acquisition, PU diversions) and potential to detach from this Contract and timing with regard to the programme.

## **5.2 Risk Review Recommendations**

It is recommended that the following actions are undertaken:-

- Confirmation that this serves as 'master' risk register with all previously identified risks added to this register.
- Review by legal advisor regarding those risks that would not be borne by client e.g. design negligence, errors and omissions.
- A review of potential further disaggregation of risks may be necessary e.g. risks >£500k value;
- Review in conjunction with assumption register is undertaken;
- Review against PTMIT key risks;
- A detailed risk review is undertaken to identify additional risks and scope any duplication or overlap; and
- An ongoing risk responsibility and framework for co-ordinating risk management is agreed that allows a qualitative assessment, prioritisation and scrutiny of wider (secondary) impacts.
- A review of linkage of risks to Bill of Quantities to confirm extent and suitability of 3-point estimates reported.
- Definition of intolerable risks agreed to quantify those areas where no work can commence or additional mitigation is required.
- All options are outlined to consider the mitigation of risk and potential residual risk to scheme.
- The Client considers the commissioning of key survey works in order to derisk the remaining design and construction stages.
- The assessment possible consequences is extended to consider 'primary' or 'secondary' risks with relation to Programme, Capital Expenditure, Operating Expenditure, Lifecycle Costs, Revenue, Quality, Functionality and Approvability matters.
- Clarification of 'risk owner' including legal opinion to those risks that are retained shared or transferred.

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**November 2004 Risk Report**

- Client opinion on his ability to manage and take responsibility for risks shown and need for additional advice/separate contracts to deliver some of the key advance work elements e.g. land acquisition, ground stabilisation works, PU diversion, and Network Rail Approvals including signalling re-design.
- Client considers delaying the implementation of the scheme until further reduction in number of high and very high probability of risks occurring.
- A detailed review of the probability of minimum, most likely and maximum cost is undertaken.
- The following areas have critical review in view of reported probabilities.
  - Results of desk study and ground investigation receive 3<sup>rd</sup> party review to confirm location of shafts and confirm/discount the need for mine remediation works;
  - Confirmation of requirements for 'turning facility' at Kincardine Power Station;
  - Load carrying capacities of structures in vicinity of Fairy Burn are confirmed to decide in new structures are required;
  - Line classification required defined, depth of ballast to be confirmed and sleeper specification including overall review of potential noise and vibration issues; and
  - Timing of works is assessed with regard to potential weather conditions.
- The cost impact values require to be assessed by a QS and challenged to review the following areas:
  - Minimum values that should be zero cost;
  - Maximum values that appear excessive compared to most likely e.g. extent of embankment materials, scour repairs to bridges, effect of access delays to Alloa Brewery; and
  - 12No. risk areas with maximum values in excess of £1m.
- Benchmarking of risk overall undertaken compared with other UK rail schemes;
- A Monte Carlo Simulation is undertaken on the data following above checks.
- The date for completion of mitigation is added.

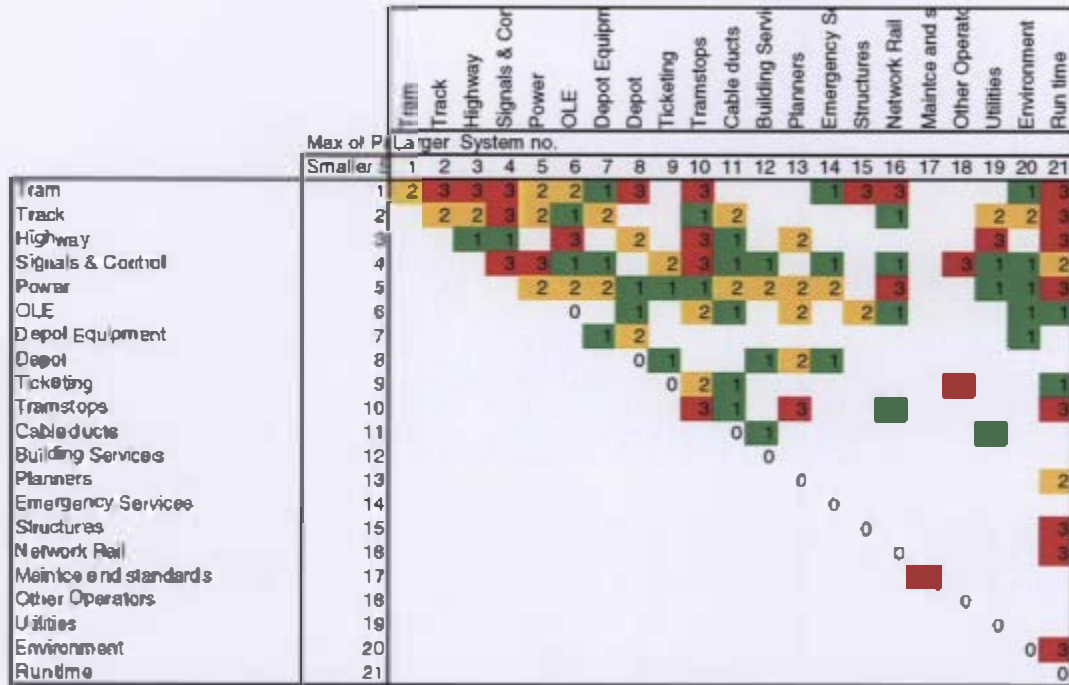
**6. Line 1, 2 and 3**

Further development continues on the projects with responses to the Reports by the Parliamentary Committee's advisor (Line 1 and 2) and further comments by Line 1 objectors on the Preliminary Financial Cases. Following further press reports, it is clear that communication risk associated with misinterpretation and misrepresentation of facts may lead to further erosion of public confidence and trust. tie will continue to engage effectively on issues of major public concern.

A risk appraisal has been undertaken with Transdev following their review of risk registers for Lines 1, 2 and 3 for technical interfaces, revenue, alignment, integration and regulatory and insurance matters.

**6.1. Technical Interfaces**

An appraisal of the key interface risks are under close review. An initial RAG assessment (Red-Amber-Green) has been undertaken to prioritise activities, as shown below.



6.2. Revenue

Ref.	Transdev Observation	Board Decision
A.	We currently do not have an agreed <b>primary objective</b> with regard to revenue.	To confirm whether the objective is:- 1. To maximise tram revenue only; or 2. To maximise TEL revenue (combining Lothian Buses and tram).
B.	There is a risk that TEL will not deliver a <b>high quality integrated service</b> .	To support the approach to remove and redesign bus services to achieve an effective 'total' public transport service with tram as primary service.
C.	There is lack of clarity of revenue <b>apportionment</b> with regard to Lothian Buses and tram for the intended integrated service.  Further work required in the development of a specification for ' <b>through ticketing</b> '.	To confirm that Lothian Buses are not to be compensated through revenue apportionment from tram.  To support the ticketing procurement.
D.	There is a risk of delay due to the lack of clarity on the intended <b>tram network service pattern</b> . A tram network service pattern is needed to be developed to be able to progress the business case and some key design areas.	To support the workstream to determine an optimised tram network.
E.	The impact of EARL on the optimised network service pattern with assumptions regarding fare strategy need to be <b>examined further</b> .	To support the workstream to determine the influence of EARL on the optimised tram network.
F.	Line 2 assumptions regarding the tram fares being 33% uplift above bus fares needs reexamination for the network.	To support the workstream to determine the fare strategy for the optimised tram network.
G.	<b>Opportunities</b> for revenue from special events and tourism are not included in current assessments.	To support the workstream to determine a realistic and achievable revenue accounting for tourism and special events income.



### 6.3. Alignment

Ref.	Transdev Observation	Board Decision
H.	There is a risk that unless segregation between Haymarket and Leith is achieved then run-times and tram reliability (hence revenue) will be compromised.	To support the intention to segregate the tram between Haymarket and Leith.
I.	There is a risk that if concessions are given to the Gyle Centre regarding the stop location then a very significant influence on the run-time.	To resist making any concessions with Objectors without clear understanding of capital and operating cost and revenue impacts.  To resist acceptance of a modified stop location that will result in any compromised run-time at the Gyle Centre.
J.	The location of Airport tram-stop may impact on patronage	To support the workstream to optimise the tram-stop location for tram patronage and resist any negative influence of BAA.
K.	The Haymarket alignment is currently under detailed review	The support the workstream to deliver a potentially 3-track solution (within limits of deviation) and make necessary allowance for Line 3.
L.	Current run-time predictions have been prepared at a high level and need refinement. There is a risk that the run-times may change as a result, with potentially impact on business case	To support the workstream to confirm the detailed run-times for the network.

### 6.4. Integration

Ref.	Transdev Observation	Board Decision
M.	There is a risk of a sub-optimal solution being determined due to unless the tram is given priority at all junctions. There currently appears to be a 4-grade system that does not give priority to trams, and moves against the recommendations of the NAO report on light rail systems.	To seek priority for tram at all junctions in Edinburgh.
N.	The emerging integrated solution may result in changes to current revenue and patronage and may impact on business case.	To support the workstream to determine the patronage (revenue) for the integrated solution.
O.	There is a risk of a bus war between tram and one or more operators	To support the work to continue to work together with bus operators.
P.	Feeder bus services may not be economically viable without subsidy.	To support early workstreams in association with Lothian Buses and First (through TEL) to verify the viability of feeder bus services.

### 6.5. Regulatory and Insurance

Ref.	Transdev Observation	Board Decision
Q.	There is a risk that the tram system approval process is likely to change	To support the workstreams in monitoring the emerging approval process and

**tie Limited**  
**November 2004 Risk Report**

Ref.	Transdev Observation	Board Decision
	and potentially impose additional cost to the project.  It is envisaged that HMRI will not approve the system, and that we would need to procure Competent Person to do this. This could also have a risk implication to programme.	reporting the implications to our scheme.
R.	The Referendum in February 2005 may be negative and will fail to support Edinburgh's transport plans.	To support the workstreams associated with the Information Campaign.
S.	There is a need to close the contractual disconnect between the DPOFA and Infracore, through the inclusion of TEL, in order to reduce public sector risk exposure.	To support the workstreams associated with legal drafting of contractual matrix.

**7. Fastlink**

A workshop is planned to discuss residual risks in scheduled for the end of **November 2004**. In addition, tie will seek to review the risks associated with the operational phase of the scheme due to their intended continuing role post-construction.

**8. Ingliston Park & Ride**

Updates to the risk register have been received from the Council. Updates are currently awaited from Halcrow (tie's Project Managers and Technical Advisors) and Borders Construction.

**9. Insurance Advisory Services**

We have recently appointed Heath Lambert Group for the provision of Insurance Advisory Services for our evolving transport portfolio. Heath Lambert will commence work on the following aspects with immediate effect.

- **Fastlink** – Scoping and broking of Insurances for tie; and
- **EARL** – Scoping and pricing indications for Construction and Operational Insurances for inclusion in Preliminary Financial Cases.

**10. General**

Three key industry documents have been published in the last month as follows.

- National Audit Office *"Managing Risks to Improve Public Services"*, October;
- National Audit Office *"Improving IT Procurement"*, November; and
- HM Treasury *"The Orange Book" (2<sup>nd</sup> Edition)*, October.

An appraisal of observations from each of the National Audit reports along lessons for tie and indicative degree of implementation to date, are appended to this report.

The following key lessons should be considered by the Project Teams for implementation.

Risk Management	CC Procurement
<ul style="list-style-type: none"> <li>• Establish a non-Executive led Audit Committee;</li> <li>• Engage Internal Audit services;</li> <li>• Include review of risk management</li> </ul>	<ul style="list-style-type: none"> <li>• Establish success criteria for project in terms of operational efficiency and quality;</li> <li>• Explore opportunities beyond</li> </ul>

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Risk Management	CC Procurement
<p>processes in Internal Audit;</p> <ul style="list-style-type: none"> <li>• Refresh risk training for existing staff and provide inductions to 'new start' staff on organisation and risk ethos;</li> <li>• Identify key potential aggregation and contagion risks across the projects;</li> <li>• Continue to review effectiveness of risk management;</li> <li>• Learn the lessons for other sectors and similar schemes; and</li> <li>• Review the risks to cope with disruptions beyond normal control.</li> </ul>	<p>current Contracts;</p> <ul style="list-style-type: none"> <li>• Establish comprehensive knowledge transfer protocols;</li> <li>• Review need for secondments from preferred supplier;</li> <li>• Consider joint-Programme Board with preferred supplier;</li> <li>• Involve Operator in scheme implementation;</li> <li>• Consider OGC Risk Assessment and Review</li> <li>• Conduct Internal Audit of scheme; and</li> <li>• Review and assess applicability of current public sector IT Guidance.</li> </ul>

tle are currently reviewing the revised Orange Book that sets out HM Treasury strategic approach to risk management including risk principles and concepts. However, it is noted that our current systems are compliant with the report.

**11. Appendices**

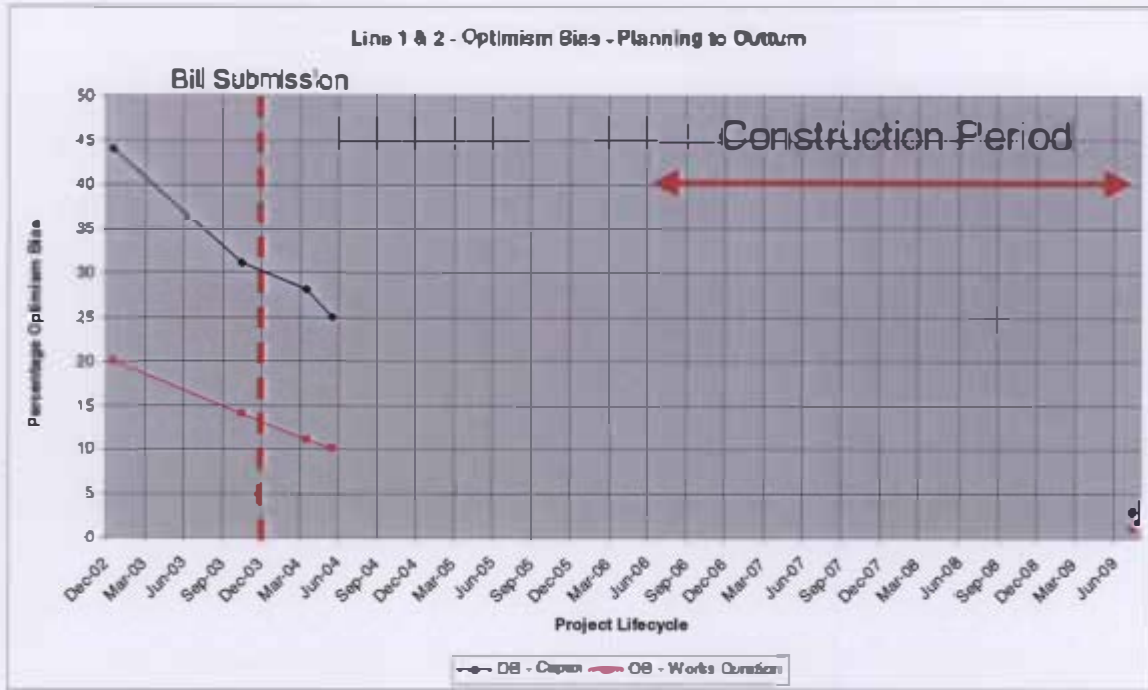
This paper comprises the following attached elements.

- A graphical summary of progress on the management of risk through reporting the current Optimism Bias values for Tram, Congestion Charging and Ingliston Park & Ride schemes (**Appendix A**);
- A summary of the key risks affecting the Projects (**Appendix B**);
- A summary of areas for management across the tle portfolio (**Appendix C**);
- A summary of observations and lessons for tle as extracted from review of NAO Report "Managing Risks to Improve Public Services" (**Appendix D**);
- A summary of observations and lessons for tle as extracted from review of NAO Report: "Improving IT Procurement" (**Appendix E**).

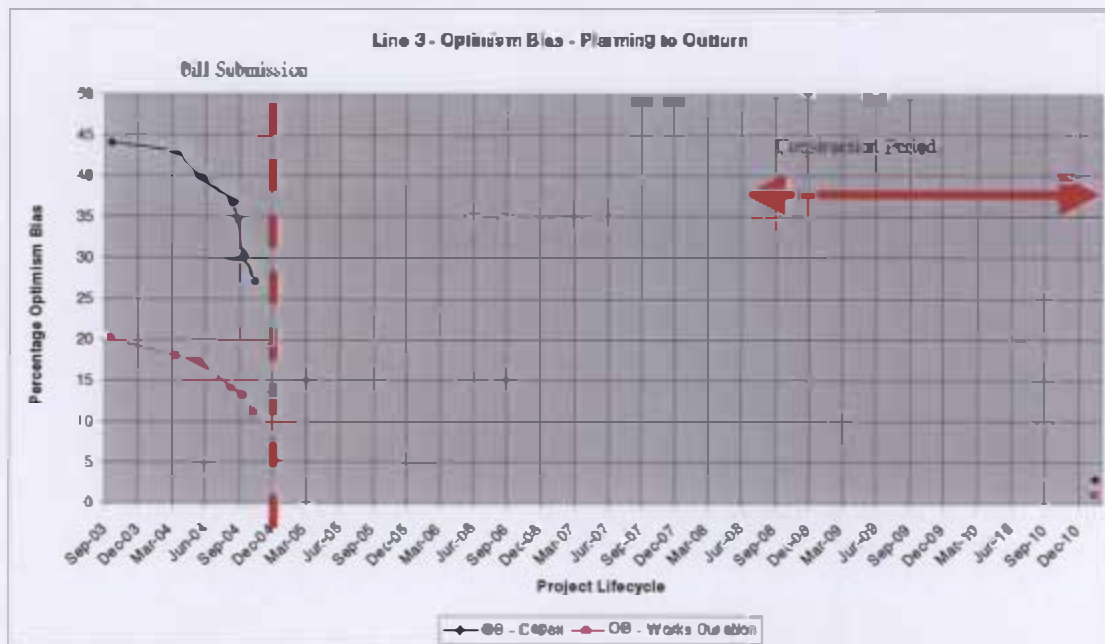
**Appendix A**  
**Tram, Congestion Charging**  
**and Ingliston Park & Ride**  
**Optimism Bias Charts**

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**Profile of Optimism Bias for Tram Line One and Two**



**Profile of Optimism Bias for Tram Line Three**

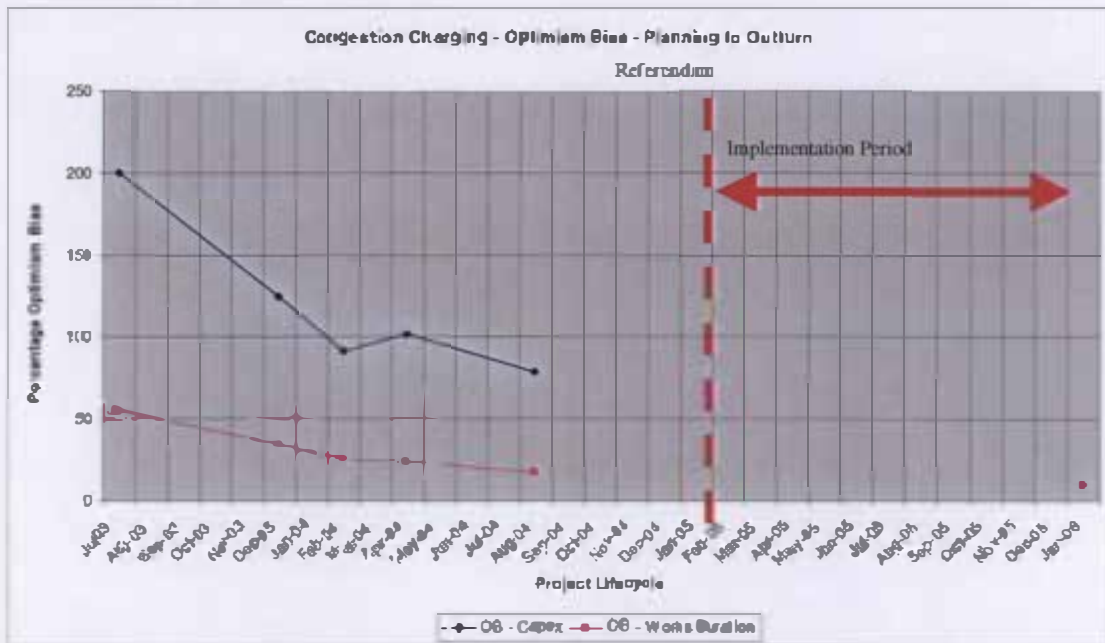


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**Profile of Optimism Bias for Congestion Charging Scheme - Capgemini**

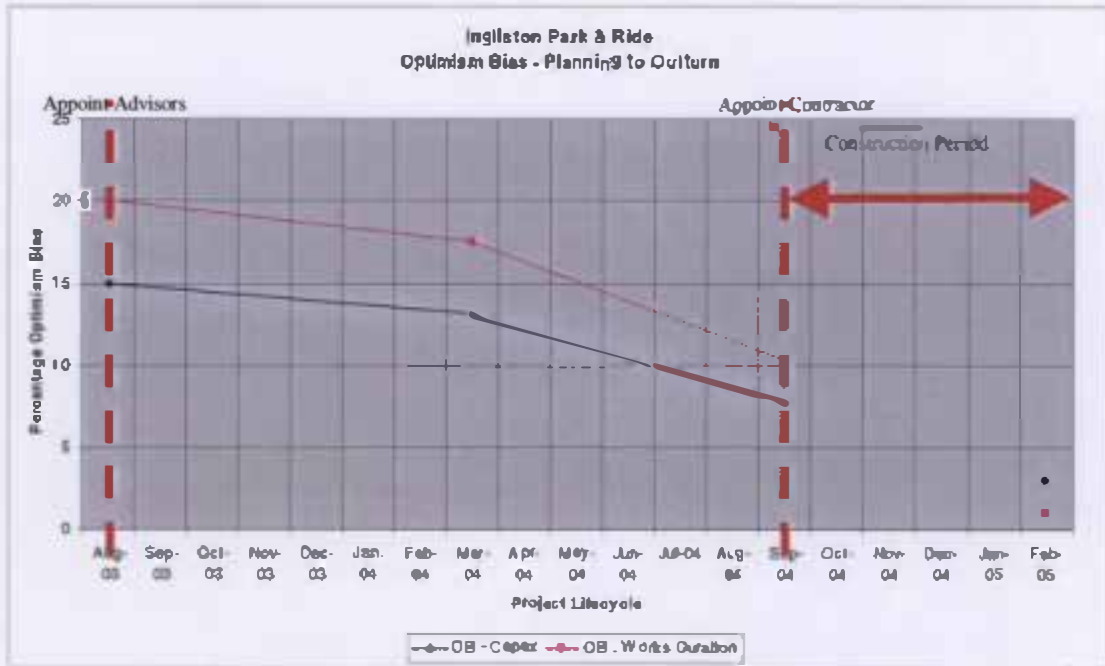


**Profile of Optimism Bias for Congestion Charging Scheme - IBM**



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**Profile of Optimism Bias for Ingliston Park & Ride Scheme**



**Appendix B**  
**Summary of Key Risks**



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The following 'very high' project risks have been identified as currently affecting the above schemes by the advisor team.

**Line 1, 2, 3 & Network**

<b>Ref</b>	<b>Project Risk</b>	<b>Impact</b>
1.	<b>Insufficient public sector capital available to meet contract price resulting in additional cost charges</b>	Approvability
2.	<b>Shortfall in securing 'other funding' beyond SE funding for schemes resulting in delay to programme</b>	Approvability
3.	<b>Bill authorisation prevented due to loss of political will due to negative PR e.g. funding gap, influence of Holyrood, performance from other UK Tram Sector projects and Bill Objections</b>	Approvability
4.	<b>Increased capital costs due to third parties including Utility diversion costs; Land costs associated with acquisition, temporary disruption during construction and compensation; Tram vehicle costs; and Network Rail costs for immunisation of equipment, possessions, compensation costs to train operating companies, information supply, liaison and development of agreement;</b>	Capital Expenditure
5.	<b>Cost increases or programme delays due to planning permission requirements in complying with the design requirements of Planning Authority or failure of the Council to deliver Section 75 Land</b>	Capital Expenditure & Programme
6.	<b>The inclusion of CETM will impact the project</b>	Functionality
7.	<b>An overly optimistic runtime analysis feeds into the business case resulting in revenue impacts e.g. the expected priority levels at highway junctions not achieved.</b>	Operating Expenditure
8.	<b>DPOFA Procurement delayed due to lack of co-operation from Lothian Buses</b>	Programme
9.	<b>Delay in construction programme due to delays in encountering archaeological finds/burials and consequent exhumation.</b>	Programme
10.	<b>Outputs from the TRO Process are late resulting in a delay to programme</b>	Programme
11.	<b>Lack of decision to undertake advance works results in delay to scheme operations e.g. land acquisition, detailed design, utility diversions</b>	Programme
12.	<b>Inadequate preparation of Parliamentary Evidence, poor handling of Objections or influence of other Bills leads to delay in Parliamentary programme</b>	Programme
13.	<b>Passenger numbers lower than forecast resulting in a decrease in revenue</b>	Revenue
14.	<b>Indecision regarding the potential inclusion of terminus to Line 3 at Musselburgh leads to loss of opportunity</b>	Revenue

**WEBS**

<b>Ref</b>	<b>Project Risk</b>	<b>Impact</b>
1.	<b>Delay in programme due to unforeseen event outwith the control of the Contractor</b>	Programme
2.	<b>Operators do not buy in to scheme due to;- Short term nature of project does not give time for pay back</b>	Revenue
3.	<b>Operators do not buy in to scheme due to; Specialist equipment required does not give time for payback</b>	Revenue

**EARL**

Ref	Project Risk	Impact
1.	Influence of BAA on the scheme with potential uncompromising position on objections related to quality, their acceptance processes, their development blight, 2 <sup>nd</sup> Runway and asset protection.	Application for Powers
2.	Disruption to air traffic due to excessive settlement from tunneling	Capital Expenditure & Programme
3.	Objections in Parliament	Application for Powers
4.	Project cost estimate too high (tenders breach affordability)	Planning
5.	Cost escalation	Construction
6.	Failure to meet predicted passenger levels	Operation
7.	Insufficient time allowed in programme for the passage of the Bill through Parliament	Application for Powers
8.	Bill is submitted late to Parliament	Application for Powers
9.	Failure to achieve resolution of tunnel methodology work package 1 timescales	Planning
10.	Boulders delay construction of tunnel	Construction
11.	Watercourses become polluted during construction	Construction
12.	Utility companies fail to implement agreed service diversions timeously.	Construction
13.	Procuring unreliable ticket machines	Procurement
14.	Lack of definition in Revenue Protection/management methods delay or lead to changes in station design	Procurement

**Ingliston Park & Ride**

Ref	Project Risk	Impact
1.	Lack of development of operational functions and facilities management leads to delay in opening of facility	Operation
2.	Lack of development of funding of operating expenditure leads to delay to scheme	Application for Powers
3.	Insufficient knowledge about PUs on site leading to cost and programme overruns for diversion, protection, use for the scheme and extension	Construction
4.	Outcome and impact on design of safety audit results in significant scheme re-design	Planning
5.	Design fails to comply with missives associated with land acquisition resulting in delay in progress due to challenge.	Planning

## **Congestion Charging**

<b>Ref</b>	<b>Project Risk</b>	<b>Impact</b>
1.	<b>Insufficient public sector capital available in 'short to medium-term' to meet contract price resulting in additional cost charges or delays to initiating key workstreams e.g. operator procurement and other supporting contracts to April 2005</b>	Approvability
2.	<b>Progress of scheme prevented due to loss of political will due to negative PR e.g. funding gap, influence of London performance and quantum of Objections</b>	Approvability
3.	<b>Referendum result is negative</b>	Approvability
4.	<b>Guidance not in place in time for public inquiry</b>	Approvability
5.	<b>Failure to predict set-up and operating costs</b>	Capital & Operating Expenditure
6.	<b>Insufficient interim budget available in 'shortterm' to adopt dual pilot approach resulting in amendment to procurement strategy or curtailment of prototype and consequential risk of cost increases and delays to main implementation phase</b>	Capital Expenditure & Programme
7.	<b>Inquiry based concerted challenge</b>	Programme
8.	<b>Judicial review of Council's decision</b>	Programme
9.	<b>Court based attempted human rights challenge</b>	Programme
10.	<b>Lack of resource to manage the decision making and develop procurement strategy to April 2005</b>	Programme
11.	<b>Need for private financing to scheme and subsequent due diligence causes delay to programme</b>	Programme

**Appendix C**  
**Key Areas for Management**

### **C. Key Areas for Management**

In undertaking an assessment of the key risks affecting the scheme, a number of 'very high' risks have been identified. These key risks have been summarised for a number of projects within Appendix C. These risks represent, in some instances, those considered as most serious to the development of the ongoing progress of the schemes, and will require management as the project progresses. Recurring themes have been identified in a number of our schemes are summarised below.

#### **C.2. Capital Costs - Third Party Costs**

tie anticipates that the following elements of capital expenditure have associated risks, which are largely dictated by third parties, and may significantly impact the final outturn cost of the scheme. It is considered that these risks have been significantly mitigated through the considerable amount of work undertaken to date by tie's Technical and Land & Property Advisers and contingencies allowed.

- Utility diversion costs;
- Land costs associated with acquisition, temporary disruption during construction and compensation;
- Vehicle costs;
- Design modifications required to mollify objections;
- Network Rail costs for immunisation of equipment, possessions, compensation costs to train operating companies, information supply, liaison and development of agreement;
- Increased cost due to additional environmental protection measures;
- Unforeseen ground conditions; and
- Council/tie instructed change.

#### **C.3. Operating Expenditure - Increased Operating Costs**

tie anticipates that the following elements of operating expenditure have associated risks which have been identified. It is noted that these have been significantly mitigated on the Tram schemes through proceeding with a DPOF Procurement process and through the formation of Operating and Maintenance Working Groups for the WEBS and Ingliston Park and Ride schemes. It is anticipated that the following issues will require to be managed with the support of the Council.

- Development and responsibilities for operation and maintenance;
- Variability of market conditions impacting on insurance costs;
- Increased run-times than anticipated;
- Lack of priority to schemes in road/rail network;
- Long term increases in operating costs;
- Specification issues including staffing levels; and
- Council/tie instructed change.

#### **C.4. Revenue – Passenger Forecast**

tie and their advisors have established and will develop conservative and credible base models and reviewed the factors affecting revenue through assessment of assumptions and sensitivities. Further comfort will be gained on the tram schemes through early involvement of an experienced Operator. It is considered that the following risks will need to be managed.

- Competitive stance taken by existing operators;
- Passenger numbers are lower than forecast; and
- Influence of proposed schemes to current parking and bus operation revenues.

### **C.5. Programme - Delays**

tle have identified a number of key areas where there are risk of delays to programme which are each being mitigated.

- Approval of tle's Business Plan/Funding Applications resulting in delay to implementation plans;
- Resolution of funding matters resulting in scheme delays;
- Statutory process delays including Parliamentary/Public Inquiry, Planning and approval to necessary scheme TROs;
- Objections;
- Lack of co-operation from external bodies including Lothian Buses, HMRI, Network Rail and Environmental Bodies;
- Development of requirements and responsibilities for scheme operation and maintenance;
- Bidder fatigue during negotiation;
- Change of Transport Minister;
- Parliamentary time with other Bills under consideration;
- Lack of market appetite in the scheme;
- Lack of cooperation by BAA;
- Late delivery of vehicles from suppliers; and
- Competing projects cause increased construction periods.

### **C.6. Quality - Statutory Planning**

tle have significantly mitigated risks affecting the quality of the scheme through consultation with the Planning Authority on all schemes. This work has been coordinated through the a Planning and Environment Working Group that has included developed of a Design Manual<sup>1</sup> for the Tram schemes to account for Edinburgh's status of a World Heritage Site.

- Delay and cost increases due to Planning requirements; and
- BAA's view of quality of finishes and materials.

The Tram Design Manual identifies Principles of Design, provides supporting guidance and states Design Requirements for the main tram components.

### **C.7. Functionality – System Operation**

tle have held significant pro-active consultation with transport operators. An extensive portion of mitigation has been commenced with the procurement of a tram Operator, whose objectives include bringing about integration with local bus operators. tle and their advisers have considered the influence of other transport initiatives including CETM and discussed these with the Council. tle are continuing to take a significant involvement and interest in other strategies including two potential city centre underground multi-storey car park schemes and strategies for the development of Haymarket and St. Andrew Square.

- Passenger Transport integration; and
- Inclusion of CETM.

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<sup>1</sup> Transport Initiatives Edinburgh (2004) Edinburgh Tram Network: Design Manual

**C.8. Approvability – Referendum and Funding**

tie considers that the single biggest issue affecting the approvability of a number of their schemes relates to funding, as indicated below. tie have mitigated this risk through development of robust cost estimates and on-going review of alternative funding options by tie's financial advisers.

- Limited Scottish Executive funding is available;
- Delays are incurred in securing other funding sources beyond SE funding;
- Referendum prevents schemes proceeding;
- BAA's contribution fails to materialise or is insufficient;
- Schemes fail to pass Statutory Processes including Parliamentary/Public Inquiry and/or Planning; and
- HMRI refuses to allow operation of services.

**Appendix D**  
**National Audit Office**  
**“Managing Risks to Improve Public Services”**



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Ref	National Audit Office Observation Managing Risks to Improve Public Services	Lesson for tlc	Implementation
1.	There is a need to address a range of 'internal' risks facing the public sector that require to be mitigated to prevent escalation.	The following internal risks require to be addressed. <ul style="list-style-type: none"> <li>• Compliance with Health &amp; Safety requirements;</li> <li>• Inadequate skills or resources to deliver sufficiently flexible services;</li> <li>• Inadequate maintenance of IT systems leads to failed service delivery;</li> <li>• Missing opportunities to develop new ways of working or new ideas which may deliver tangible benefits through managed risk taking; and</li> <li>• Fraud and abuse.</li> </ul>	✓✓
2.	There is a need to address a range of 'external' risks facing the public sector that require to be mitigated to prevent escalation.	The following external risks require to be addressed. <ul style="list-style-type: none"> <li>• Failure of contractors or partners to deliver undermines services to public;</li> <li>• Failure to communicate effectively about the nature and scale of risks faced damages reputation and undermines public confidence;</li> <li>• Safety of public at risk e.g. terrorism;</li> <li>• Political risk associated with cross-cutting policy decisions or government procedural changes;</li> <li>• Economic risk of international exchange rates;</li> <li>• Socio-economic risk - demographic changes affecting demand for services</li> <li>• Technological obsolescence;</li> <li>• Legal EU requirements; and</li> <li>• Compliance with Environmental standards subject to change.</li> </ul>	✓✓
3.	There is a need to address a range of 'operational' risks facing the public sector that require to be mitigated to prevent escalation	The following operational risks require to be addressed. <ul style="list-style-type: none"> <li>• Failure to deliver the service to the Client within agreed/set terms;</li> <li>• Failure to deliver on time/budget/specification;</li> <li>• Insufficient staff capacity/skills/recruitment and retention;</li> <li>• Level of customer satisfaction with delivery;</li> <li>• Insufficient capability to deliver;</li> <li>• Level of confidence and trust in organisation to deliver is eroded;</li> <li>• Inadequate regulatory or proprietary governance;</li> <li>• Failure to identify threats and opportunities;</li> <li>• Resilience assessment – disaster recovery and contingency planning; and</li> <li>• Security of assets and information compromised.</li> </ul>	✓✓
4.	There is a need to address a range of 'change' risks facing the public sector that require to be mitigated to prevent escalation	The following change risks require to be addressed. <ul style="list-style-type: none"> <li>• Programme compromised through change request;</li> <li>• Sub-optimal decision to investment decisions;</li> <li>• Policy decisions set new expectations but uncertainty about delivery.</li> </ul>	✓✓
5.	Weaknesses in early stage business assumptions have led to problems in intended service levels e.g. Criminals: Records Bureau	Good risk management may require potentially courageous decisions to defer implementation of schemes.	✓✓
6.	Inadequate weight placed on advice associated with the 'fraud, abuse and quality of training' has compromised the DoES Individual Learning Accounts scheme	Review weighting of advice for 'fraud, abuse and quality of training for schemes.	✓✓
7.	Poor competition, poor delivery and lack of	Ensure decisive actions are taken at each juncture to	✓✓✓

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Ref.	National Audit Office Observation Managing Risks to Improve Public Services	Lesson for the	Implementation
	knowledge of risk retention and scheme requirements led to doubling of costs for Lord Chancellors IT systems over four years.	ensure market attractiveness, governance and management, appropriate skills and in acceptance of deliverables.	
8.	In a climate of public and media scrutiny and freedom of information, failure to meet targets and deliver is increasingly transparent.	Manage all risks to delivery and achievement of targets and objectives.	✓✓
9.	Staff need to be risk managers with the skills to manage associated risks of dealing with contractors, large budgets, complex delivery patterns and risks of delivery failure.	Select highly skilled individuals to manage procurement and delivery.  Apply good resource and risk management.	✓✓✓ ✓✓✓
10.	Avoid a reliance on processes at the expense of good judgement.	Avoid creating an environment that individuals see risk management as a bureaucratic burden and, perversely, become more risk averse.	✓✓✓
11.	The following elements need to be in place for risk management capabilities to be effective. <ul style="list-style-type: none"> <li>Leadership, risk strategy and policy, people, arrangements for managing partnership risks and processes.</li> </ul>	Ensure senior level support to good risk management.  Board to consider a quarterly assessment of key risks and their impact on performance.  Set out the attitude to risk and defined structures for management and ownership of risk and approach to risk taking and innovation.  Ensure staff are equipped and supported to manage risk e.g. risk training.  Share strategies and risk registers with partners.  Discuss risks at each Board and ensure risk management is an integral part of business planning.	✓✓✓ ✓✓✓ ✓✓ ✓✓✓ ✓✓✓ ✓✓✓
12.	Internal auditors are used to review operation and effectiveness of risk management processes.	Consider extending the brief of internal auditors to encompass risk management processes.	✓
13.	More effort should be placed in assessing how risk management is used to improve service delivery.	Ensure risk management is applied to bring about improved service delivery.	✓✓
14.	Arrangements for managing risk with partners is still too weak.	Assess the risk management arrangements for all partner organisations.  Ensure clear accountability for risk.  Ensure risk transfer is understood clearly by all parties.	✓✓✓ ✓✓ ✓✓
15.	More progress is needed to embed risk management in the day to day activities.	Create an environment where risk management is a fundamental part of the culture in all aspects of activities.  Review the need for refresher training.	✓✓ ✓
16.	A culture of risk taking and innovation has yet to be established.	Encourage innovation and a spirit of well managed risk taking.  Incentivise risk taking with suitable rewards.	✓✓ ✓
17.	High profile data errors in recent years has undermined confidence in ONS.	Review systems and procedures to eliminate or control practices that could contribute to data error.  Identify main potential areas of error in systems and procedures including simple clerical mistakes e.g. merging spreadsheets.	✓ ✓
18.	High profile collapse of High Court trials due to mistakes and omissions in procedures by HM Customs and Excise.	Review the need for high quality training to reduce the risk of staff making costly mistakes that could damage reputation.	✓
19.	Poor communication and escalation of risks up the management hierarchy have contributed to disasters in high-reliability industries e.g. Challenger and Piper Alpha.	Ensure that culture allows staff of all levels to communicate risks to those in power to act.  Encourage all staff to complete reports on any new risks they identify or trends for analysis.	✓✓✓ ✓
20.	Business continuity is critical for key organisations such as DWP. Plan for disruptions to service beyond normal control e.g. postal strikes, power failures, weather disruptions, as well as terrorist strikes.	Consider the need for a high level risk workshop to consider these low probability-high impact risks.  Test plans and review through internal audit.  Develop contingency plans including an IT Disaster	✓ ✓

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Ref.	National Audit Office Observation Managing Risks to Improve Public Services	Lesson for the	Implementation
		Recovery Plan	✓✓✓
21.	Movements away from grant funding to a commissioning based system that pays on the basis of what is delivered e.g. conditional funding based on a thorough risk analysis including how risks will be dealt with is being employed by DCMS	Explore new approaches to funding including extent of risk examination in business cases.	✓✓✓
22.	NSI example of reduced marketing, selected limiting of 'go live' for newly migrated database at period of reduced demand to ease transition to new database (including 6-month parallel running).	Examine how more reliable decisions and implementation can be made.	✓✓
23.	Insurers review the extent of risks that may arise in different parts of the business and combine to present an overall risk	Review the potential extent of aggregation risks across the portfolio of projects.	✓
24.	Insurers review the extent of risks that may occur on one part of the business to affect the rest of the business.	Review the potential extent of contagion risks across the portfolio of projects.	✓
25.	Organisations that are open about risks they face and have a "no blame" culture generally find that staff are more likely to report risks	Aim to place risk management as an integral part of the way business is conducted.  Brief all new start staff during induction to promote risk management from the outset in order to minimise or accept corporate risk.	✓✓  ✓
26.	Significant benefits can be found in the lessons from others and previous schemes	Review the previous experiences of similar projects to identify how risks can be better handled to minimise wrong decisions.  Consider the extent of cross-fertilisation of mitigations between schemes.	✓✓  ✓✓
27.	Audit Committees are a key element of a robust constructive challenge process and are enhanced in having a non-executive membership	Consider initiating a non-executive director led Audit Committee to consider strategic processes for risk, control and governance.	✓
28.	Careful judgements should be made on the volume of data used in decision making	Avoid too little data that could create flawed decisions and too much data that could paralyse decision making that is maintained during project lifecycle	✓
29.	Information related to risk should be: <ul style="list-style-type: none"> <li>Assembled and collated on a consistent basis, easily assimilated and interpreted, portfolio based, communicated clearly, and provide early warnings of risks.</li> </ul>	Ensure risk management systems follow best practice and meets the following criteria <ul style="list-style-type: none"> <li>Simple to use for staff, can be regularly updated, regularly reported, supported by meetings, clear lines of communication, and inputs shown to give results.</li> </ul>	✓✓✓
30.	Communication of risk to the public should avoid conflicting or ambiguous messages that could undermine public confidence and trust.	The need to engage on matters of public concern is important.	✓✓
31.	Co-ordinated responses will be required for a number of key risks with funders and sponsors.	Communicate risks to funders and sponsors	✓✓

**Appendix E**  
**National Audit Office**  
**“Improving IT Procurement”**

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Ref.	National Audit Office Observation Improving IT Procurement	Lesson for the	Implementation
1.	There has been a lack of clear link between the project and organisation's key strategic priorities including agreed measures of success.	<p>Establish appropriate governance structures.</p> <p>Define quantified criteria for measuring the success of projects in terms of operational efficiency and quality.</p> <p>Regularly review success criteria with suppliers at 'away day' environments.</p>	<p>✓✓✓</p> <p>✓</p> <p>✓</p>
2.	Lack of clear senior management and ministerial ownership and leadership.	<p>Establish clear roles and responsibilities and lines of communication for the project team.</p> <p>Ensure senior management involvement.</p> <p>Senior management should champion the scheme throughout the development and implementation phases.</p> <p>Procurement managers should be held accountable.</p>	<p>✓✓</p> <p>✓✓✓</p> <p>✓✓</p> <p>✓✓✓</p>
3.	Lack of engagement with stakeholders	<p>Involve end users including Operator in scheme development through review of scheme development.</p> <p>Establish clearer purpose and project definition, with the objectives of different stakeholders.</p>	<p>✓</p> <p>✓✓</p>
4.	Lack of skills and proven approach to project management in IT	<p>Strengthen project controls and undertake more senior-level scrutiny and regular checking and review.</p> <p>Break development and implementation into manageable steps.</p> <p>Hold regular Project Boards during scheme development and implementation.</p> <p>Consider the formation of a Joint Project Board with IT Supplier for the implementation phase.</p> <p>Ensure compliance with best practices for project management.</p> <p>Employ staff with strong IT contract management skills.</p> <p>Sign off key elements of the project prior to moving to the next stage.</p>	<p>✓✓</p> <p>✓✓✓</p> <p>✓✓✓</p> <p>✓</p> <p>✓✓✓</p> <p>✓✓✓</p> <p>✓✓✓</p>
5.	Lack of skills and proven approach to risk management in IT	<p>Ensure a thorough assessment of risks is undertaken in advance of implementation that applies appropriate focus to management and technical risk.</p> <p>Examine the sharing of risk between Client and suppliers.</p> <p>Consider the need for OGC Risk Potential Assessment and Gateway Review.</p> <p>Pay attention to the management of risks and have contingency plans in case projects are not implemented as planned.</p> <p>Undertake a Red-Amber-Green (RAG) qualitative assessment for all 'mission critical' elements of the scheme.</p>	<p>✓✓✓</p> <p>✓✓</p> <p>✓</p> <p>✓✓</p> <p>✓✓</p>
6.	Lack of understanding of Market Knowledge and Procurement	<p>Ensure the following practices are maintained during tendering:</p> <ul style="list-style-type: none"> <li>• Hold a genuine competition;</li> <li>• Select an 'optimal' tendering procedure; and</li> <li>• Develop procedures to search out collusion.</li> </ul> <p>Engage with the market prior to starting particular projects with clear understanding of 'risk transfer', 'intellectual property' and 'exit arrangements'.</p>	<p>✓✓✓</p> <p>✓✓✓</p>

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Ref	National Audit Office Observation Improving IT Procurement	Lesson for the	Implementation
		Place emphasis on capability to deliver through joint working.	✓✓✓
		Consider the benefits of preference of new, local and/or innovative suppliers; adopt dual sourcing arrangements where feasible; and remove barriers for entry of sub-contractors.	✓✓
		Seek a Contract with adequate flexibility to adapt to the business needs through the life of the Contract.	✓✓
		Establish relationships and environments of trust with private vendors.	✓✓
		Improve contract management.	✓✓
7.	Evaluation of proposals driven by initial price rather than long term value for money (especially security business benefits)	Undertake detailed appraisal of financing and support costs.	✓
8.	Inadequate resources and skills to deliver.	Develop properly resourced implementation plans.  Recruit and retain talent supported by good human resources and succession planning.  Ensure comprehensive knowledge transfer protocols.  Select individuals who recognise what is achievable and realistic and have high commercial awareness.  Consider supplementing Client skills through secondments from preferred IT supplier to aid implementation phase.	✓  ✓✓ ✓ ✓✓✓ ✓
9.	Delays import the risk of technological obsolescence.	Review the numbers of generations of technological change that will be envisaged within the length of Contracts and build these into the Business financial model.	✓✓
10.	Existing guidance is not utilised or is ambiguous.	Review and assess the implications of current guidance including the following: <ul style="list-style-type: none"> <li>• The Government Procurement Code;</li> <li>• IT Supplier Code of Best Practice;</li> <li>• British Computer Society Guidance;</li> <li>• Intellect Guidance; and</li> <li>• OGC Guidance.</li> </ul>	✓
11.	Overly ambitious approach to innovations led to failure or compromise to delivery programme	Use known technologies where possible.  Avoid 'big bang' approaches to implementation through progressive implementation.	✓✓✓ ✓✓✓
12.	Lack of security controls	Establish an IT Security Policy	✓
13.	Inadequate testing of systems prior to full implementation	Ensure adequate testing including a period of parallel running (if existing systems are superseded).  Never compress or eliminate thorough testing.	✓✓✓ ✓✓✓
14.	Public sector clients have less freedom to innovate and exploit innovative solutions	Examine the opportunities beyond current Contracts and explore new technological solutions when they arise.  Review scope of interdependencies.	✓ ✓
15.	Inadequate examination of business case and financial issues	Improve the development of business cases, particularly on scope and content.  Establish close links with Internal Audit from an early stage with a programme of project reviews.	✓ ✓
16.	Poor change management procedures employed	Employ clear governance rules that will be robust for the period of contract.	✓✓✓

**tle Limited**  
**November 2004 Risk Report**

Ref.	National Audit Office Observation Improving IT Procurement	Lesson for tle	Implementation
		Establish change control mechanism and employ clear Delegated Authority Rules to 'speed' implementation.  Minimise the degree of business process re-engineering.	✓✓✓  ✓✓✓



Agenda Item 4

## Heavy Rail

- a) EARL \*
- b) SAK \*

**C = Commercially Confidential**  
**\* = Paper enclosed**





**Agenda Item 4a & b**



**Paper to:** tie Board  
22<sup>nd</sup> November 2004

**Subject:** Heavy Rail Update

**From:** Paul Prescott

**Date:** 17<sup>th</sup> November 2004

**Edinburgh Airport Rail Link (Project Manager - Susan Clark)**

**Public Consultation**

Public Consultation for the project was launched on 8<sup>th</sup> November by Nicol Stephen. Overall, feedback from this has been positive. The main issues emerging relate to:

- Why both Tram and EARL?
- Why not built a station at Turnhouse on the Fife lines to serve the airport?

A public meeting has been arranged for 7<sup>th</sup> December and in the interim Stakeholder Meetings are being held. Of particular importance are those with local residents; we are meeting a group of them on 22<sup>nd</sup> Nov and have already met with Mr Marshall from Carlowrie, the estate immediately to the north of the airport

**Project Governance**

The issue of Promoter remains unresolved. However, the SE have formed a working Group to look at the whole Private Bills procedure. This will include an investigation of hybrid bills to allow SE to promote them. We are advised that this should be concluded by Christmas. There is a risk to the introduction timescales for EARL if SE decide to promote via a hybrid bill. This is because no process currently exists within the Scottish Parliament for hybrid bills and delays may be encountered whilst these are put in place.

+ Parliament

**Bill Progress**

The delay in launching consultation has been evaluated in terms of cost and programme. This has resulted in a delay to the submission of the Bill to the Private bills unit from end March to 20<sup>th</sup> May. However, this still allows the Bill to be introduced to the Scottish Parliament before summer recess 2005 as planned. This is based on the assumption that the Bill will be lodged as a Private Bill.

This delay has led to some costs rolling over to next year - £85k with additional spend of £87k.

Despite this, work is progressing well on the engineering, environmental and legal aspects of the Bill and we expect a draft ready by December for comment.

### Procurement

Meetings with SE have resulted in some progress in terms of Procurement for EARL. The Decision criteria and assumptions for the project have been reviewed by SE with no major concerns identified. Work will progress in December to identify options for procurement & contracting to allow discussions to commence with SE & Ministers in the new year. This is aimed at having some options agreed by May 05.

### Planning

Papers are due to be presented to CEC Executive Committee and Planning Committee this month.

### 3<sup>rd</sup> Parties

Discussions with BAA and Network Rail are continuing with the aim of agreeing Heads of Terms in advance of introduction of the Bill. \ ?

### Stirling-Alloa-Kincardine (Project Manger - Richard Hudson)

#### Project Governance

Progress in agreeing the various management contracts between tie, Clackmannashire Council and Jacobs Babbie continues to be made, but it is slow. Following receipt of comments on the September drafts of these contracts from Clackmannanshire Council, a number of amendments have been made and new drafts are available. However comments are still awaited from Jacobs Babbie's lawyers in respect of the Joint Participation Agreement between JB and tie.

Our current best estimate for the programme to completion is as follows:

18/11/04: circulate to Clacks and tie Executive Board  
26/11/04: receive and distribute comment  
W/c 28/11/04: discuss comments and issue further draft  
W/c 5/12/04: finalise.

There have also been developments within the Scottish Executive's management team. Scott Noble has been appointed to lead for the Executive on SAK. In addition, Kenny Laird, has been seconded from Jacobs Babbie to join Damian Sharp's team and will advise on the full portfolio of Executive funded projects, with particular early emphasis on SAK.

### **Asset Protection Agreement with Network Rail**

In the October round of negotiations, 65 issues raised by Clackmannanshire Council and the Scottish Executive were reduced to 36, by agreement with Network Rail. Another review of Network Rail's responses to these disputed points with the Council and the Executive led to a further reduction in the issues outstanding. However, four new issues were raised by Clackmannanshire for proposal to Network Rail.

A further meeting was held on 4<sup>th</sup> November with representatives from the Council, the Executive, Network Rail and both sets of lawyers to try to finalise the agreement. While significant progress was made, a number of procedural points plus a hard core of issues of principle remain, which will require either to be conceded by the client partnership or settled by negotiation at a more senior level within Network Rail. The outstanding issues are varied, but among the more important is that Network Rail do not accept an obligation to be bound to act reasonably, as they claim that this shifts the burden of proof onto them to prove that they have done so.

### **Project costs**

The contractors, First Nuttall (a consortium of First Engineering and Nuttall) have completed phase 1 and submitted their target cost estimate. This, when combined with costs not under their management, yields a total project cost significantly higher than originally envisaged by the Executive. Work is underway to identify where the increases have arisen and what options exist for their amelioration. The obvious first possibilities for consideration are that the original estimate (produced by Babbie) was understated, or that the current estimate (from First Nuttall) contains fat. Beyond that, particular areas for investigation include the costs of road diversions; and the costs of placing the management of various risks with the contractors, particularly that relating to mineworkings. It may well be better to leave such risks with the client / funder.



## **ITI -**

- a) Project Progress Report (C) \***
- b) tie report to CEC on outcome of congestion charge inquiry \***
- c) Arrangements for Edinburgh Fastlink opening \***
- d) Progress report on Tram Parliamentary process, including ARUPS report**
- e) Congestion Charging Procurement Strategy \***
- f) Tram Procurement Strategy \***
- g) Service Integration – TEL**

**C = Commercially Confidential**

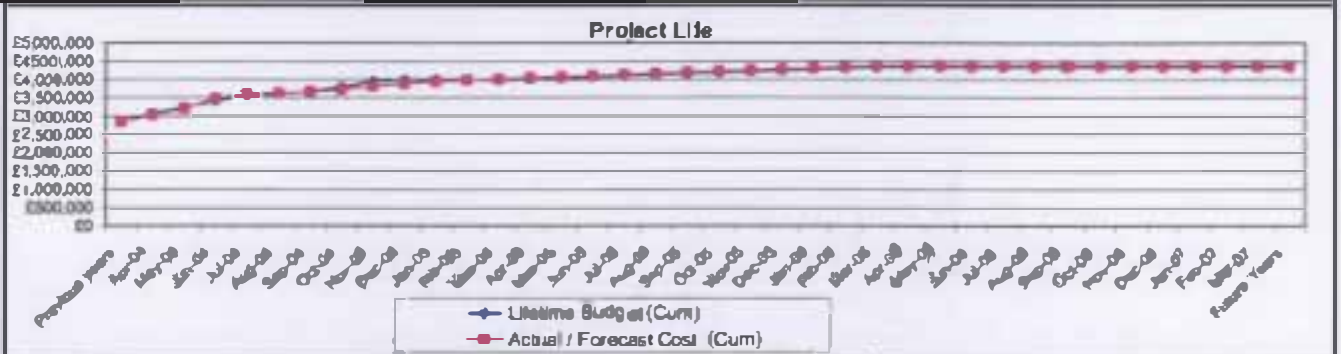
**\* = Paper enclosed**



## **Agenda Item 5a**

Project: ITI Development					
Report for Month Ending: 31-Oct-04			Project Manager: John Saunders		
Start Date:			End Date:		
Overall Progress Status		Expenditure 2004/5		Project Life Funding	
Progress Key:					
On track for successful completion as programmed.			Finance Key:		
Issues have arisen which may delay completion or require discussion/direction.			Within 10% of estimate		
Issues have arisen which will delay completion.			10 - 20% outside estimate		
			>20% outside estimate		
Critical Path / Milestone Items	Original Start Date	Original Completion	Revised Completion	Progress (NS,IP,C)	Progress Status (G,Y,R)
1. Update business Case	1-Feb-03	31-Jan-04		C	
2. Prepare Draft Charging Order and associated	1-Feb-03	15-Sep-03		C	
3. Develop and assemble background material	24-Mar-03	26-Sep-03		C	
4. Draft Charging order to Council	22-Sep-03	30-Sep-03		C	
5. Publication and objection period CO	2-Oct-03	28-Feb-04		C	
6. Negotiation. Public inquiry	3-Oct-03	2-Jul-04		C	
7. Referendum preparation	6-Jan-03	11-Nov-04	Mid Jan 2005	IP	
8. Prepare application in Detail	15-Aug-03	15-Nov-04		IP	
9. Final scheme approval by Council	12-Nov-04	15-Dec-04	Mid Feb 2005	IP	
10. AiD to Scottish Executive	Mid Feb 2005	1-Jun-05		NS	
11. Procurement system Operator	1-May-03	20-Jul-05		IP	
12. Retail Impact study	21-Jan-04	30-Sep-04	Mid Nov 2004	IP	

	Funding	Budget	Original Cost Estimate	Start of Year Cost Estimate	Current Forecast	Variance
Previous Years	£2,851,571	£2,851,571	£2,851,571	£2,851,571	£2,851,571	£0
2004/5	£1,131,213	£1,131,213	£1,131,213	£1,131,213	£1,156,200	£24,987
2005/6	£0	£358,976	£358,976	£359,331	£359,347	£14
2006/7	£0		£0	£0	£0	£0
Future Years	£0		£0	£0	£0	£0
<b>Total for Project Life Cycle</b>	<b>£3,982,784</b>	<b>£4,341,760</b>	<b>£4,341,760</b>	<b>£4,342,111</b>	<b>£4,367,118</b>	<b>£25,001</b>



**Summary of Key Points and suggested course of action:**

The report by the Reporters into the Public Inquiry is now available and the recommendations / findings will be considered by the Council during December. Prior to this the must consider the findings and make a recommendation to City Development as to the most appropriate route to take the project forward.

To assist with this, technical advice being sought, from Baker & Group, to assess the practicality and implications of implementing the various recommendations made by the Reporters in relation to the actual and proposed locations.

Legal advice also being sought regarding the wording for and the form that the Charging Order should take if any changes are recommended. Areas of previous uncertainty in the wording of the final draft Charging Order are also being re-considered and, where necessary, to improve clarity, simplify the understanding of the Order and improve future operating efficiency minor amendments to the text will be proposed. During re-drafting consideration is being given to the levels of both delivery risk and the associated risk from legal challenge that may arise from any changes.

Decision yet to be taken by the Council Solicitor as to whether they will utilise internal resources or whether they wish to seek legal advice in relation to the legal issues raised either in written submissions prior to the Inquiry or by participants during the proceedings, which sell out with the remit of the Inquiry.

Work has started on the Stage 2 SEAG appraisal for the project.

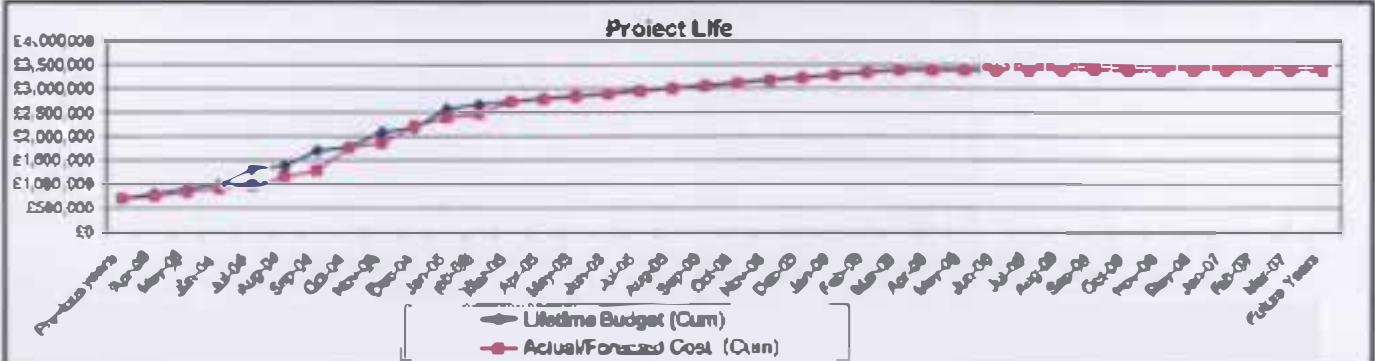
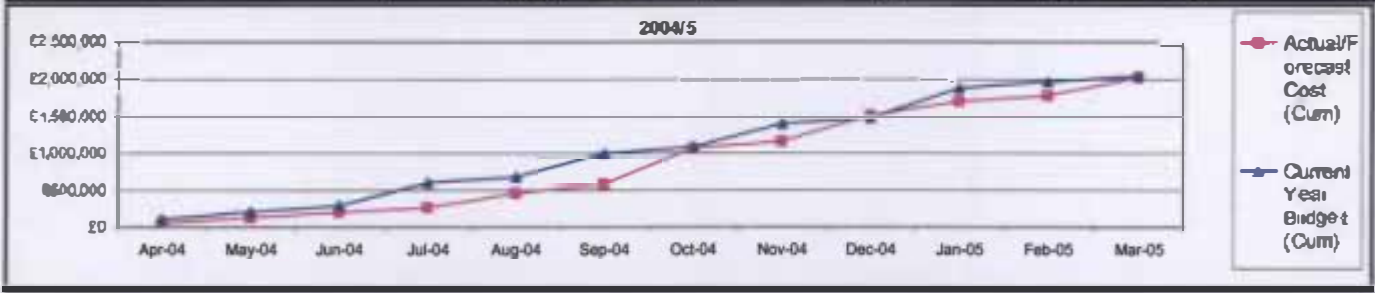
Previous concerns regarding the ability to find any additional work at this stage to consider the Reporters' report recommendations have been unfounded.

"I confirm that this report provides an accurate overview of the project progress and finance."

Project Manager's signature: *David Burns*  
Date: 9/11/04

Project Director's signature: *John Saunders*  
Date: 15/11/04

Project: <b>ITI Procurement</b>		Report for Month Ending: <b>31-Oct-04</b>		Project Manager: <b>Seamus Healy</b>		
Start Date:		End Date:				
Overall Progress Status		Expenditure 2004/5		Project Life Funding		
				81%		
Progress Key:				Finance Key:		
On track for successful completion as programmed.				Within 10% of estimate		
Issues have arisen which may delay completion or require discussion/direction.				10 - 20% outside estimate		
Issues have arisen which will delay completion.				>20% outside estimate		
Critical Path / Milestone Items		Original Start Date	Original Completion	Revised Completion	Progress (NS,IP,C)	Progress Status (G,Y,R)
1. Complete Evaluation of System Procurement Tenders		8-Apr-04	14-May-04		C	
2. Contract with Agreed System Integrators (SI)		14-May-04	14-Jun-04		C	
3. SIs Team Mobilisation Complete		14-Jun-04	5-Jul-04		C	
4. Macro Designs Complete (Business Modelling)		5-Jul-04	16-Aug-04		C	
5. Technical Designs Complete		6-Aug-04	8-Nov-04		IP	
6. Architecture Designs Complete		25-Oct-04	6-Dec-04		NS	
7. Prototypes Design and Build Complete		9-Aug-04	28-Oct-04		IP	
8. Prototype Tests Complete		28-Oct-04	8-Dec-04		NS	
9. Complete Evaluation of Stage 1 Designs		20-Dec-04	21-Jan-05		NS	
10. Finalise Stage 2 Contract Schedules		24-Jan-05	18-Feb-05		NS	
11. Exercise Stage 2 Option with Chosen SI		21-Feb-05	18-Mar-05		NS	
	Funding	Budget	Original Cost Estimate	Start of Year Cost Estimate	Current Forecast	Variance
Previous Years	£694,159	£694,159	£694,159	£694,159	£694,159	£0
2004/5	£2,048,701	£2,048,701	£2,048,701	£2,048,701	£2,023,701	£25,000
2005/6	£0	£663,358	£663,358	£663,358	£663,358	£0
2006/7	£0	£0	£0	£0	£0	£0
Future Years	£0	£0	£0	£0	£0	£0
Total for Project Life Cycle	£2,742,860	£3,406,218	£3,406,218	£3,406,218	£3,381,218	£25,000



**Summary of Key Points and suggested course of action:**

**Operations**  
 Business Process designs complete for both contractors. Technical and prototype designs are progressing.

**Financial**  
 Spend profile for August was approximately as expected across most spend areas with the exception that a major milestone payment for one of the contractors will now be realised in September due to a compliance criteria timetable.

"I confirm that this report provides an accurate overview of the project progress and finance."

Project Manager's signature: *[Signature]*  
 Date: *11/11/04*

Project Director's signature: *[Signature]*  
 Date: *15/11/04*



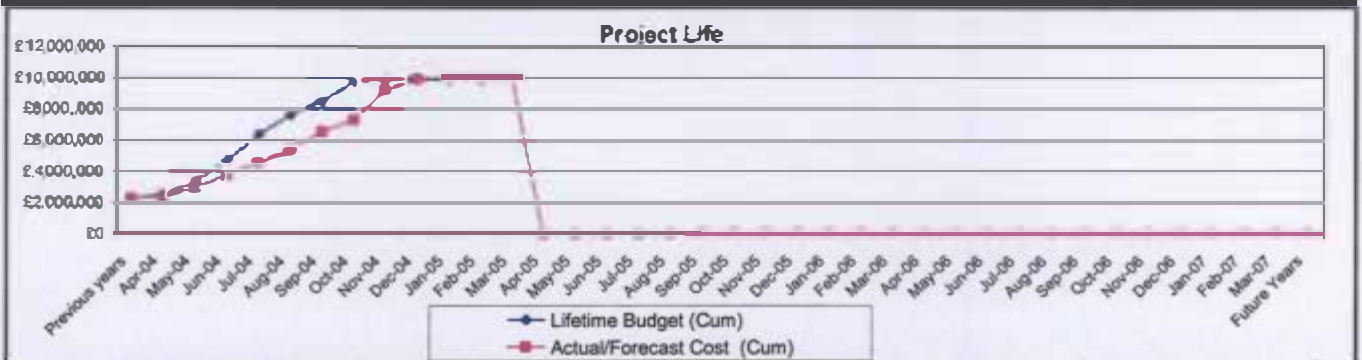
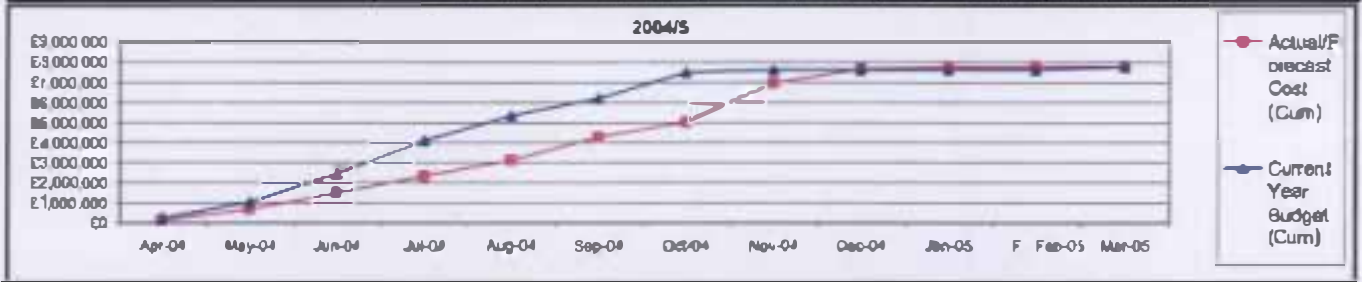




<b>Project:</b> West Edinburgh Busways		<b>Project Manager:</b> Lindsay Murphy	
<b>Report for Month Ending:</b> 31-Oct-04		<b>End Date:</b>	
<b>Start Date:</b>		<b>End Date:</b>	
<b>Overall Progress Status</b>	<b>Expenditure 2004/5</b>	<b>Project Life Funding</b>	
	100%	100%	
<b>Progress Key:</b>		<b>Finance Key:</b>	
On track for successful completion as programmed.		Within 10% of estimate	
Issues have arisen which may delay completion or require discussion/direction		10 - 20% outside estimate	
Issues have arisen which will delay completion.		>20% outside estimate	

Critical Path / Milestone Items	Original Start Date	Original Completion	Revised Completion	Progress (NS,IP,C)	Progress Status (G,Y,R)
2. Guideway Design	20-Jan-03	27-Jun-03	15-Sep-03	C	
3. Acceptance of target cost	27-Jun-03	11-Jul-03	3-Nov-03	C	
4. Guideway Construction	11-Jul-03	24-Mar-05	22-Nov-04	IP	
5. On Street Preliminary Design	5-Aug-03	7-Feb-03		C	
6. TROs	7-Feb-03	6-Feb-04	25-Oct-04	C	
7. On Street Detailed Design	7-Feb-03	1-Oct-03		C	
8. Appoint On Street Contractor	10-Mar-03	1-Oct-03	22-Apr-04	C	
9. On Street Construction	13-Oct-03	24-Mar-05	22-Nov-04	IP	
10. Driver Training	11-Nov-04	24-Mar-05	22-Nov-04	IP	
11. Buses Operating for Public	24-Mar-05	24-Mar-05	5-Dec-04	NS	

	Funding	Budget	Original Cost Estimate	Start of Year Cost Estimate	Current Forecast	Variance
Previous Years	£2,273,022	£2,273,022	£2,273,022	£2,273,022	£2,273,022	£0
2004/5	£7,771,578	£7,771,578	£7,771,578	£7,771,578	£7,771,578	£0
2005/6	£0	£0	£0	£0	£0	£0
2006/7	£0	£0	£0	£0	£0	£0
Future Years	£0	£0	£0	£0	£0	£0
<b>Total for Project Life Cycle</b>	<b>£10,044,600</b>	<b>£10,044,600</b>	<b>£10,044,600</b>	<b>£10,044,600</b>	<b>£10,044,600</b>	<b>£0</b>



**Summary of Key Points and suggested course of action:**

Construction of the Guideway is nearing completion. The Final Inspection by the HMRi has been rescheduled for early 9<sup>th</sup> November. Following the last Operations and Maintenance meeting the Council were sent a letter of permission to test. ERDC are continuing with the on street bus priority measures contract with the widening of Stevenson Drive to accommodate a new bus lane. The programme has been revised to align completion with the guideway works. Some difficulties arose requiring design changes due to Fibre optic ducts hence some further costs have been included. TRO's were approved by the Council Executive on the 27<sup>th</sup> of July 04 reviewed at scrutiny on the 1<sup>st</sup> September 04 then referred to full Council on the 16<sup>th</sup> of September 04. Orders should be in place for the 1<sup>st</sup> of November.

An assessment of the remaining risks was undertaken and it was demonstrated that some contingency should be retained. In consultation with Transport Planning, elements have been prioritised that were required to be added back in to the contract to deliver a fully configured and operational scheme. These considerable additional works are underway they include surfacing areas of Carriageway which were demonstrated to be sub standard before being painted for bus lanes, CCTV, Real time, further transport study work, network improvements to traffic signals which arose from the TRO and Safety Audit process and were highlighted as essential. These costs and contingencies are reflected in the revised profile.

Lothian have taken delivery of the first of their new fleet. Both the guideway and the on street bus priority measures contracts will be complete including HMRi approvals and considerable additional works in advance of the P.R. Launch. Discussions have been held with CEC and Lothian and the operational start date has been set for Sunday 5<sup>th</sup> December 2004 this requires a period of 4 to 6 weeks for driver training.

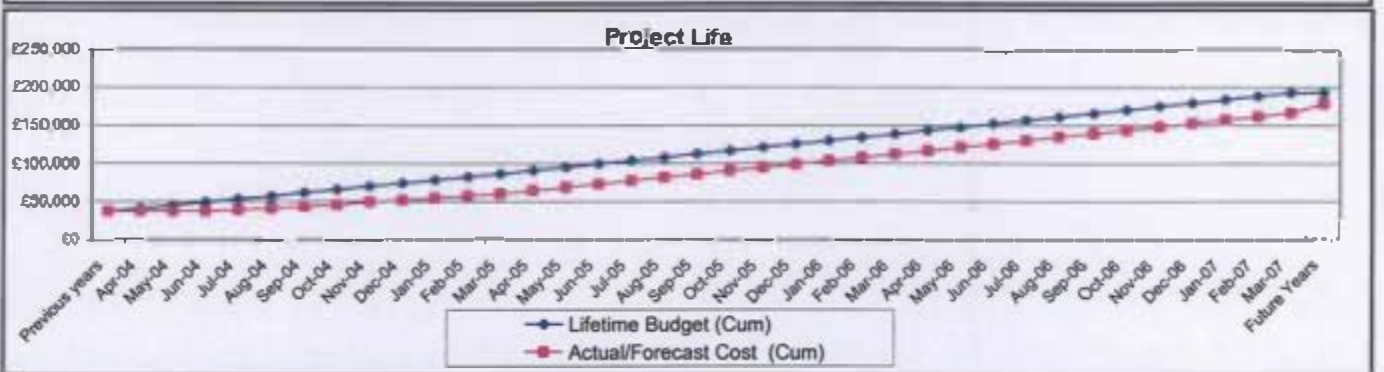
"I confirm that this report provides an accurate overview of the project progress and finance."

Project Manager's signature: *Lindsay Murphy* Date: 11/11/04

Project Director's signature: *John Paul* Date: 15/11/04



Project: "One Ticket"						
Report for Month Ending: 31-Oct-04			Project Manager: Stuart Lockhart			
Start Date:			End Date:			
Overall Progress Status		Expenditure 2004/5		Project Life Funding		
		47%				
Progress Key:				Finance Key:		
On track for successful completion as programmed.				Within 10% of estimate		
Issues have arisen which may delay completion or require discussion/direction.				10 - 20% outside estimate		
Issues have arisen which will delay completion.				>20% outside estimate		
Critical Path/ Milestone Items		Original Start Date	Original Completion	Revised Completion	Progress (NS,IP,C)	Progress Status (G,Y,R)
1. Distribution & Marketing Strategy (Report)		1-Jan-03	28-Feb-03		C	
2. Project Start-Up		1-Apr-03			IP	
3. Appointment of Marketing Assistant / Administrator		14-Feb-03	28-Apr-03		C	
4. Implementation of Distribution and Marketing Strategy		1-Apr-03			IP	
5. Appointment of Marketing Assistant / Administrator		26-Sep-03	5-Nov-03		C	
6. Appointment of Business Development Manager		1-Jul-03	1-Apr-04	1-Jan-05	NS	
7. Appointment of Marketing Assistant / Administrator		6-Jan-04	6-Jan-04		C	
8. Business Planning (SE)		1-Jan-04	31-Mar-04		C	
9. Scotrail Involvement in Scheme		1-Apr-04	1-Apr-04	1-Apr-05	NS	
10. SMART Card Implementation		1-Dec-05	1-Dec-06		NS	
	Funding	Budget	Original Cost Estimate	Start of Year Cost Estimate	Current Forecast	Variance
Previous Years	£36,365	£36,365	£36,365	£36,365	£36,365	£0
2004/5	£49,982	£49,982	£49,982	£49,982	£23,303	£26,679
2005/6	£51,982	£78,661	£51,982	£51,982	£51,982	£0
2006/7	£54,061	£80,740	£54,061	£54,061	£54,061	£0
Future Years	£0	£26,679	£0	£0	£12,282	-£12,282
Total for Project Life Cycle	£192,390		£192,390	£192,390	£177,993	£14,397



**Summary of Key Points and suggested course of action:**

No material change to financial projections compared to September report

- The only costs incurred by the are those relating to the employment of a Marketing Assistant/Administrator. The current incumbent, Ian Carter became a member of the staff on 1<sup>st</sup> July 2004.
- The TAS Partnership carried out a fully funded business review and their final report is now available.

"I confirm that this report provides an accurate overview of the project progress and finance."

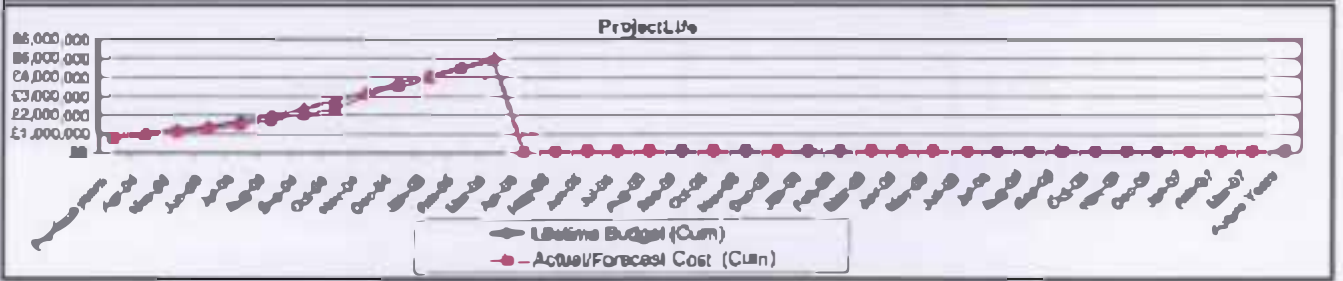
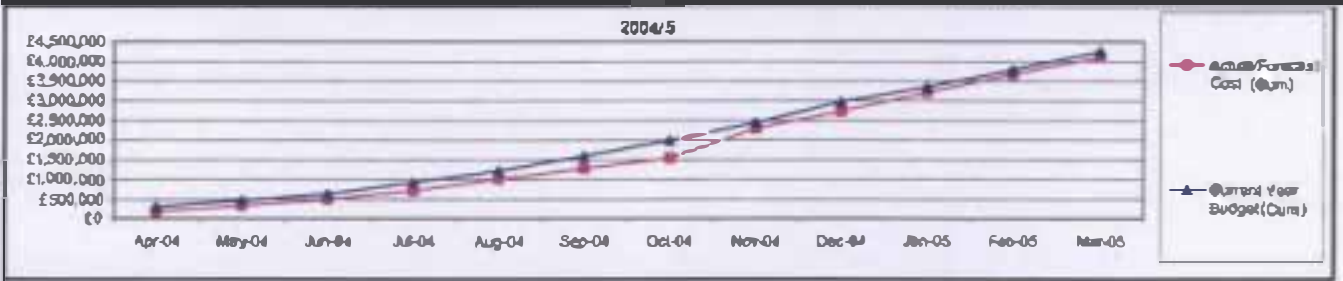
Project Manager's signature: *Stuart Lockhart*  
Date: 19/10/04

Project Director's signature: *de. P...*  
Date: 15/10/04

Project: <b>Edinburgh Airport Rail Link</b>	
Report for Month Ending: <b>31-Oct-04</b>	Project Manager: <b>Susan Clark</b>
Start Date:	End Date:
Overall Progress Status	Expenditure 2004/5
	Project Life Funding
Progress Key:	Finance Key:
On track for successful completion as programmed.	Within 10% of estimate
Issues have arisen which may delay completion or require discussion/direction.	10 - 20% outside estimate
Issues have arisen which will delay completion.	>20% outside estimate

Critical Path / Milestone Items	Original Start Date	Original Completion	Revised Completion	Progress (NS,IP,C)	Progress Status (G,Y,R)
1. Consultation Phase & Media Launch	13-Sep-04	13-Sep-04	8-Nov-04	C	
2. Consultation completion	26-Nov-04	26-Nov-04	19-Dec-04	IP	
3. Design Freeze for Parliament	19-Dec-04	19-Dec-04	31-Dec-04	NS	
4. Cost Report	9-Dec-04	9-Dec-04	7-Jan-05	IP	
5. STAG Report	18-Feb	18-Feb	14-Mar	C	
6. Finalise ES	03-Mar-05	03-Mar-05	07-Apr-05	C	
7. Submit Bill	10-Mar-05	10-Mar-05	20-May-04	IP	

	Funding	Budget	Original Cost Estimate	Start of Year Cost Estimate	Current Forecast	Variance
Previous Years	£744,204	£744,204	£744,204	£744,204	£744,204	£0
2004/5	£4,255,796	£4,255,796	£4,255,796	£4,255,796	£4,100,000	£155,796
2005/6	£0	£155,796	£0	£0	£155,796	-£155,796
2006/7	£0	£0	£0	£0	£0	£0
Future Years	£0	£0	£0	£0	£0	£0
<b>Total for Project Life Cycle</b>	<b>£5,000,000</b>		<b>£5,000,000</b>	<b>£5,000,000</b>	<b>£5,000,000</b>	<b>£0</b>



**Summary of Key Points and suggested course of action:**

**Update for month of October**

**Marketing**  
Public consultation has now been launched some 2 months behind schedule. This will result in a delay to the submission of the Bill to the clerks for checking from 18 Mar to 20<sup>th</sup> May. However, this will still allow an introduction to Parliament before summer recess 2005. General feedback is very positive. SE discussions on hybrid bills may present a risk to being able to submit the private bill.

**Operational**  
Progress is being made with design. Concourse design lags slightly but a meeting involving all stakeholders being held on 24<sup>th</sup> Nov to try and agree an integrated solution for rail, tram, bus etc. Overall work package 2 is 50.6% complete against a target of 53.7%.

Environmental (Work Package 3) is 57.1% complete against a target of 55.1%. Work on the Environmental Impact Assessment (EIA) has started and a second round of stakeholder consultation is ongoing. Discussions have been held with SEPA, Historic Scotland & SNH along with other environmental groups.

**Legal/Financial**  
Work progresses with Network Rail and BAA to agree issues surrounding land and station ownership and operation and Heads of Terms. PVIC working on funding and establishing a strategy for BAA contribution - due for completion by end Nov.

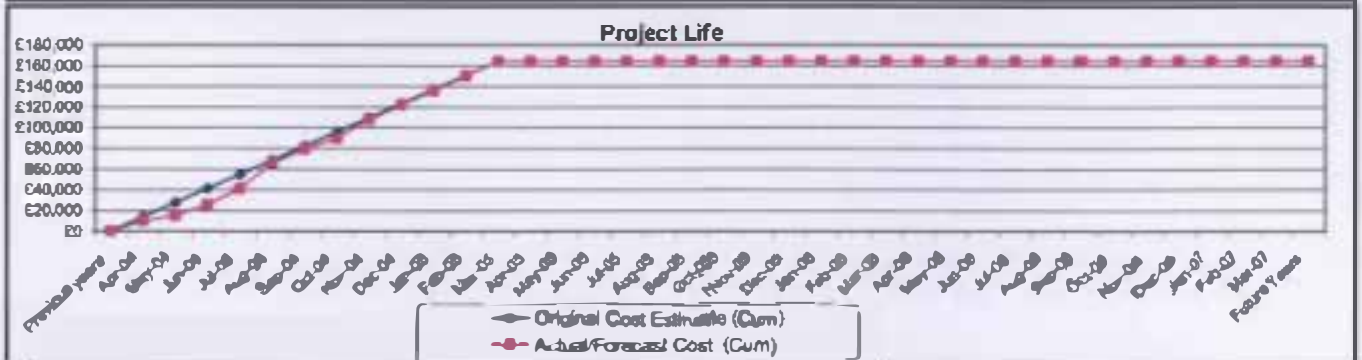
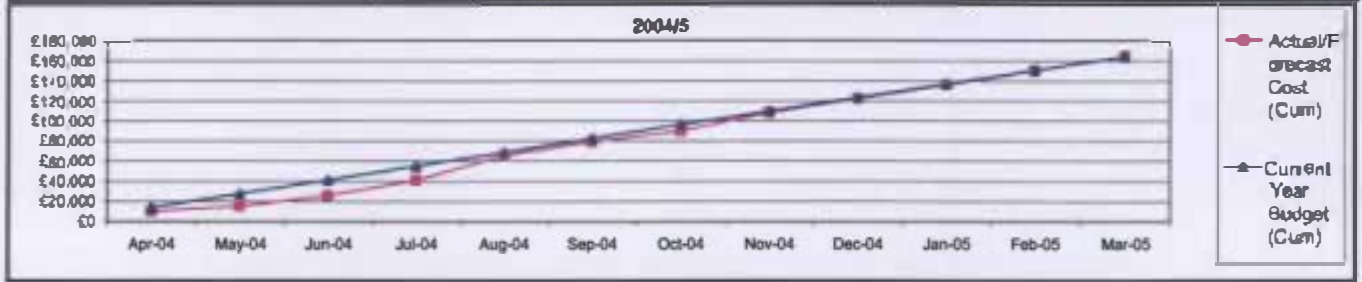
**Financial**  
Project spend has increased due to all EARL advisors now being on board.  
2003 Spend - £744,204  
Oct 2004 Spend - £282,270  
2004 Spend to Date - £1,539,118  
Projected spend for the year end £4,100,000. Oriturn downlumed for year end due to slippage with consultation. These will fall into 2005/06.

"I confirm that this report provides an accurate overview of the project progress and finance."

Project Manager's signature: *Susan Clark*  
Date: 10/11/04

Project Director's signature: *[Signature]*  
Date: 16-11-04

Project: <b>Stirling Ailao Rail Link</b>						
Report for Month Ending: <b>31-Oct-04</b>			Project Manager: <b>Richard Hudson</b>			
Start Date:			End Date: <b>30-Apr-06</b>			
Overall Progress Status		Expenditure 2004/5			Project Life Funding	
<b>Progress Key:</b> On track for successful completion as programmed.						
<b>Finance Key:</b> Within 10% of estimate						
Issues have arisen which may delay completion or require discussion/direction.						
Issues have arisen which will delay completion.						
<b>Critical Path / Milestone Items</b>		<b>Original Start Date</b>	<b>Original Completion</b>	<b>Revised Completion</b>	<b>Progress (NS,IP,C)</b>	<b>Progress Status (G.Y.R)</b>
1. Parliamentary Approval		1-Jul-04	1-Jul-04		C	
2. Royal Assent		10-Aug-04	10-Aug-04		C	
3. Submit Commissioning Report		31-Jul-04	31-Jul-04		C	
4. Appoint GI Contractor		23-Jul-04	23-Jul-04		C	
5. Agree Asset Protection Agreement with NR		27-Aug-04	27-Aug-04		IP	
6. Agree Target Cost and Programme		25-Oct-04	25-Oct-04		IP	
7. Asset Protection Agreement Signed by NR		10-Dec-04	10-Dec-04		NS	
8. Completion - Phase 1		10-Dec-04	10-Dec-04		IP	
9. Commencement - Phase 2		3-Jan-05	30-Apr-06		NS	
10. Line Opening			30-Apr-06		NS	
	<b>Funding</b>	<b>Budget</b>	<b>Original Cost Estimate</b>	<b>Start of Year Cost Estimate</b>	<b>Current Forecast</b>	<b>Variance</b>
<b>Previous Years</b>	£0	£0	£0	£0	£0	£0
<b>2004/5</b>	£163,833	£163,833	£163,833	£163,833	£163,833	£0
<b>2005/6</b>	£0	£0	£0	£0	£0	£0
<b>2006/7</b>	£0	£0	£0	£0	£0	£0
<b>Future Years</b>	£0	£0	£0	£0	£0	£0
<b>Total for Project Life Cycle</b>	<b>£163,833</b>	<b>£163,833</b>	<b>£163,833</b>	<b>£163,833</b>	<b>£163,833</b>	<b>£0</b>



**Summary of Key Points and suggested course of action:**

- This project is currently under review.

"I confirm that this report provides an accurate overview of the project progress and finance."

Project Manager's signature: \_\_\_\_\_ Project Director's signature: *[Signature]*

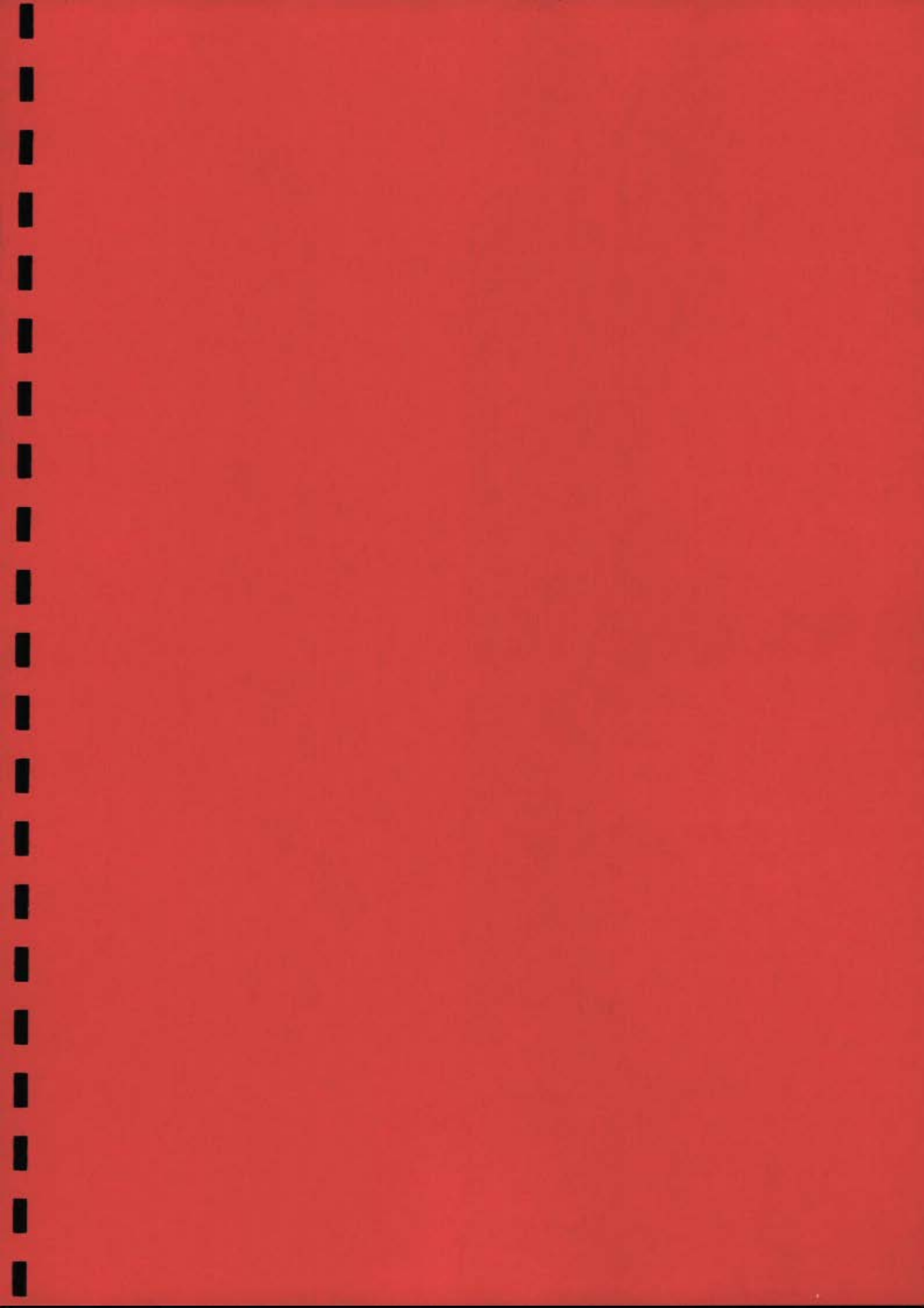
Date: \_\_\_\_\_ Date: *16.11.04*













**Agenda Item 5b**



**Report to the tie Board 22<sup>nd</sup> November 2004.**

**Congestion charging public inquiry: report to Council**

As reported to the October Board meeting, the public inquiry reporters produced their report and recommendations on the Council's draft charging order on 15 October. Overall, this supported the scheme proposed.

This report is being considered by the City of Edinburgh Council on 9 December, and tie staff are preparing an analysis and recommendations for the Council. This will form an annex to the Director of City Development's own report to the Council on this matter. A further report to the Council will deal with the referendum arrangements.

The three key issues in relation to the public inquiry that will need to be considered by the Council are:

- the recommendation by the inquiry reporters that the outer Edinburgh exemption should be removed;
- the outcome of the city centre retail impact study that the inquiry reporters see as an important input to a decision on the charging scheme; and
- the recommendation not to exempt buses and taxis from the charges.

There are other more detailed matters that will also need to be included, and work is currently in progress on these. In particular, these include an 'interim assessment' as the first stage of the STAG (Scottish Transport Appraisal Guidance) report required when the scheme is eventually submitted for Ministerial approval; suggested changes to certain cordon crossing points; and suggestions about methods of payment of the charge.

A draft of key sections of the tie report to the Council is attached to this report.

**Recommendation**

The Board is asked to note the draft report content, and give the Chairman delegated power to approve the final report.

John Saunders  
17 November 2004

DRAFT

draft1 16/11/2004

**APPENDIX**  
to report by Director  
of City Development



*EXTRACT OF DRAFT REPORT:*

**PROPOSED CONGESTION CHARGING ORDER FOR EDINBURGH**

**Outcome of the 2004 Public Inquiry**

Report by tie ltd

2 December 2004

**TransportEdinburgh**  
making connections

**CONTENTS**

1	Purpose of report.....	2
2	Introduction.....	2
3	The Reporters' report .....	3
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**ANNEX A – Reporters' report**

**ANNEX B – Letter of Appointment**

**ANNEX C – Scope and format of inquiry**

**ANNEX D – Report on proposed cordon point amendments, Halcrow Group**

**ANNEX E – Interim appraisal of the Integrated Transport Initiative, Halcrow Group**

**1 Purpose of report**

1.1 This report sets out the conclusions of the public inquiry into the Council's proposed congestion charging order held between 27 April and 1 July this year. It presents the report produced by the independent inquiry reporters; analyses the content and conclusions of the reporters' report, and makes recommendations to the Council on changes to the Order and associated matters as a consequence of that report.

**2 Introduction**

2.1 Following informal and formal public consultation reported to the Council in September 2003 and January 2004, a public inquiry into the Council's proposed congestion charging order was held under the Transport (Scotland) Act 2001 at the Carlton Highland Hotel, Edinburgh from 27 April to 1 July 2004. Three independent reporters were appointed by the Council Solicitor through the Scottish Executive Inquiry Reporters Unit (SEIRU). The letter of appointment is appended as Annex B, and the scope and format of the inquiry as Annex C.

2.2 The reporters considered the Council's case together with the 1462 objections to the scheme and 63 statements of support that were received by the appropriate deadline. The Council's case was presented by Malcolm Thompson QC, with a number of Council and the witnesses appearing. Witnesses for various objectors were also heard at the inquiry, although the Reporters emphasise that they gave equal status to the representations submitted in writing only.

2.3 The reporters submitted their report to the Council on 15 October 2004. This is appended as Annex A. The report analyses a number of key questions, before recommending that the Council should proceed with the promotion of a charging order, subject to a number of caveats and amendments. The reporters' analysis and recommendations are discussed in sections 3 and 4 of this report respectively. Section 5 examines the key recommendation from the reporters relating to removal of the exemption for residents of outer Edinburgh.

2.4 In the light of the outcome of the public inquiry, and other work completed since its completion, the report recommends that the Council should proceed to a referendum on the charging scheme, subject to a number of changes to the draft order. These are set out in section 6 of this report.

2.5 A number of matters were identified by the Council at the end of the inquiry as still under development, but considered by the reporters as necessary for consideration by the Council when deciding whether to proceed with the charging order and the wider Integrated Transport Initiative (paras 2.152/3). These are listed in the table below: crossreference is provided to the relevant



paragraphs of this report, or to the covering report by the Director of City Development ('CDD').

1	Forth Bridge discount	CDD
2	Cordon configuration details	4.13-4.21
3	Apportionment methodology (SESTRAN)	CDD
4	Retail impact assessment	4.1, CDD
5	Update on pre-charging package	CDD
6	Up-front buses project	CDD
7	Development of the Additional Investment Package	CDD
8	CPZ extension progress	CDD
9	Parking strategy review	CDD
10	STAG2 (for AiD process)	4.3, Annex E
11	Monitoring proposals	4.2X
12	Progress on mitigation measures including signing	4.2X
13	Implications of White Paper especially proposed Regional Transport Partnerships	CDD
14	Implications of cityregion planning proposals 'Making Plans Deliver'	CDD

**3 The Reporters' report**

*Summary of content*

**4 The Reporters' conclusions and recommendations**

4.1 The reporters' main conclusion (para 5.2) is that the Council should "proceed with caution" with an amended charging order. The main caveat to this is that the outcome of economic impact studies should be considered first. This refers to the retail impact study identified as on-going work in the Council's position statement submitted to the reporters at the end of the inquiry. This study is now complete, and is discussed in a separate report by the Director of City Development. It shows that any negative impact on city centre retailing is likely to result in less than 4% reduction in turnover, with a reversal of any negative trend by 2009 as major transport improvements are implemented. After 2009, congestion charging and its accompanying investment package is forecast to increase turnover by XX% over the level it would otherwise be.

4.2 This conclusion appears consistent with forecasts from transport modelling showing an increase in journeys with city centre destinations resulting from the implementation of the package. Accordingly, we consider that the conclusions of the retail impact study do not provide a reason for not proceeding with the charging scheme.

4.3 The reporters also suggest that any adverse findings from work leading to the required appraisal under Scottish Transport Appraisal Guidance (STAG) should also be a cause for caution. The final STAG appraisal cannot be completed until after final decisions on the form of the scheme are taken by

the Council, but we consider that an interim appraisal (Annex E to this report) does not give grounds for concern.

- 4.4 The next ground for caution relates to implementation of the pre-charging investment package. We believe that the scepticism referred to in para 4.98 of the reporters' report is not justified. Substantial progress has already been made in implementing the package, as well as in developing bus improvements that would be in place from the first day of charging. The current position is set out in the Director of City Development's accompanying report.
- 4.5 Finally in relation to para 5.2, the reporters highlight the need for continuing refinement of additional investment package. This will occur in any event, and is one of the benefits of the 20-year nature of the scheme proposed. It is important that appropriate mechanisms are put in place for the planning and programming of the investment package funded from charging, which we consider will need to be rolled forward on an annual basis. Detailed proposals on this matter will be recommended to the Council following the referendum.
- 4.6 A decision on the form of the charging order taken by the Council at this stage would form the basis for proceeding to a referendum. Dependent on the outcome of that referendum, the Council would have the opportunity for a final decision on making the charging order, and submitting it for confirmation by Ministers together with approval in detail of the Integrated Transport Initiative.

## Exemptions

- 4.7 The reporters consider that the removal of the proposed exemption from outer cordon charges for residents of Edinburgh living outside the outer cordon is essential to achieve the 'fair treatment' objective (5.3). This issue is discussed in detail in section 5 of this report below.
- 4.8 Next, the reporters recommend (5.4) that buses and taxis should not be exempted from charges unless this is required by national legislation. The Exemption Regulations (SI 2004/XXX) recently published by the Scottish Executive do require the exemption of buses, but not taxis. In the light of the exemption of buses (including community buses, education buses etc), we do not consider that it would be appropriate for taxis to be liable for the charge. The Council's Local Transport Strategy sees taxis as "an important component of the public transport system" (para 6.3.25), complementary to buses. Taxis are permitted to use bus lanes and provided with on-street stances. It would appear inconsistent therefore to treat taxis differently from buses in relation to liability for the congestion charge.
- 4.9 While not specifically mentioned in the reporters recommendations, they also question the exemptions for breakdown and city car club vehicles in section 4 of their report. We consider that breakdown vehicles do serve a function in reducing congestion through the quick removal of immobile vehicles, and that this is a valid reason to maintain the proposed exemption. The number of vehicles affected is around 70 [check number]. In regard to city car club vehicles the case appears more marginal. We consider that while city car club

vehicles can contribute to congestion in the city, the present 400 members would probably be contributing significantly more to congestion if this service was not available and they were obliged to own – and use – their own private vehicles instead. The city car club provides a complementary service to public transport for city residents with no permanent access to a car, and on balance maintenance of the exemption therefore appears reasonable.

- 4.10 The reporters recommend (5.5) that if the Council do exempt taxis from the congestion charge, this exemption should also be applied to private hire cars. We agree that the justification for different treatment presented to the inquiry was limited, and concerns from neighbouring authorities – especially Midlothian – were very strongly expressed. The position is not quite the same as for bus lanes, where compliance may be reduced if private hire cars, which cannot be distinguished from ordinary private cars, are seen to enter bus lanes. On balance, therefore, we consider that there is no strong reason not to follow the reporters recommendation.

#### Payment of charges

- 4.11 In para 5.6 of their report, the reporters recommend allowing payment of the charge up to the end of the day following the charging event. This would allow a period of grace before any penalty is incurred for casual visitors who may be unaware of the payment procedures, those making urgent or unplanned journeys in the later part of the charging day, or those who simply forget to arrange payment of the charge on the day. The charging system being developed would allow this to be introduced without significant additional cost or complexity. We consider this change would provide a significant customer benefit and should be adopted.
- 4.12 A second recommendation from the reporters on payment systems (5.7) is to investigate the practicability of pre-paid licences for use as and when required – ‘carnet’ approach such as that available on the Forth Road Bridge. This option has been investigated, and is not considered practicable in the form suggested. With an automated system as proposed for the Edinburgh scheme, it would still be necessary for the user to nominate the day on which one of the ‘carnet’ licences was to be used. This would require an action by the user in respect of each use, removing a major benefit of the ‘carnet’ approach.
- 4.13 However, a number of features of the payment systems proposed will provide a level of service that comes very close to this form of prepayment. Firstly, users will be able to set up an account, which can be debited for specific charging days using a simple mobile phone text message, telephone or internet. Secondly, users will be able to purchase licences in advance for nominated days, whether these are regular (eg every Tuesday), or random dates.
- 4.14 Finally in respect of payment systems, direct debit payment of sequential annual licences is recommended (5.8). This will be allowed for in the system being developed, and does not require any amendment to the current draft charging order.

## Charging points

- 4.15 The reporters go on to make a number of detailed recommendations (5.9) relating to the individual charging points. These have been examined by tie's technical advisers, and an Executive Summary of their report is appended as Annex D.
- 4.16 Melville Drive – *probably not*
- 4.17 Eyre Place Lane – *yes to localised exemption*
- 4.18 Henniston Gait – *almost certainly not*
- 4.19 Glenogle Road – *yes*
- 4.20 Baberton area – *almost certainly not*
- 4.21 Dean Village – *yes*
- 4.22 A further cordon point is discussed by the reporters in section 4 of their report although no recommendation is made – Holyrood Road. This has also been further examined by tie's advisers, with the following conclusion: ???
- 4.23 Finally, proposals related to WEBS have affected the potential treatment of road users at the outer cordon on Calder Road. A proposed TRO limiting access on..... means that drivers wishing to access Cultins Road from any origin will inevitably incur a charge during the hours of operation of the outer cordon.
- 4.24 Finally, the reporters recommend refinement of the visual appearance of the on-street equipment required for the scheme (5.10). This will be covered by the planning process that has already been initiated for the equipment, involving the Council's streetscape working group.
- 4.25 *Paras to follow on other matters: legal objections/submissions; associated issues including – monitoring; mitigation; STAG2. Other issues identified in intro to this report dealt with in CEC report*

## 5 The outer Edinburgh exemption

- 5.1 The current draft Charging Order, examined at the public inquiry, included an exemption from the outer cordon charge for residents of the CEC administrative area living outside the outer cordon. The reporters to the inquiry summarised the reasoning for such an exemption: "We can accept that an exemption for Edinburgh residents passing the outer cordon inbound places them on an equal footing with those domiciled between the inner and outer cordons who are not charged for trips made on orbital routes" (para 4.93).
- 5.2 However, they consider that a 'theoretically ideal' charging system should include charging for trips in between the cordons as such trips do contribute

# DRAFT

to congestion. They accept that there are pragmatic technical and administrative reasons for not doing so in the current scheme, but they consider that where such technical and administrative difficulties do not apply – ie for trips crossing the outer cordon – charges should be applied and there is no reason for any exemptions for these types of trips.

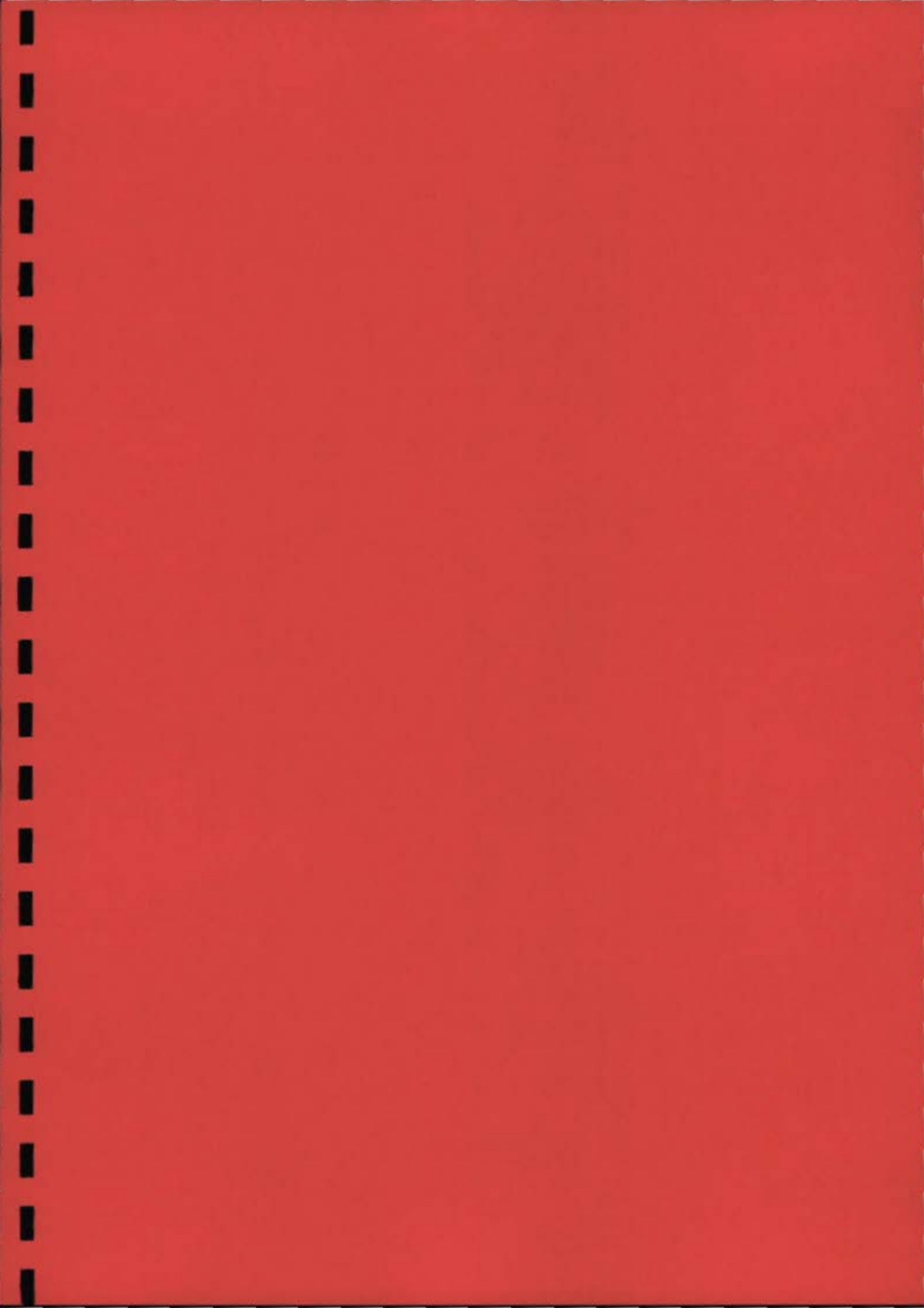
- 5.3 The reporters therefore recommended that this exemption should be abandoned (Para 5.3 of the reporters' report). They consider that the inclusion of such an exemption "would be unfair and inequitable" (para 4.93), and "ought to be fatal to the scheme" (para 4.172(3)). This is undoubtedly the strongest recommendation in the report for change to the current draft order.
- 5.4 In its September 2003 and January 2004 recommendations to the Council, **tie** advised against exempting outer Edinburgh residents from charges at the outer cordon. However, the specific concerns of outer Edinburgh residents were recognised in both reports, with proposals that these concerns should be addressed through specific targeted transport improvements for the outer Edinburgh area, rather than an exemption.
- 5.4.1 Given the recommendations of the public inquiry reporters, **tie** has no reason to amend these earlier views, and accordingly still cannot recommend inclusion of an outer Edinburgh exemption in the charging order. **tie** recognises however that at the Council meetings of September 2003 and January 2004, elected members decided not to accept similar recommendations and have included the exemption for outer Edinburgh residents in the draft Order.
- 5.5 If members are again minded to include the exemption, it is important that the reasons for such a decision are clearly indicated, and that these reasons are made known to Scottish Ministers if and when the charging order is eventually submitted for confirmation following the referendum. Ministers have the power to modify the order at this stage, and will need to understand the reasons for making the order in the form determined by the Council.
- 5.6 The Council should note that any significant change to the order in its current form is likely to require further consultation over a period of at least 28 days.

## 6 **tie** Recommendations

- 6.1 In the light of the discussion above, **tie** recommend that the Council should proceed to a referendum on Transport Edinburgh with a charging order amended as follows:
- removal of the exemption from outer cordon charges for residents of outer Edinburgh (follows public inquiry recommendation 5.3)
  - maintaining exemption from charges for buses and taxis, and for city car club and breakdown vehicles belonging to accredited organisation (contrary to public inquiry recommendation 5.4 due to national exemption regulations for buses)

# DRAFT

- introducing an additional exemption for licensed Private Hire Cars (follows public inquiry recommendation 5.5)
  - extending the period allowed for payment of a licence to the end of the day following the date of the chargeable event (follows public inquiry recommendation 5.6)
  - amending the charging order in relation to the following charging points: Glenogle Road (RR5.9d), Dean Village (RR5.9f); and introducing a qualifying residents exemption at Eyre Place (RR5.9b). Holyrood Rd, Cultins Rd??
  - leaving the draft charging order unchanged in respect of the charging points at Melville Drive (RR5.9a), Hermiston Gait (RR5.9c) and Lanark Road/Gillespie Road (RR5.9e)
- 6.2 tie propose that the Council should note that visual aspects of the charging system on-street hardware will be dealt with through the planning process (follows public inquiry recommendation 9.10)
- 6.3 tie request the Council to note that an interim assessment of the scheme (Annex E); and to note that full a STAG2 will be included in the submission for order confirmation and approval in detail to be submitted to the Scottish Executive subject to decision of the Council following the referendum.
- 6.4 Note next steps following the referendum including mitigation, signing actions.
- 6.5 Note monitoring proposals





**Agenda Item 5c**





**Edinburgh Fastlink Launch  
Board Update  
16 November 2004**

Edinburgh Fastlink's launch event will be held on Thursday 2<sup>nd</sup> December 2004 on site at the Broomhouse Drive halt from 10:30 am – 11:30am.

The Rt Hon Alistair Darling MP, Secretary of State for Scotland will attend to cut the ribbon. He, along with Council Leader Donald Anderson, the Executive Member for Transport and Public Realm Cllr Andrew Burns and tie Limited's Chairperson Ewan Brown will attend as the 'top table'. Around 150-200 guests will attend.

Formal invites will be issued by Weber Shandwick by 18 November, replies collated by them.

Erection by contractors of the staging, marquee and furniture will start on Monday 29 November and continue through to event day.

**The format:**

- 10:00am Special Lothian Bus service leaves St Andrew Square with guests travelling to event. Cllrs Burns and Anderson will travel with this service. TV filming on route and interviews are planned. SoS's travel plans to be confirmed.
- 10:20am Special Lothian Bus service leaves South Gyle with guests to travel to event.
- 10:30am Buses arrive at Broomhouse Drive halt. Guests disembark congregating on halt area, joining guests who have made their way direct to event. All guests given folder with information pack. Piper plays.
- 10:35am Cllr Anderson leads SoS, Cllr Burns and Ewan Brown to stage with microphone erected on halt. Piper stops playing. Cllr Anderson welcomes everyone and introduces SoS. SoS says a few words and then steps down from podium and cuts ribbon.
- 10:40am Guests asked to make way to marquee. Piper starts playing. Photo opportunity for media.
- 10:45am Guests mingle in dressed marquee where a finger buffet, bucks fizz and soft refreshments are served. Transport Edinburgh display board erected in corner. Power point presentation shows photos of construction and logos of all parties projected on marquee walls.

Stage with table and chairs for 'top table guests' at front of marquee. Cllr Burns introduces each guest in turn and a short speech made by each guest. Presentation to SoS from Cllr

Anderson made. Power point slides with guest name and title shown.

- 11.30am      Announcement that Lothian Buses will be leaving in 15 minutes.
- 11.45am      Lothian Buses return to St Andrews Square and South Gyle.  
Guests leave.

Suzanne Waugh/Lindsay Murphy  
16<sup>th</sup> November 2004





**Agenda Item 5e**



## CONGESTION CHARGING OPERATOR PROCUREMENT STRATEGY FOR ACTION

### Report to the tie Board 22<sup>nd</sup> November 2004

#### 1. Current Status

Two contracts have been let to deliver suitable designs for a Congestion Charging system. Both system designers have expressed a desire to operate the system which precludes them from supporting the procurement of an operator. It will not be possible to define the system that will be delivered until Stage 1 is complete and a Stage 2 partner has been chosen. It is currently only possible to define the wider operation requirements in broad terms.

#### 2. Underlying System Procurement Strategy

To date our approach has been to not adopt a Turnkey procurement strategy. The level of political risk reduced confidence that the market would sustain a holistic approach using a turnkey design, build and operate model. There was concern, reinforced from a review of London's experiences, that we could find ourselves being held hostage by the operator/developer. As in the case of the tram schemes, there is however benefit in appointing an operator as early as possible in order to assist with establishing the full operating regime.

#### 3. Choosing an Appropriate Operating Strategy

##### Providing an appropriate Service Specification

- We currently do not have a complete service specification for operation
- The scope to be outsourced is unlikely to become clear until later in the process
- The flexibility which has been sought from the System itself is equally important for operational processes

##### Avoiding becoming 'hostage' to the Operator

- We should seek to avoid becoming over-reliant upon an Operator
- If we avoid a turnkey approach, we have the ability to take back elements of the service if required

##### Maintaining flexibility during the Operating Phase

- It is important to maintain flexibility to vary the contracted scope and standard after 'go live'

##### Providing incentives for efficiency and best value

- Commercial structures including a 'pain/gain-sharing' mechanism should encourage the Operator to work with us throughout the contract period to improve the overall service performance and its value for money.

#### 4. Recommendations for Action

- Agree initiating procurement of an Operator using the partnership approach outlined in the supporting paper.
- Note that additional resource will be required to support the procurement cycle. The current year's budget would be able to cover the extra cost for the remainder of this financial year. The approach would in many respects mirror that adopted, successfully to date, for the System design and delivery.

John Saunders

17<sup>th</sup> November 2004

## CONGESTION CHARGING: OPERATING PROCUREMENT STRATEGY

### Current Status

Two contracts are being developed to deliver a congestion charging system for Edinburgh. This may (or may not) include support and maintenance of the system and network provision. It will not include operation. Given the desire of the two contractors to tender for the operation of the system it is unlikely to include development of the operational specifications.

Although contracts have been signed the Stage Two obligations are currently still being developed. Consequently it is not yet possible to define the specification of the System which will be delivered during Stage Two. Likewise it is only currently possible to define in broad terms *tie's* operational requirements. The detailed interaction with the System to be delivered has still to be understood.

### Underlying System Procurement Strategy

To date *tie* has not chosen to adopt a Turnkey procurement strategy. Turnkey implies that as much control as is practicable (and therefore risk) is transferred to the successful contractor. Rather *tie* is procuring the System delivery on the basis of a restricted scope using output based requirements. As additional security and to ensure competitive tension during System development, two contractors are implementing Stage One.

There were two key drivers influencing this decision:

1. The level of political risk reduced *tie's* confidence that the market would sustain a holistic approach using a turnkey design, build and operate model. Essentially this was seen as having too many eggs in one basket.
2. There was concern, reinforced from a review of London's experiences, that *tie* could find itself being held hostage by the operator-developer potentially reducing performance levels, increasing cost and prejudicing the ability to flex the System to meet new opportunities or needs.

## Potential Operating Strategies

The operator will need to work with the System as designed and delivered via Stage Two of the current system integration process. Consequently a full blown turnkey arrangement for delivery of the congestion charging solution in Edinburgh is not appropriate nor available. However, within those parameters potentially *tie* could proceed from any point on a range between a price-certain turnkey delivery of *tie's* entire operational requirements to a self-managed packaged or, indeed, self-operated approach. A middle ground or hybrid solution would be the appointment of a single operator to be responsible for all or most of the operational requirements but not on a price certain basis.

It is key in selecting an optimum strategy for any major procurement to evaluate the impact of any particular circumstances which prevail and the main commercial or risk avoidance drivers which pertain to the procurement on hand.

## Choosing the Edinburgh Congestion Charging Operating Strategy

### 1. Providing an appropriate Service Specification

Almost without exception it would be imprudent to seek a price-certain turnkey operator solution without full confidence in the available operating specifications when awarding such a contract. Indeed it was *tie's* inability to pre-specify the System which led to the bespoke dual-prototype strategy for its design and delivery.

On the basis of current timetable, full specification of the successful contractor's System design should be available during December 2004. Thereafter *tie* will be able to make the developed System specification available to potential Operators. This suggests that the current development of the design of the System need not be an impediment to developing an output based specification for an Operator such that *tie* could go to market in early 2005 seeking a price-certain turnkey solution to operate the System.

However, it is considered unlikely that *tie* will be confident in late 2004/early 2005 that it will be able to define its final requirements for the entire congestion charging operation notwithstanding its ability to describe more accurately the System itself. This is because the optimum scope to be outsourced is unlikely to become clear until later in the process or indeed until charging has commenced. This is in recognition



of the 'live' environment and the likelihood of operational interaction with other Council activities such as disputes escalation/adjudication, parking and other Council payment processes generally. In addition the political uncertainty and public consultation may lead to changes in requirements.

Given the degree of uncertainty as to what the Operator would ideally be asked to do, the flexibility which *tie* has sought from the System itself is equally important for operational processes. Procuring a price-certain turnkey Operator solution in early 2005 would likely drive *tie* towards contractual specifications which may not be suitable and ultimately require expensive variations.

Delaying, wherever practicable, the finalisation of service specifications will increase the likelihood of developing appropriate service requirements and reduce the need for unwanted variations. However, this works against a fully packaged turnkey approach which would require full development of all service requirements prior to contract award.

## **2. Avoiding becoming 'hostage' to the Operator**

Just as the procurement strategy for delivery of the System has sought standardised solutions to avoid so far as possible 'systematic' reliance, so *tie* should seek to avoid becoming over-reliant upon an Operator. Over-reliance can reduce the cost benefit of market competition, stifle improvements in service delivery and cause severe disruption if an Operator needs to be replaced. Avoiding becoming over-reliant upon the Operator is therefore a key driver to achieving *tie's* Operator procurement.

An aspect of a price-certain turnkey solution is the level of control which the successful contractor is allowed to exercise in performing to the contracted standard. That control evidences itself in a potential loss of control of the procuring party. If *tie* avoids the turnkey approach and thereby separately packages the different elements of the 'holistic' service and ensures an ongoing ability to take back the service, it should be recognised it is likely that *tie* will need to exercise more control over the process and transfer less risk to the contracted Operator(s).

### 3. Maintaining flexibility during the Operating Phase

Just as the current difficulty in fully specifying best Operational requirements points towards a delay in finalising contract specifications for as long as practicable (see 1 above), so it is important to maintain flexibility to vary the contracted scope and standard after 'go live'. This is also a key driver to *tie's* Operator procurement.

The commercial structures should not discourage the ability of *tie* to introduce such changes and ideally would encourage the Operator to work with *tie* throughout the contract period to improve the overall service performance and its value for money. This suggests adoption of a 'partnering' approach to the Operating contract and not a price-certain turnkey approach.

#### Main Policy Drivers

The three policy criteria outlined above suggest *tie* should:

1. agree final service specifications as late as practicable;
2. take more control and separately package the different elements of the overall service requirement; and
3. have a flexible contract which accommodates the likelihood of changes in service provision during the operating phase.

#### Effect on Operating Procurement Strategy

A 'firm' priced holistic solution is not suitable to meet these needs. In contrast the self-operated model or, more realistically, the self-managed packaged procurement approach, which is at the other end of the range of potential operating strategies, would on the face of it achieve each of these three policy requirements.

However, it is questionable whether *tie* is currently sufficiently resourced and skilled to take on the separate procurement of all the disparate aspects required to develop and manage the operating solution.

Assuming not, it would be preferable for *tie* to appoint an Operator for those core elements of the operation and supporting services which we know now are

required and thereafter to work in partnership with that Operator to procure those other supporting services which may be required in future as the solution develops. This will reduce the number of interfaces it requires to manage in the run up to and during operation.

Recognising the difficulty of achieving the above 3 policy requirements using a 'firm' priced solution, *tie* could nevertheless contract on a holistic basis to ensure the successful Operator works with *tie* to procure all operational requirements and thereafter manages their delivery. This could be achieved on the basis that *tie* accepts responsibility for all or some third party costs with commercial incentives for the Operator to manage these costs down. Indeed a pricing policy could be developed on an equivalent basis to Stage Two of the System delivery contract.

The detail of such a structure can be developed separately once it is accepted that it is not appropriate for *tie* either to self-manage the operational role or to go to market seeking a 'firm' priced Operator contract.

### **The Cost Risk Share Model in Context**

There are generally clear risk transfer advantages in transferring both cost and operating risk to a contractor. Although such risk transfer has a cost associated with it, the value of laying-off both cost and operating risk through a price-certain turnkey arrangement cannot be underestimated. There are, however, in the present circumstances several factors additional to the 3 policy requirements referred to above which reduce the benefits a turnkey approach would otherwise impart:

- The transfer of both cost and operating risk via a turnkey solution is delivered largely through avoiding the need to manage interfaces between direct contractors and/or in-house delivery. The current solution already separates out operation from design, supply and installation of the System and possibly also support and maintenance. Consequently there are already inevitable interfaces in the solution which will require to be managed by *tie* or another 'intelligent' client.
- There is such a differential in the scale of the revenues expected to be generated through congestion charging relative to the profit expectation of an operator that it is unrealistic to expect contractual penalties to come close to meeting the scale of the commercial risks the Council is taking. Consequently it is more important here than it may be in other procurements for *tie* to manage such risk by methods which extend beyond contractual recourse.

- The flexible solution post 'go live' provides a genuine opportunity to make savings and add value which might otherwise be unrealisable on the basis of a turnkey solution. It also provides the political opportunity to smooth concerns without access to formal variation procedures which would be necessary using the turnkey model
- This solution allows *tie* to authorise a graduated investment programme during the pre-congestion charging development process. Separate elements can be done at different times with the benefit of the Operator's assistance- eg call centre, retail partner, enforcement etc. This relieves budget pressures given the ongoing political risk.
- The programme imperative requires *tie* to be as confident as possible that a single contractor failure will not prejudice delivery of 'go live' on timetable. By dealing with separate packages on a managed basis there is less chance of total failure.
- The fact that there is not undue reliance upon the Operator allows *tie* to use alternative market capability to engage in effective dialogue to change the behaviour of the Operator if that is needed.
- The more versatile contractual relationship allows additional flexibility in the way Operation is delivered. For example this could be achieved by a combination of an agency and a sub-contractor role or on the basis of both fixed priced elements and cost-plus elements decided by way of case-by-case evaluation. Additionally although OJEU compliance will be necessary (presumably this is desirable to promote competition not the reverse) the scope of a 'contract management' partner can be such as to cover numerous procurements, not just those advertised initially which provides additional flexibility.

## RECOMMENDATIONS

1. Obtain necessary approvals in principle to endorse adoption of the 'Cost Risk Share Model' described above and thereafter proceed to develop a detailed proposal on that basis
2. Given the level of input required from *tie*, obtain additional resource to enable commencement of the operator procurement cycle. This approach in many respects mirrors that adopted, successfully to date, for the System design and delivery.
3. Examine further and come to understand the likely cost and cash flow implications of implementing such a procurement strategy.
4. In tandem with 3 above, develop an agreed timetable to manage risk and positively to drive forward the procurement process.

October 2004





**Agenda Item 5f**

## Report to tie Board 22<sup>nd</sup> November 2004

### Tram Procurement Strategy:

To enable the implementation of the tram procurement strategy leading up to financial close in 2006 several advisory roles need to be established. A brief status report on each follows:

1. Legal – detailed discussions with DLA regarding team mobilisation and control with budgets expected w/e 19<sup>th</sup> November and work commencing next week particularly focused upon:
  - a. Infracore
  - b. Tram
  - c. Technical Services
  - d. Utilities
  - e. Network Rail
  - f. BAA
2. Financial – being processed with anticipated outcome being award by March 2005.
3. Insurance – award achieved in November 2005.
4. Technical – both Co-Ordination and Detailed Design:
  - a. Resolution of improvements – briefs have been prepared with pricing expected in w/e 19<sup>th</sup> November and work commencing. The critical section of the project between Haymarket Yards and Ocean Terminal is being addressed as a priority particularly focusing upon the operational needs of the system arising from Transdev work to date. The anticipated time to complete this activity is mid-February 2005.
  - b. Co-ordination of design with CETM – work is underway to determine the viability of CETM solutions with the inclusion of the tram project. The anticipated completion of this work is mid-February 2005.
  - c. Preparation of the tram system performance specification utilising Transdev, Mott MacDonald and Faber Maunsell is to be commenced in w/c 29<sup>th</sup> November and budgets for this work are under preparation.
  - d. Resolution of key interfaces with bus and train are required and we have received expressions of interest from Lothian Bus and First Bus to assist in this activity. It is proposed to invite Lothian Bus to participate in the development of these interfaces which will provide input into the tram system performance specification.
5. Property – the needs of the project are being reviewed but a significant effort will be required in this area commencing in January 2005.

The critical aspects of the project relating to improvements in the design concept will need to be decided by the end of March 2005 to allow the detailed design process to be undertaken. We will make sure that the CEC remains informed as to the progress of these alternatives and the rationale for their inclusion when the technical team is satisfied that they can be undertaken. The approved procurement strategy requires a suite of interlocking documents to be developed prior to the commencement of the tendering process (after Royal Assent). The development of documentation for this process will take considerable effort throughout the remainder of 2004 and throughout 2005.

Ian Kendall  
17<sup>th</sup> November 2004





Agenda Item 6

## **Governance & Financial Matters**

- a) **Financial Report (C) \***
- b) **tie Business Plan**

**C = Commercially Confidential**  
**\* = Paper enclosed**



**Agenda Item 6a**

# **tie**

## **Monthly Financial Report**

### **October 2004**

**Prepared by Stuart J Lockhart**

**17th November 2004**

**Contents:**

- 1 Key Points Summary
- 2 Project Portfolio Structure and Basis of Preparation
- 3 Project Cost Commentary & Graphical Presentation
- 4 Overheads Commentary and Graph
- 5 Detailed Expenditure – Current Month, Year to Date, Full Year Forecast
- 6 Balance Sheet – Month End and Year to Date Progress
- 7 Cash Flow – Year to Date and Full Year Forecast

## 1. Key Points Summary

Overall, there is no material change from last month's report. We continue to have difficulty controlling spend on tram lines 1 and 2 driven by the demands of objector response, parliament and the Committee's advisers. The detail behind these issues was set out in the Key Points Summary in last month's report. Communication is underway with CEC and the Scottish Executive on the year-end outturn (including the need to aggregate the line 1 and 2 budget allocations) and shape of 2006 funding requirements, where most projects will require new funding as the projects move into new phases. The FY06 Business Plan process is also underway.

Because of the scale of spending in the current year and potentially in FY06, we are seeking to increase our overdraft facility with RBS to accommodate possible delays in receipt of monthly reimbursement from CEC and allow us to pay our trading partners timeously.

## 2 Project Portfolio Structure and Basis of Preparation

tie's project portfolio comprises:

	Projects Director	Programme Manager	Project Manager	2004/05 Expenditure Plan	2004/6 Expenditure		Variance	Monthly
				(£'000's)	YTD Plan	YTD Actual	YTD Delta	Confirmations
					(£'000's)	(£'000's)	(%)	Completed
								per Timetable
<b>Congestion Charging Programme</b>								
1	A Macaulay	J Saunders	DBurns	1,131	779	865	11%	Yes
2	A Macaulay	J Saunders	S Healy	2,049	1,083	1,068	-1%	Yes
3	A Macaulay	J Saunders	S Campbell	600	510	209	-59%	Yes
<b>Tram Programme</b>								
3	A Macaulay	A Callander	K Murray	1,073	670	1,200	79%	Yes
4	A Macaulay	A Callander	G Duke	1,838	1,148	644	-44%	Yes
5	A Macaulay	A Callander	I Kendall	5,008	1,477	906	39%	Yes
6	A Macaulay	A Callander	I Kendall	0	0	0	0%	Yes
7	A Macaulay	A Callander	W Fraser	1,984	1,497	1,129	-25%	Yes
<b>Other ITI Projects</b>								
8	A Macaulay	-	L Murphy	7,772	7,487	4,997	33%	Yes
9	A Macaulay	-	L Murphy	2,470	1,653	323	-80%	Yes
10	A Macaulay	-	S Lockhart	50	29	9	-68%	Yes
<b>Heavy Rail Projects</b>								
11	P Prescott	-	S Clark	4258	1,995	1,675	-16%	Yes
12	P Prescott	-	R Hudson	164	95	90		Yes
				<b>28,395</b>	<b>18,423</b>	<b>13,115</b>	<b>-29%</b>	
13	M Howell	-	S Lockhart	1,119	500	481	-4%	N/A
Variance reported if +/- 5% delta on budget								

Each of these 12 projects is managed and financially controlled by the tie managers noted above. The underlying business reasons for the variances from Plan are explained in detail, together with graphical presentation, in Section 3 below.

### 3 Project Cost Commentary & Graphical Presentation

#### Congestion Charging Scheme - Development

*No material change to financial prospects compared to September report*

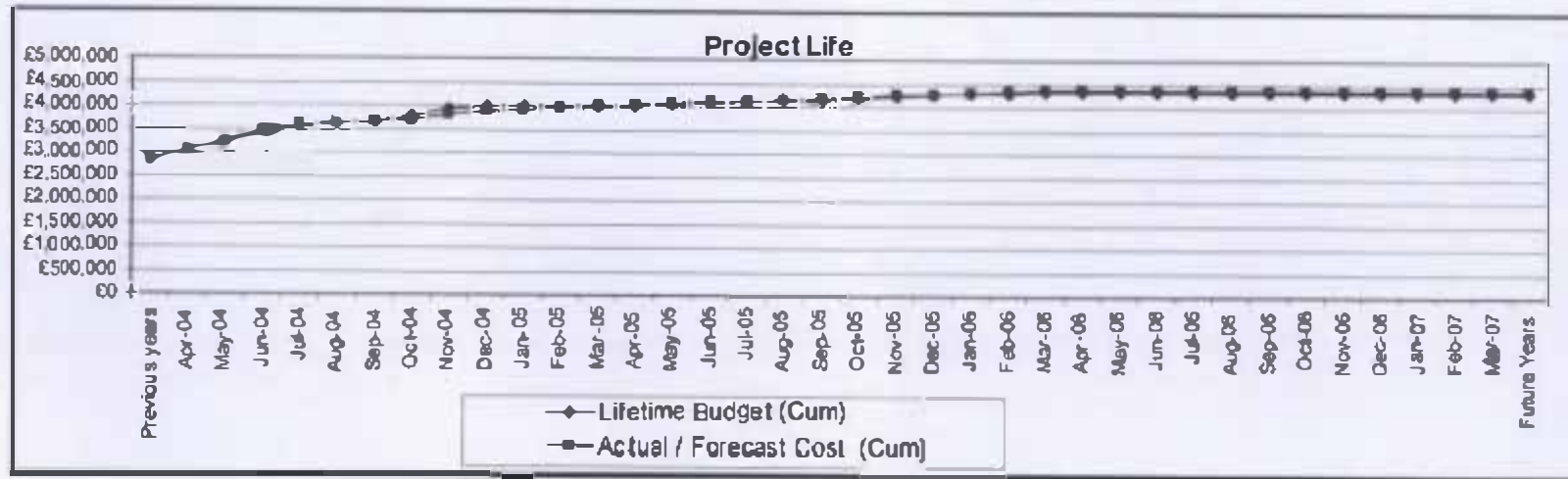
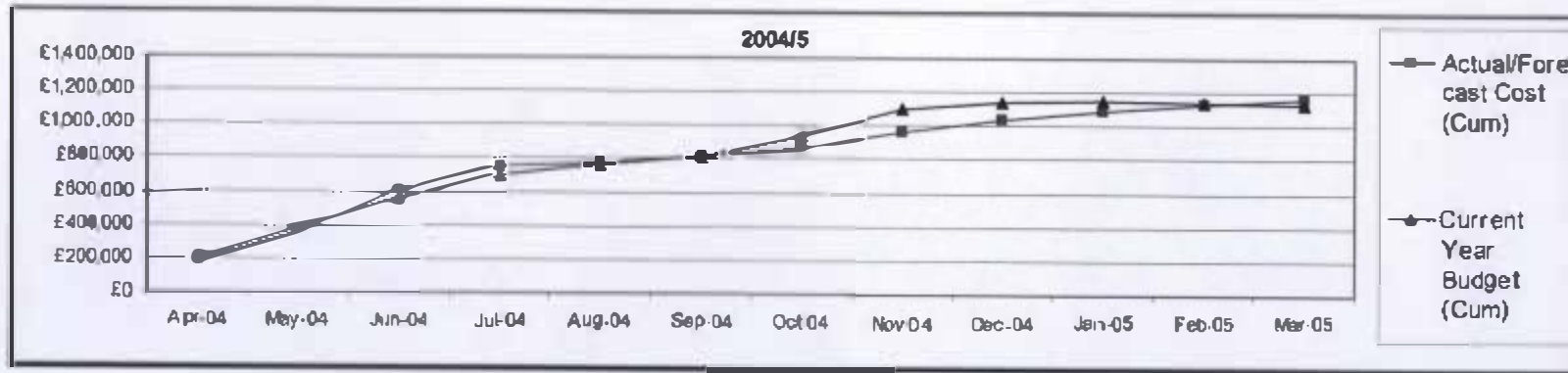
	Current Month (Oct'04)			Year to Date (7mths to 31/10/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Project Costs (Total incl. OH)</b>									
Congestion Charging - Development:	48,293	99,804	-51,511	864,873	779,082	85,791	1,156,200	1,131,201	24,999

The report on the Public Inquiry has been published and we will report to CEC on the implications of the findings to enable a report to be put before the Council. Council will consider this on 9<sup>th</sup> December. Technical advisors are considering the likely impact of making changes to the configuration of the scheme. Advisors have recommenced work on the STAG II assessment.

Clarification is being sought on the coverage and meaning of particular clauses of the final draft charging order and consideration is being given to how areas can be simplified for the user and from an operational aspect.

The report on the economic impact that the congestion charging proposals could have in relation to retail activity in the city centre is being finalised and once approved by the City Centre Management Group will be reported to the Council.

A programme is currently being developed to identify the various milestones and tasks requiring implementation to ensure that the Congestion Charging scheme could become operational in Spring 2006. Once the programme is developed the cost implications will be assessed. As budgets presently stand it would not be possible to fund any additional development work during this current financial year.





Congestion Charging Scheme - Procurement

*No material change to financial prospects compared to September report.*

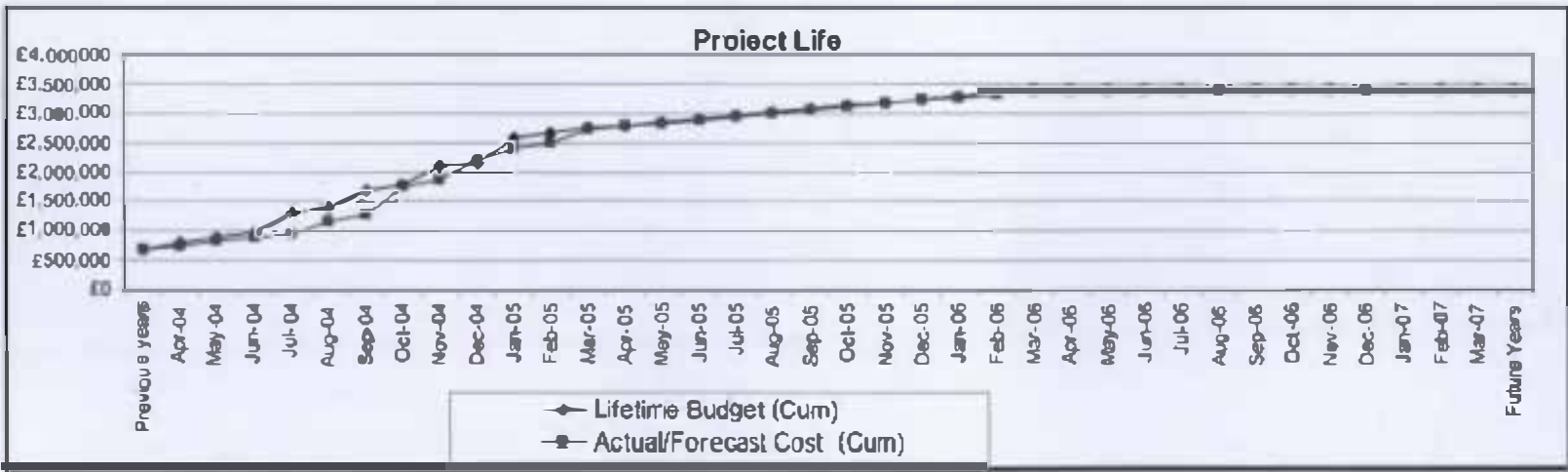
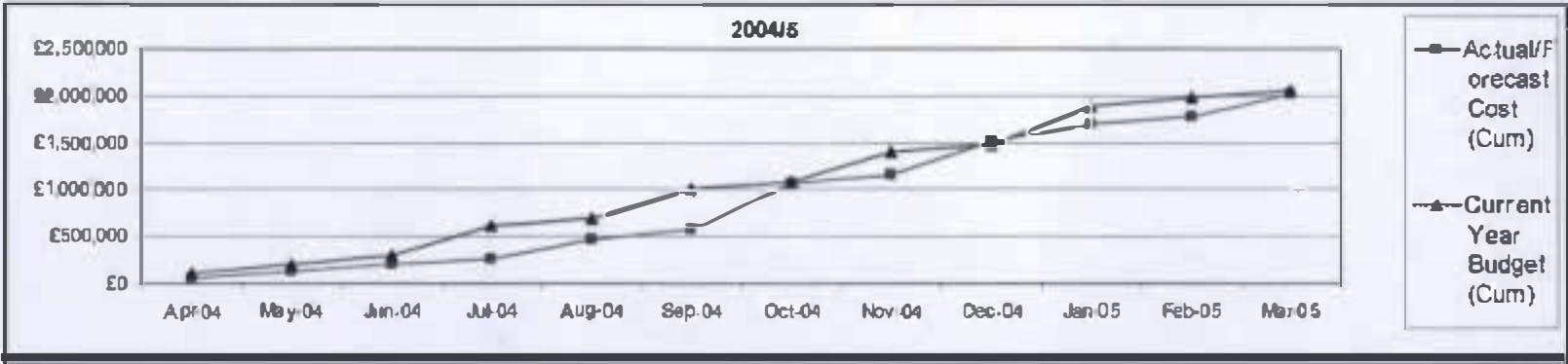
	Current Month (Oct 04)			Year to Date (7mths to 31/10/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Project Costs (Total Incl. OH)</b>									
Congestion Charging - Procurement	482,414	79,153	403,261	1,067,541	1,082,614	-15,073	2,023,701	2,048,711	25,010

*Operations*

Business Process designs complete for both contractors. Technical and prototype designs are progressing.

*Financial*

The cumulative spend profile to the end of October is approximately as expected across most spend areas.



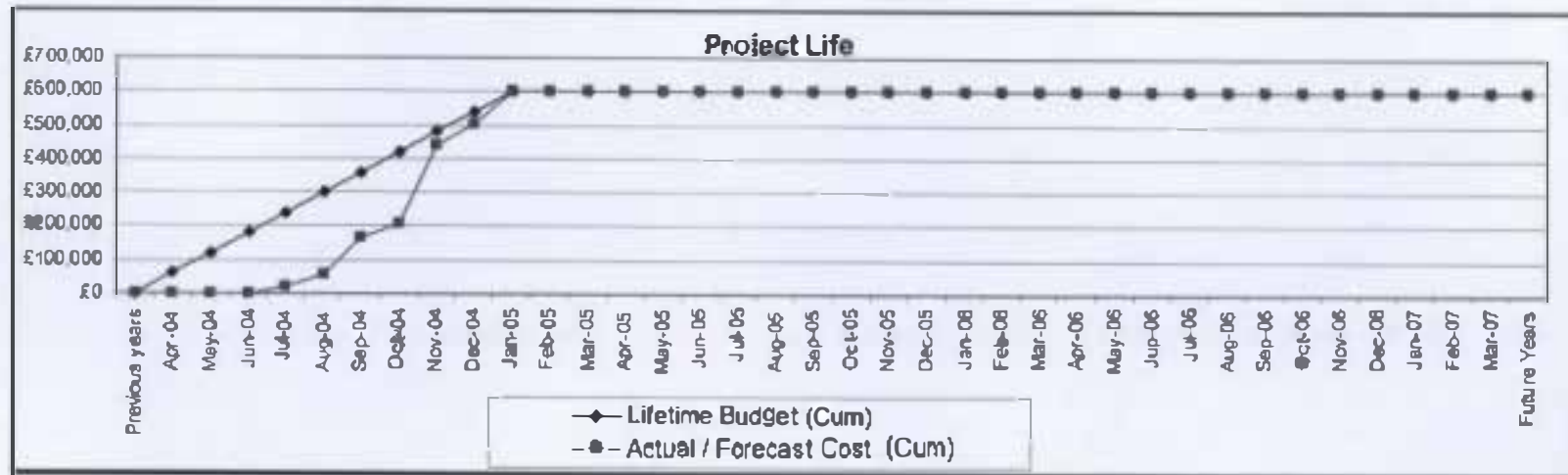
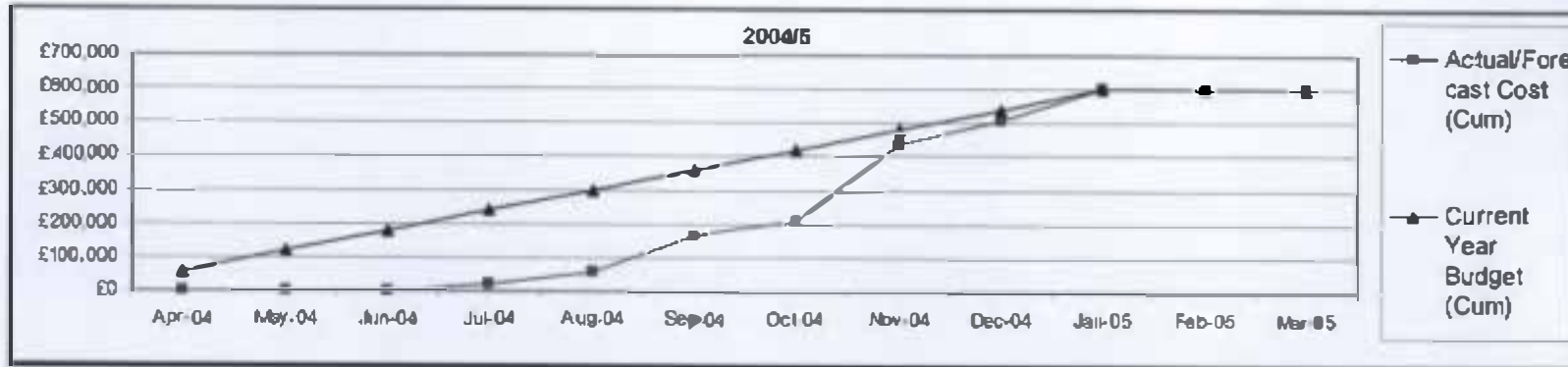
Congestion Charging Scheme – Information Programme

*No material change to financial prospects compared to September report*

	Current Month (Oct04)			Year to Date (7mths to 31/10/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Project Costs (Total Incl. OH)</b>									
Congestion Charging - information Campaign	40876	100,000	-59,124	209,273	510,000	-300,727	600,000	600,000	0

It should be noted that actual spend information is provided to tie by CEC. tie understands that c50% of the spend of £209k to date relates to bus company reimbursement for 'free bus day', and the balance includes costs of printing and publishing the Outlook newspaper, other campaign preparation costs and the costs of Council corporate communications personnel.

tie has no authorisation or accounting involvement in this spending.



Tram Lines One & Two*Important financial issues being addressed*

	Current Month (Oct04)			Year to Date (7mths to 31/10/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Project Costs (Total Incl. OH)</b>									
Tram 1	174,777	80,535	94,242	1,199,607	670,061	529,606	1,409,736	1,072,736	337,000
Tram 2	95,312	145,672	-50,360	643,689	1,148,462	-504,773	1,501,320	1,838,320	-337,000

**See Key Points Summary****Line One**

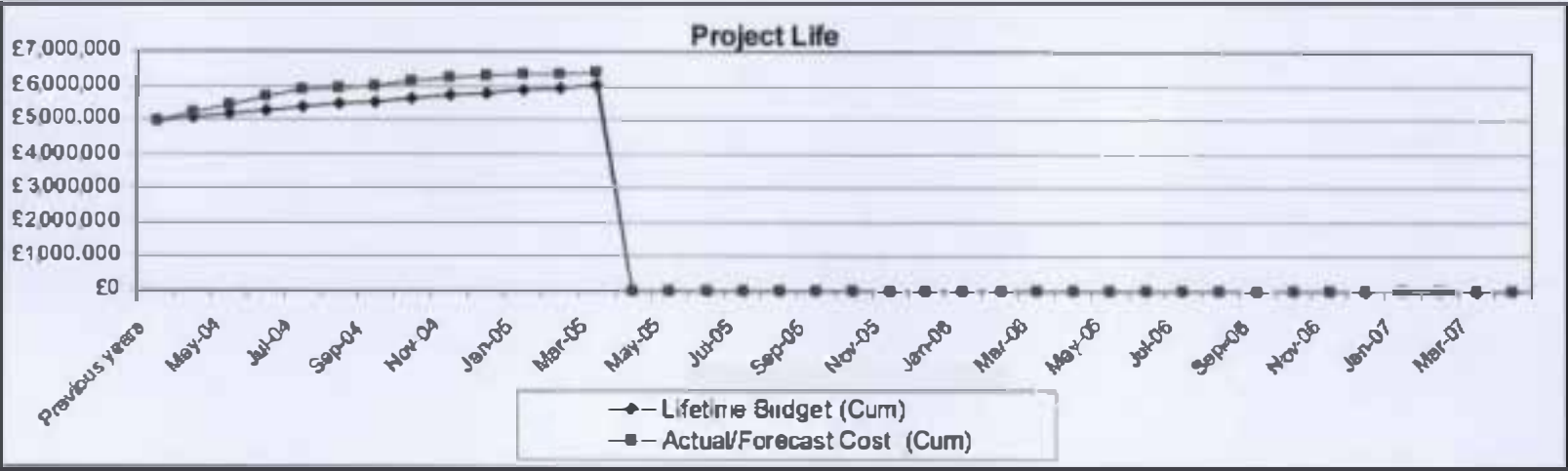
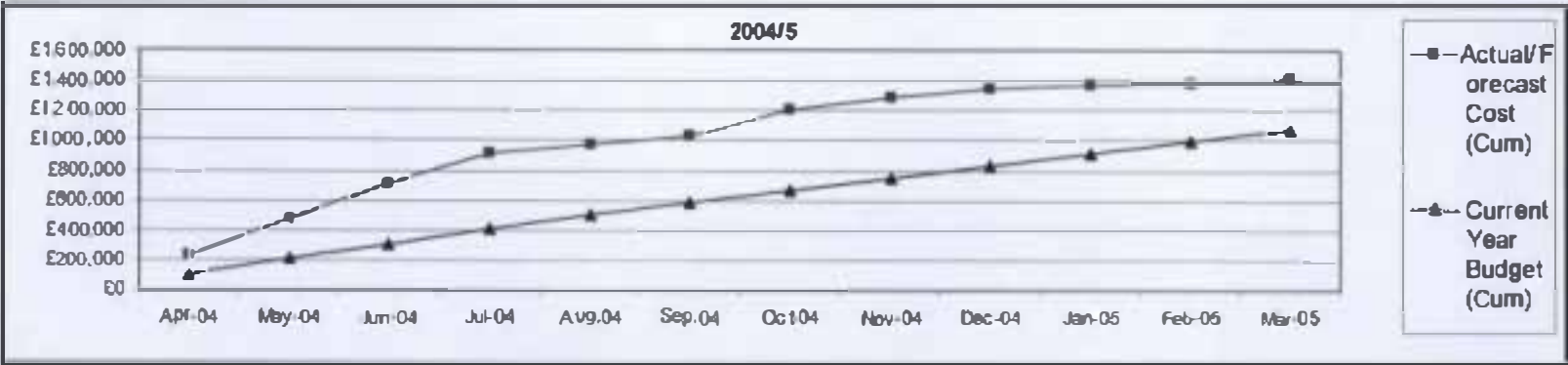
The parliamentary process will last longer and looks like requiring more detailed information than anticipated. In order to satisfy the parliament, further resources are required in the development of procurement and operator involvement.

Tram Line One costing for 2004/5 includes an element of cross funding from Tram Line Two, which reflects work carried out on the common section and the significant issues requiring resolution in the city centre.

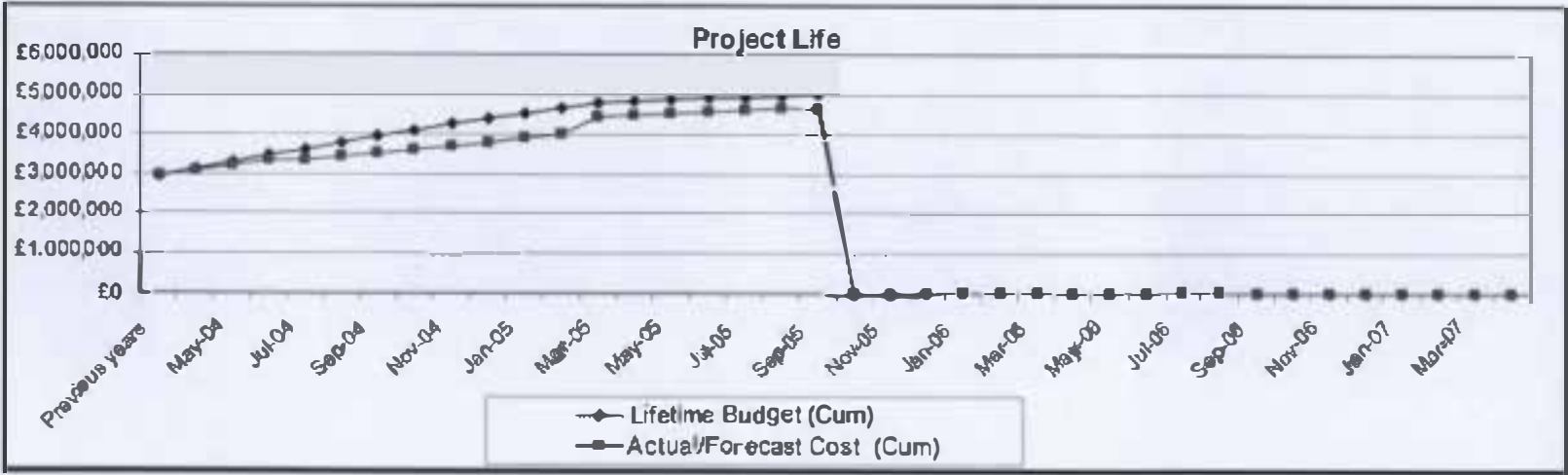
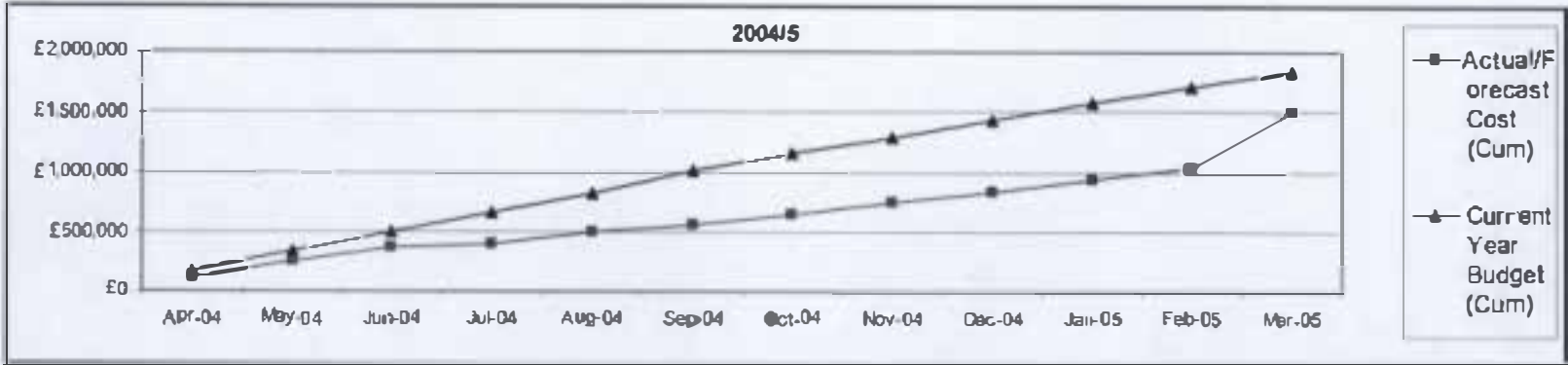
**Line Two**

FM have submitted a claim for £175k for additional work incurred in meeting the programme for Bill submission in 2003. The council has not accepted this and are resisting FM's claim. £80k has been provided for in the year end forecast.

Tram Line 1



Tram Line 2



DPOF Execution

*Important financial issues being addressed. Current year budget now approved.*

	Current Month (Oct'04)			Year to Date (7mths to 31/10/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Project Costs (Total Incl. OH)</b>									
Trams - DPOF	68,890	706,167	-637,277	905,599	1,477,167	-571,568	5,008,000	5,008,000	0

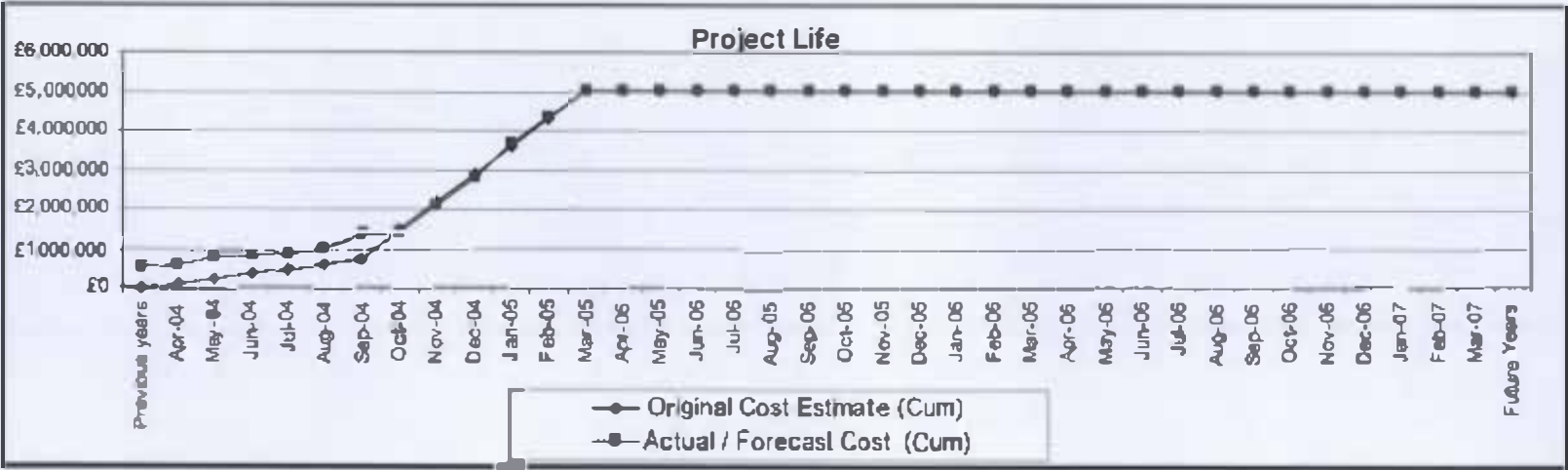
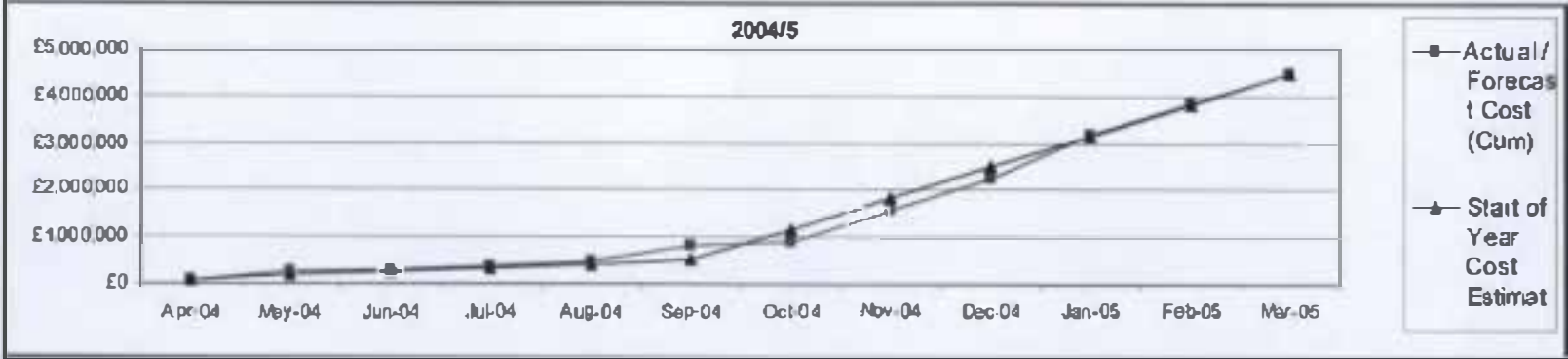
Work is underway on a range of issues as set out in DPOF but, where necessary, priority is being given to the preparation of Scottish Parliament answers regarding line alignment, integration plans, interchanges and passenger transport growth through service integration. The Transdev team is now directly interfacing at several levels with the tie team.

The outline business case already submitted to the SE has allowed for additional funding to be committed in early November 2004.

The funding commitment covers all planned costs. tie will review all aspects of spending, if necessary to remain within the existing funding commitment.

Completion dates as above are reflected in the SE outline business case.



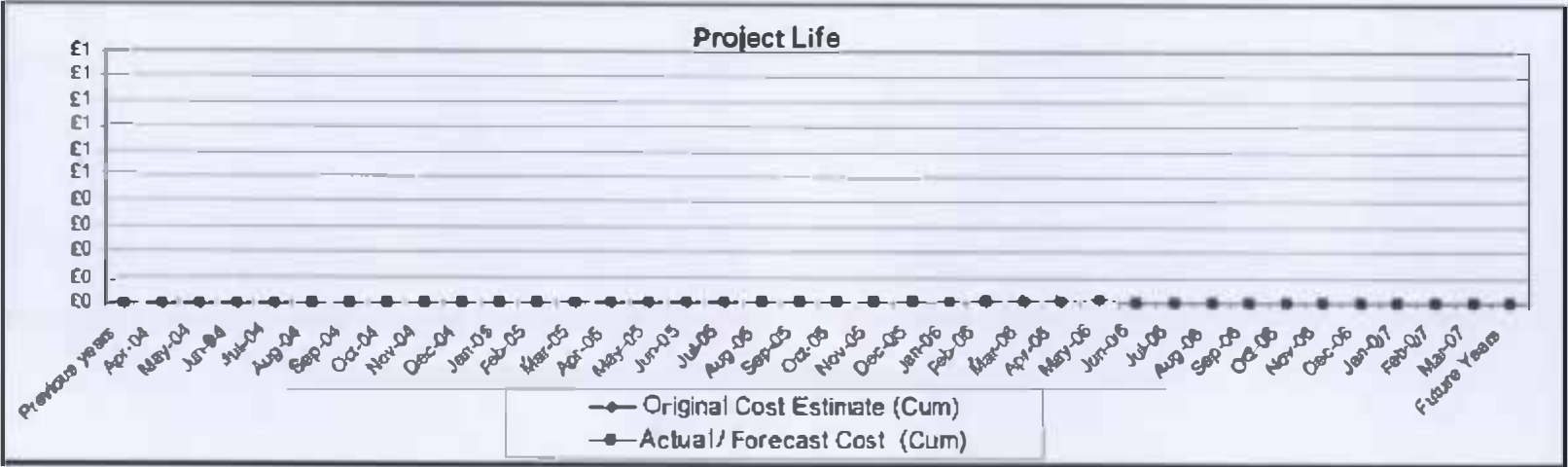
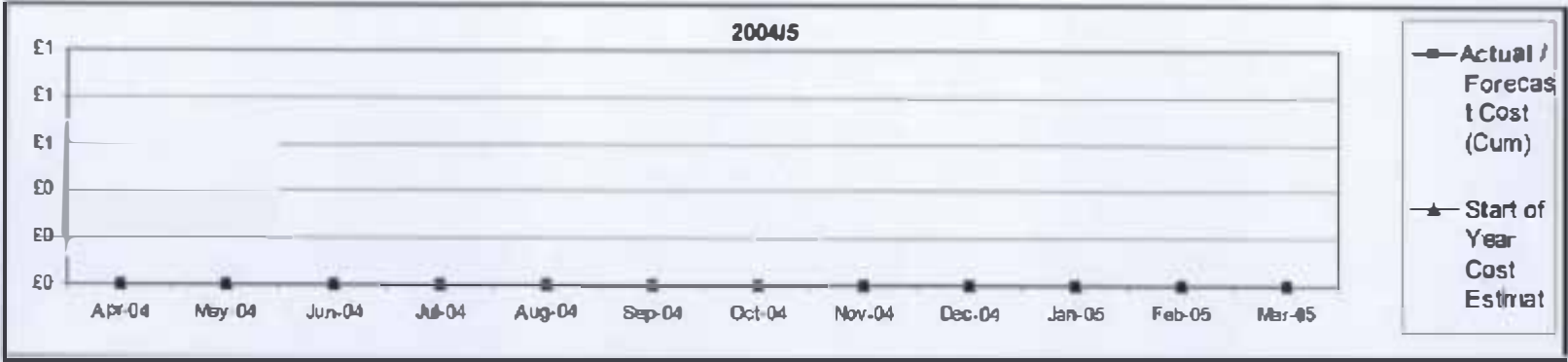


INFRACO Procurement & Funding

*Important financial issues being addressed. Current year budget now approved.*

	Current Month (Oct04)			Year to Date (7mths to 31/10/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Project Costs (Total Incl. OH)</b>									
Trams - INFRACO	0	0	0	0	0	0	0	0	0

Expenditure profile currently being reviewed (see DPOF note above).



Tram Line Three

*No material change to financial prospects compared to September report.*

	Current Month (Oct04)			Year to Date (7mths to 31/10/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Project Costs (Total Incl. OH)</b>									
Tram3	174,618	160,338	14,280	1,128,935	1,496,772	-367,836	1,887,856	1,983,962	-116,104

**Operational Issues**

The Final Route Alignment (FRA) was approved by the tie board in September, the CEC Executive on 19/10 and CEC Planning Committee on 03/11. The forthcoming project approvals are as follows:

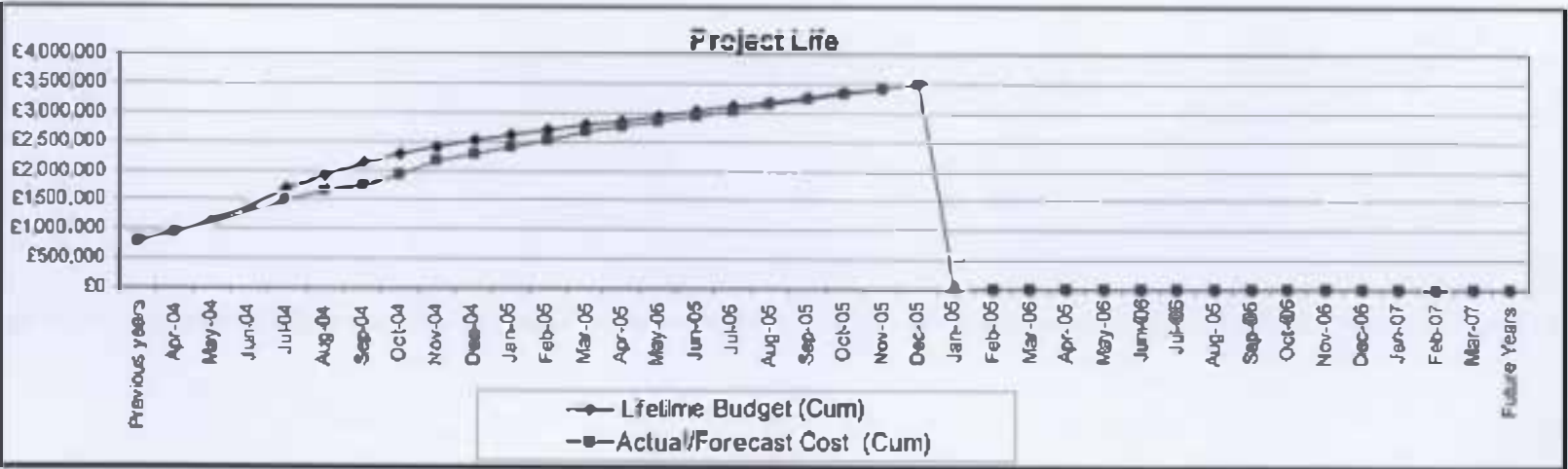
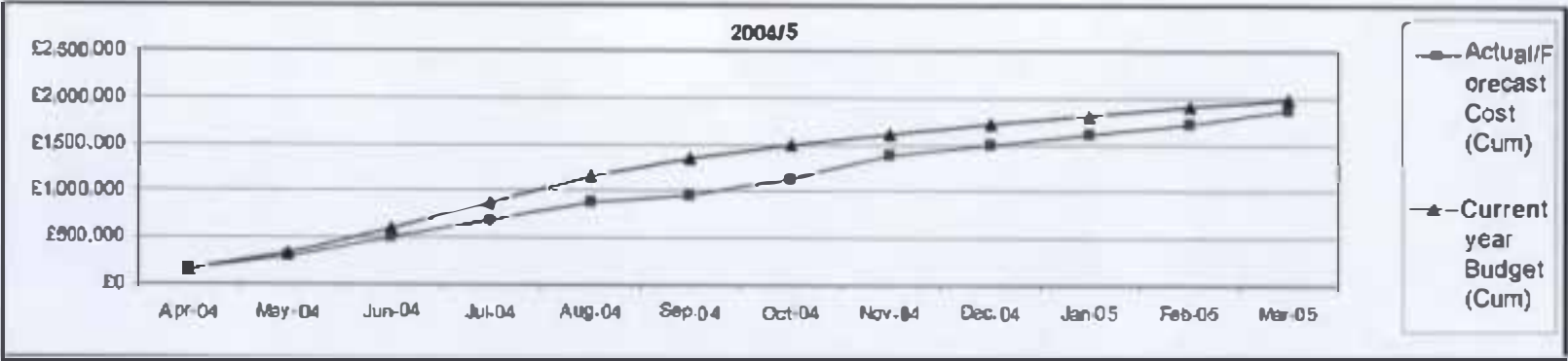
- 11/11/04: Approval of FRA by Full Council.
- 09/12/04: Approval of Parliamentary Bill & Supporting Documents by Full Council.

The project has encountered difficulties in using the latest version of the LUTI model. The existing traffic movements in the model are significantly higher than has been counted on site, and this has prevented line three from producing a viable solution with the tram added. Work has been underway since 21 October to modify the base using observed traffic levels to produce a workable solution. To submit the Bill to Parliament before Christmas, a satisfactory solution must be achieved by 17 November.

### Financial Issues

Line three has forecast a £116k under-spend for this financial year, due to efficiencies against the agreed deliverables. This will be re-directed into the 2005/06 budget. The available spend for 2005/06 is anticipated to be circa £0.8m. The required level of spend will be based on actual spend on Lines One and Two as Line Three will follow the same process. Initial benchmarking indicates that the required spend for the Parliamentary stage may be significantly greater than allowed for in the budget. Work is underway to determine where efficiencies can be realised, and the Board will be updated in due course. The impact will be in FY06, and potentially FY07, depending on the parliamentary timetable.

tie/CEC and Scottish Executive are considering delaying the introduction of the Line 3 Bill into Parliament. Delaying the bill will change the agreed programme and will introduce further cost and risk to the project. A meeting is scheduled for 24<sup>th</sup> November to discuss this.



WEBS development

*No material change to financial prospects compared to September report.*

	Current Month (Oct04)			Year to Date (7mths to 31/10/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Project Costs (Total Incl. OH)</b>									
WEBS	738,147	1,287,308	-549,161	4,997,359	7,486,936	-2,489,577	7,771,577	7,771,577	0

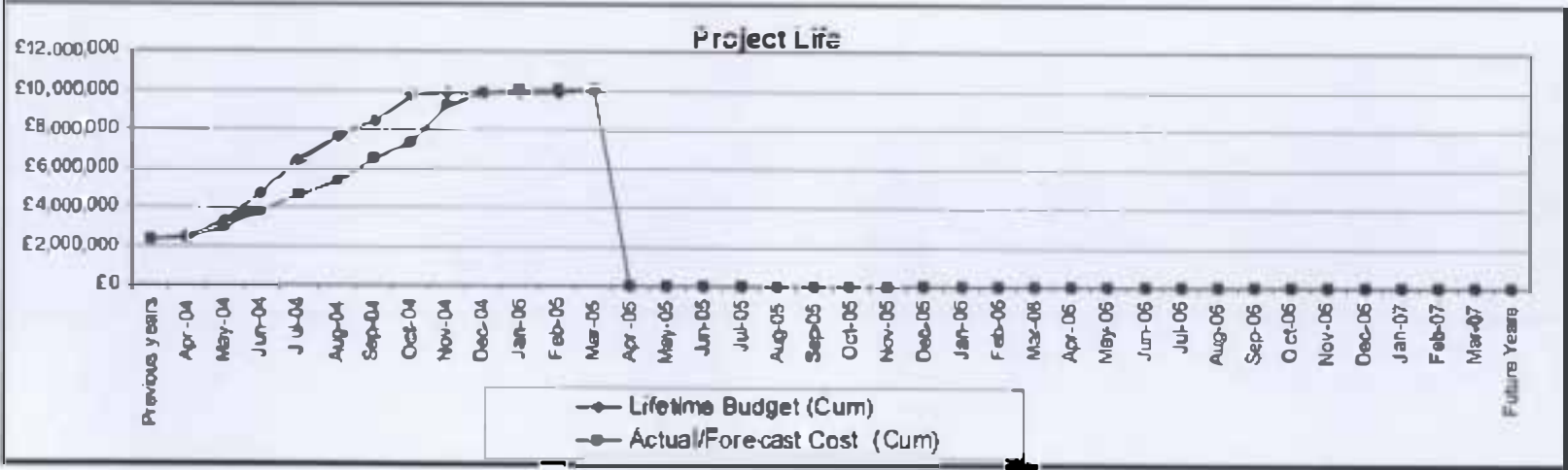
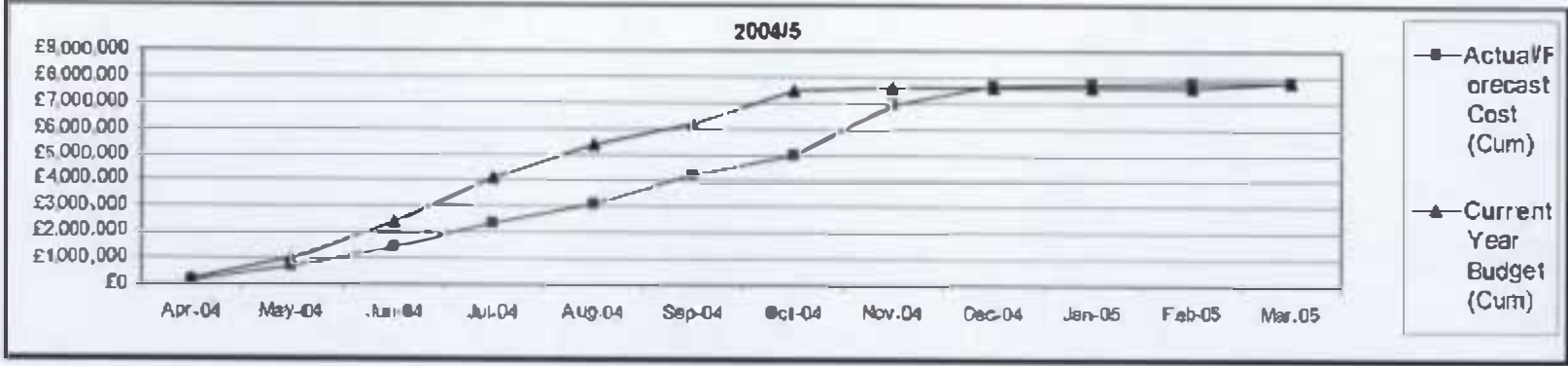
Construction of the Guideway is nearing completion. The Final Inspection by HMRI took place on 9<sup>th</sup> November. No further visits are required although some snagging, and reports, are required. Following the last Operations and Maintenance meeting the Council were sent a letter of permission to test. ERDC are continuing with the on street bus priority measures contract with the widening of Stevenson Drive to accommodate a new bus lane. The programme has been revised to align completion with the guideway works. Some difficulties arose requiring design changes due to Fibre optic ducts hence some further costs have been incurred. TRO's were approved by the Council Executive on 27<sup>th</sup> July reviewed at scrutiny on 1<sup>st</sup> September then referred to full Council on the 16<sup>th</sup> September. Orders are in place.

An assessment of the remaining risks was undertaken and it was demonstrated that some contingency should be retained. In conjunction with Transport Planning, elements have been prioritised that were required to be added back in to the contract to deliver a fully configured and operational scheme. These considerable additional works are underway they include surfacing areas of Carriageway which were demonstrated to be sub standard before being painted for bus lanes. CCTV, Real time, further transport study work, network improvements to traffic signals which arose from the TRO and Safety Audit process and were highlighted as essential. These costs and contingencies are reflected in the revised profile.

Lothian have taken delivery of the first of their new fleet. Both the guideway and the on street bus priority measures contracts will be complete including HMRI approvals and considerable additional works in advance of the Launch. Discussions have been held with CEC and Lothian and the operational start date has been set for Sunday 5<sup>th</sup> December.

<b>Costs</b>	2002/03	2003/04	2004/05	Total
	Actuals	Actuals	Forecast	
WEBS	426,740	1,846,282	7,771,578	10,044,600
<b>Funding</b>				
Original Budget				9,708,000
Access to Growth Areas Funding - award 26 May 04				336,600
				10,044,600





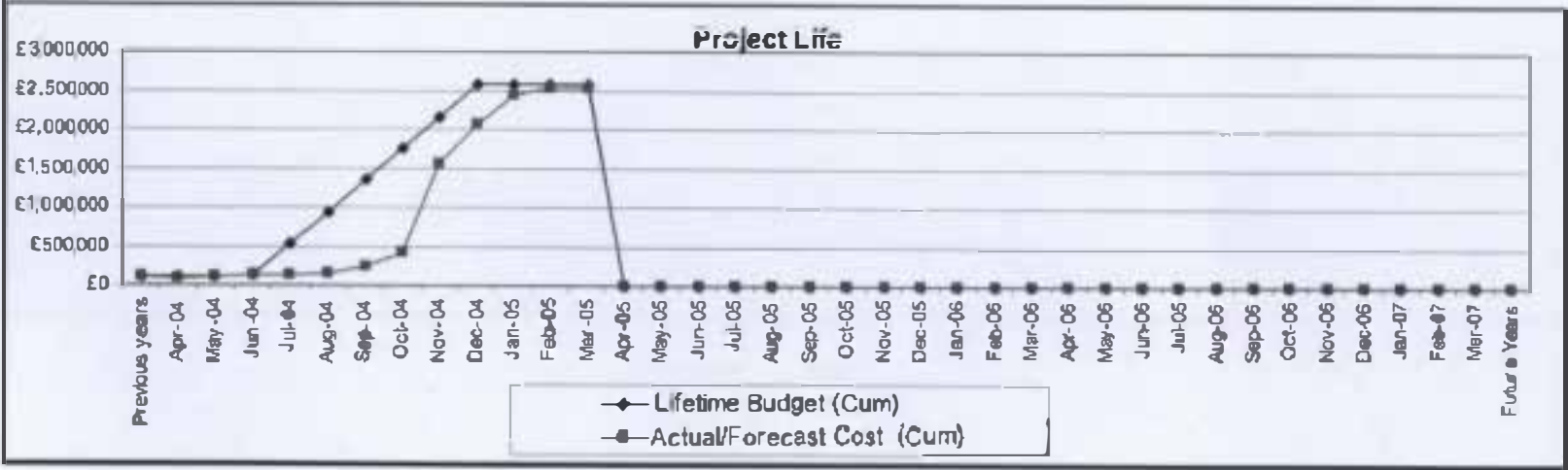
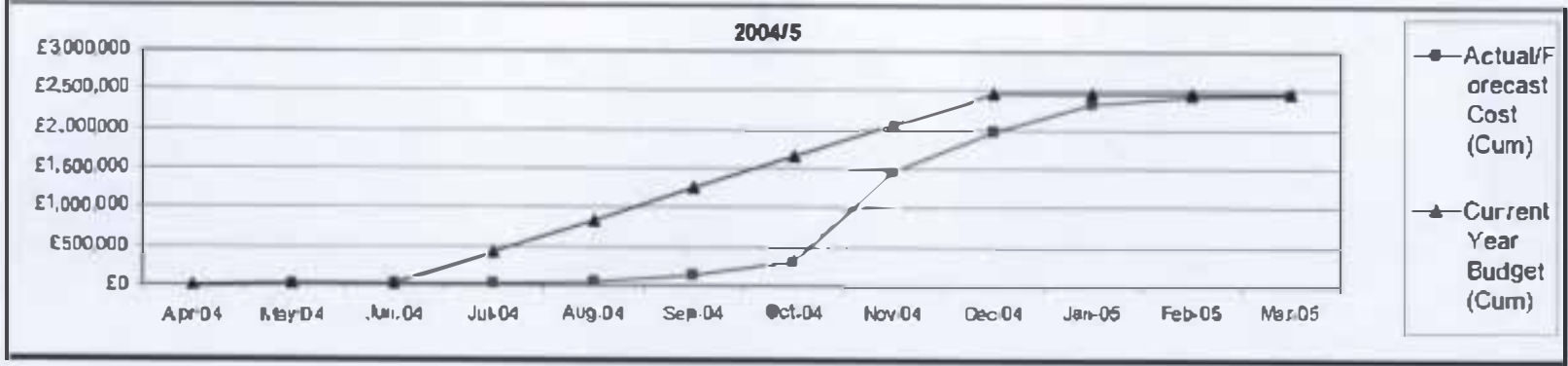
Ingliston Park & Ride

*No material change to financial prospects compared to September report.*

	Current Month (Oct'04)			Year to Date (7mths to 31/10/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Project Costs (Total Incl. OH)</b>									
Ingliston Park & Ride	187,580	407,262	219,682	322,509	1,652,551	-1,330,041	2,433,371	2,469,539	-36,168

Construction is underway. In addition Border Construction value engineering workshop has been held and minor design amendments are being prepared by Border for consideration. Representatives from CEC were involved in this process to ensure delivery of their aspirations. In line with the original programme, Construction is planned for completion in early 2005.

Consultation documents are being produced for TRO's for the enforcement of the bus lanes proposed for Eastfield Road as part of the further detailed design.



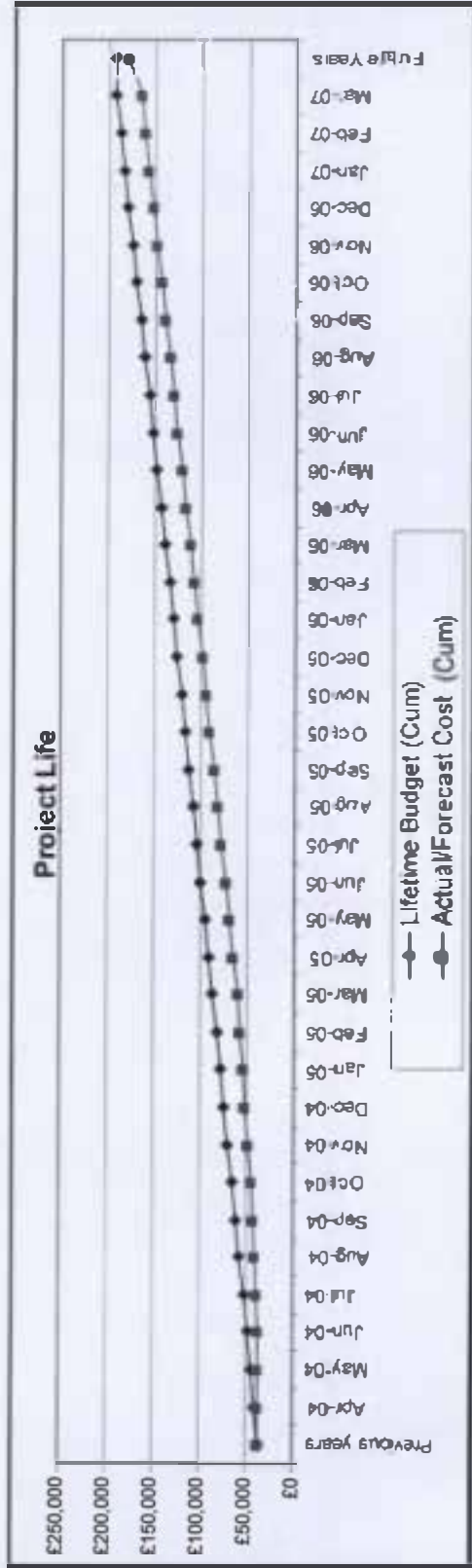
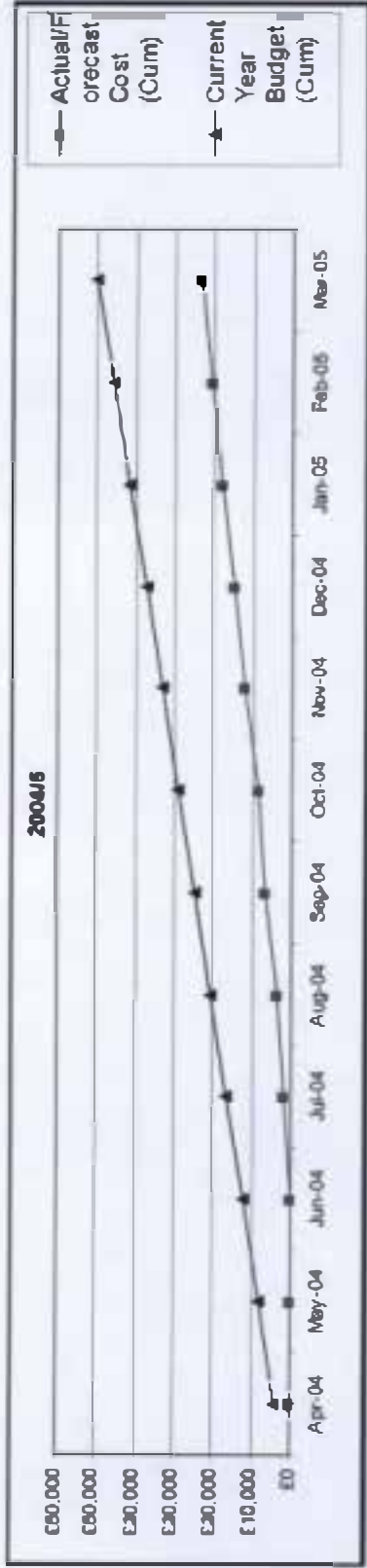
'One-Ticket'

*No material change to financial prospects compared to September report.*

	Current Month (Oct'04)			Year to Date (7mths to 31/10/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Project Costs (Total Incl. OH)</b>									
One Ticket	2,140	4,216	-2,067	8,653	28,902	-20,249	23,303	49,982	-26,679

The only costs incurred by tie are those relating to the employment of a Marketing Assistant/Administrator. The current incumbent, Ian Carter became a member of ties staff on 1<sup>st</sup> July 2004.

The TAS Partnership carried out a fully funded business review and their final report is now available.



EARL

*Important financial issues being addressed*

	Current Month: (Oct'04)			Year to Date (7mths to 31/10/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Project Costs (Total Incl. OH)</b>									
EARL	403,914	398,221	5,692	1,674,763	1,995,230	-320,467	4,100,000	4,255,797	-155,797

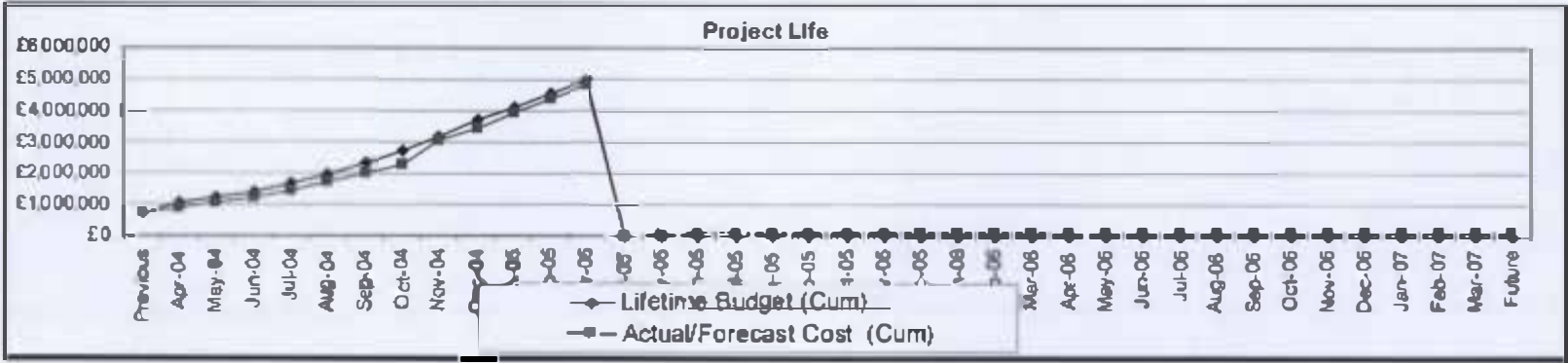
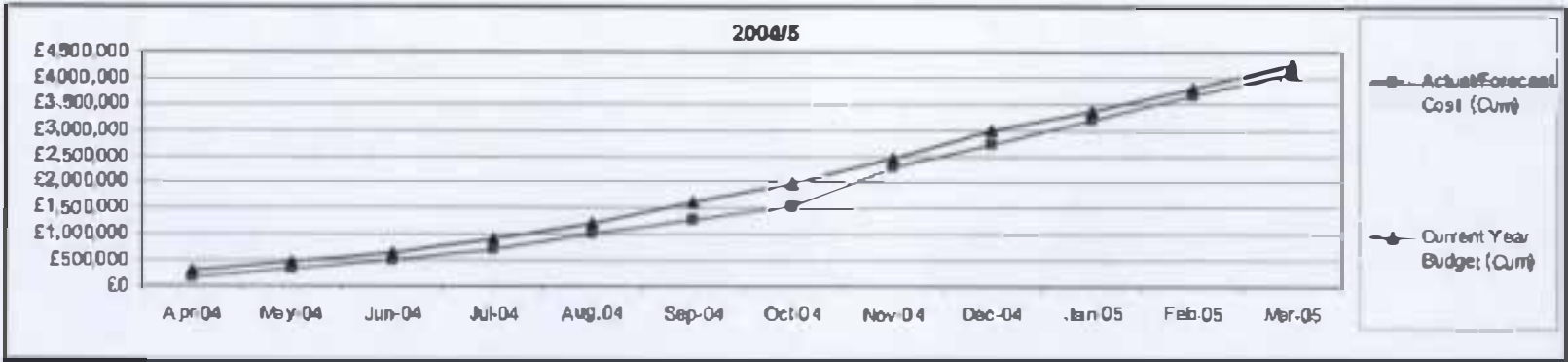
Public consultation has now been launched two months behind schedule. This will result in a delay to the submission of the Bill to the clerks for checking from 10<sup>th</sup> March to 20<sup>th</sup> May 2005. However, this will still allow an introduction to Parliament before summer recess 2005. General feedback is very positive. SE discussions on hybrid bills may present a risk to submission of the private bill.

Progress is being made with design. Concourse design lags slightly but a meeting involving all stakeholders is being held on 24<sup>th</sup> Nov to try and agree an integrated solution for rail, tram, bus etc. Overall work package two is 50.8% complete against a target of 53.7%.

Environmental (Work Package 3) is 57.1% complete against a target of 55.1%. Work on the Environmental impact assessment (EIA) has started and a second round of stakeholder consultation is ongoing. Discussions have been held with SEPA, Historic Scotland & SNH along with other environmental groups.

Work progresses with Network Rail and BAA to agree issues surrounding land and station ownership and operation and Heads of Terms. PWC working on funding and establishing BAA contribution – due for completion by end November.

Finally, there is still no word from SE concerning who is to promote the bill. This must be resolved to ensure the correct approvals are in place prior to the bill being lodged.



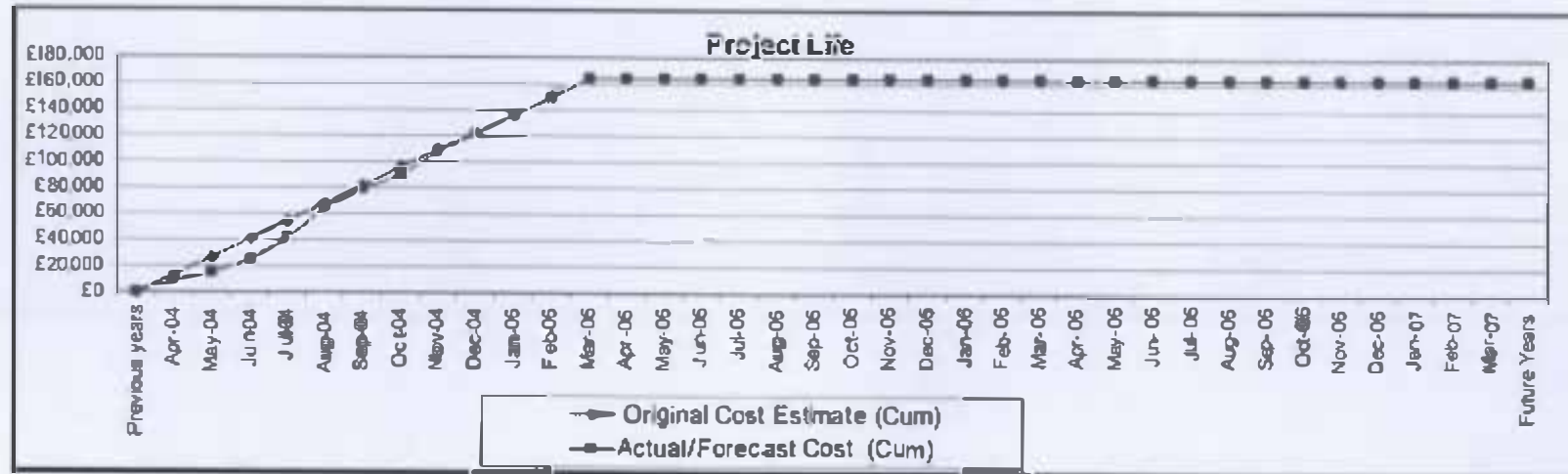
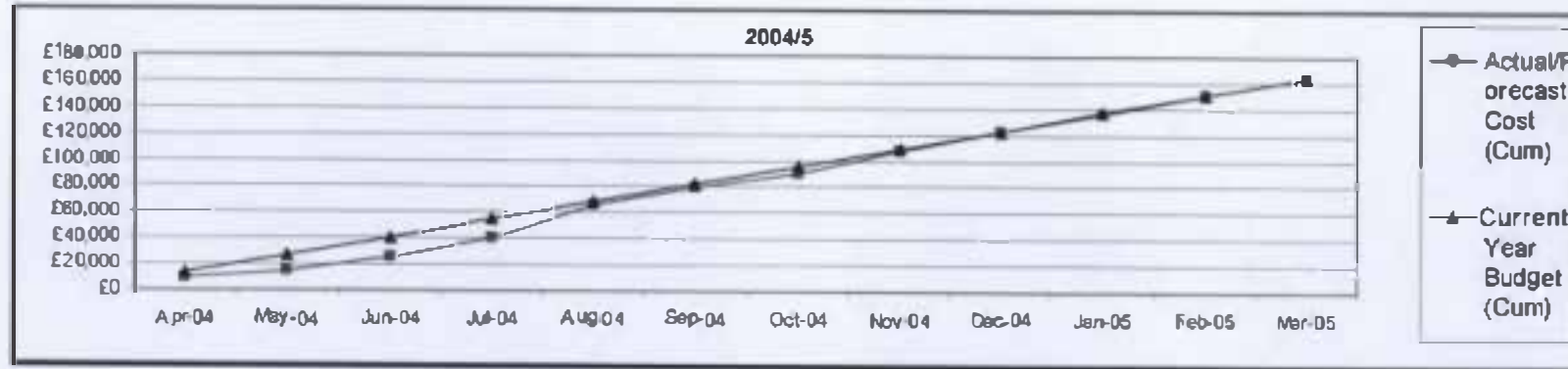
Stirling Alloa Rail Link

*Important financial issues being addressed.*

	Current Month (Oct'04)			Year to Date (7mths to 31/10/04)			Year End (12 mths ending 31/3/05)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Project Costs (Total Incl. OH)</b>									
SAK	10553	13500	-3028	89511	95059	-5548	163833	163839	0

This project is currently under review. We received a letter of comfort, dated 9<sup>th</sup> August, from the Executive.





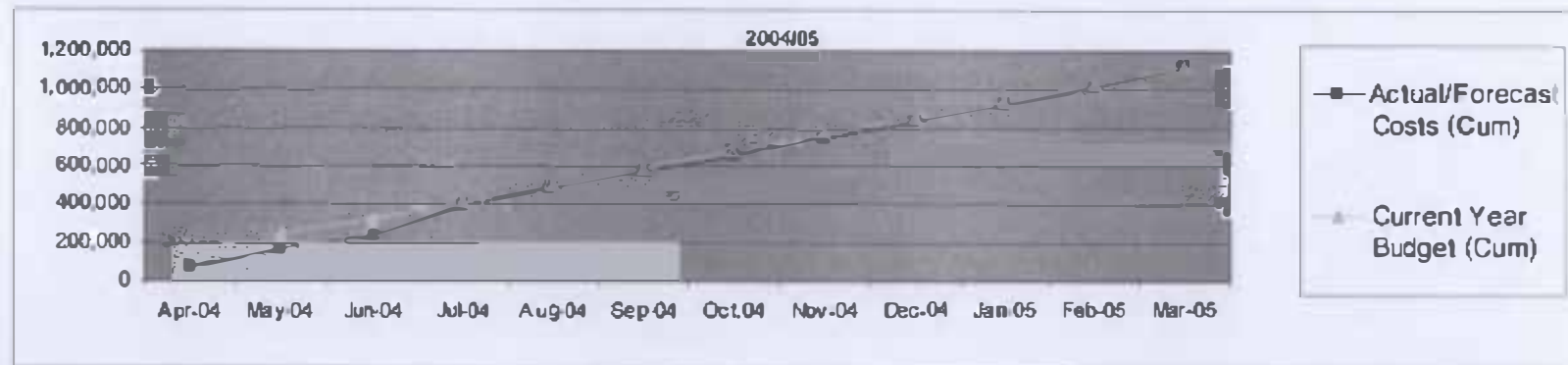
#### 4 Overheads Commentary and Graph

*No material change to financial prospects compared to September report.*

Overheads are allocated, and charged to CEC on a monthly basis, to each project pro rata as per business plan budget.

The main reasons for the variances on budget are primarily as the budget anticipated major spend being incurred in April due to office re-location. The actual spend was incurred in July.

The office re-location was executed efficiently and within the cost budget in the tie Business Plan.



#### Bank

CEC have been issued with five invoices for October. CC – Information Campaign, WEBS, EARL and Ingliston Park & Ride are now being invoiced separately. These are due for payment by 28<sup>th</sup> November. One September invoice was paid on 29<sup>th</sup> October, the remaining four on 1<sup>st</sup> November. The “book” bank balance (overdrawn) as at 31<sup>st</sup> October totalled £1.637m. This delay in payment by CEC impacted on tie's overdraft limit and its ability to pay suppliers within agreed credit terms. However an agreed timetable has now been agreed with CEC. An overdraft limit of £2m has been established but dialogue is underway to extend this cost-effectively.



Agenda Item 7

## **Communications**

- a) **ITI Communications – Information Programme \***
- b) **Stakeholder Report \***

**C = Commercially Confidential**  
**\* = Paper enclosed**



**Agenda Item 7a**



## Report to the tie Board 22<sup>nd</sup> November 2004

### Operational

#### Transport Edinburgh Communications Strategy

A number of communications initiatives are underway this month.

The next edition of Outlook with its 12 page Transport Edinburgh supplement will be published by 22 November.

The general Transport Edinburgh leaflet with details of 'How to have your say' has now gone to print and will be available by week beginning 22 November. 350,000 copies will be printed for distribution in the city, the majority via Lothian Buses.

The council newsletter, City News, is featuring an article on Transport Edinburgh and how to register for the referendum.

Bus rear advertising is progressing with the fourth advert using the web address in bold font and using a green circle encouraging readers to 'Use your vote'. This will feature on buses from 1 December to 27 December.

The Public Transport Map as reported last month is progressing with map content being updated by consultants FWT and Transport Edinburgh supplying copy and photography for the information panels. Free distribution within the city is planned for January 2005.

The launch for Edinburgh Fastlink is underway. The Secretary of State for Transport, Alistair Darling MP, has accepted an invitation to attend on the launch on 2 December.

Media relations is continuing with future news stories planned around the Retail Report launch and Edinburgh Fastlink launch.

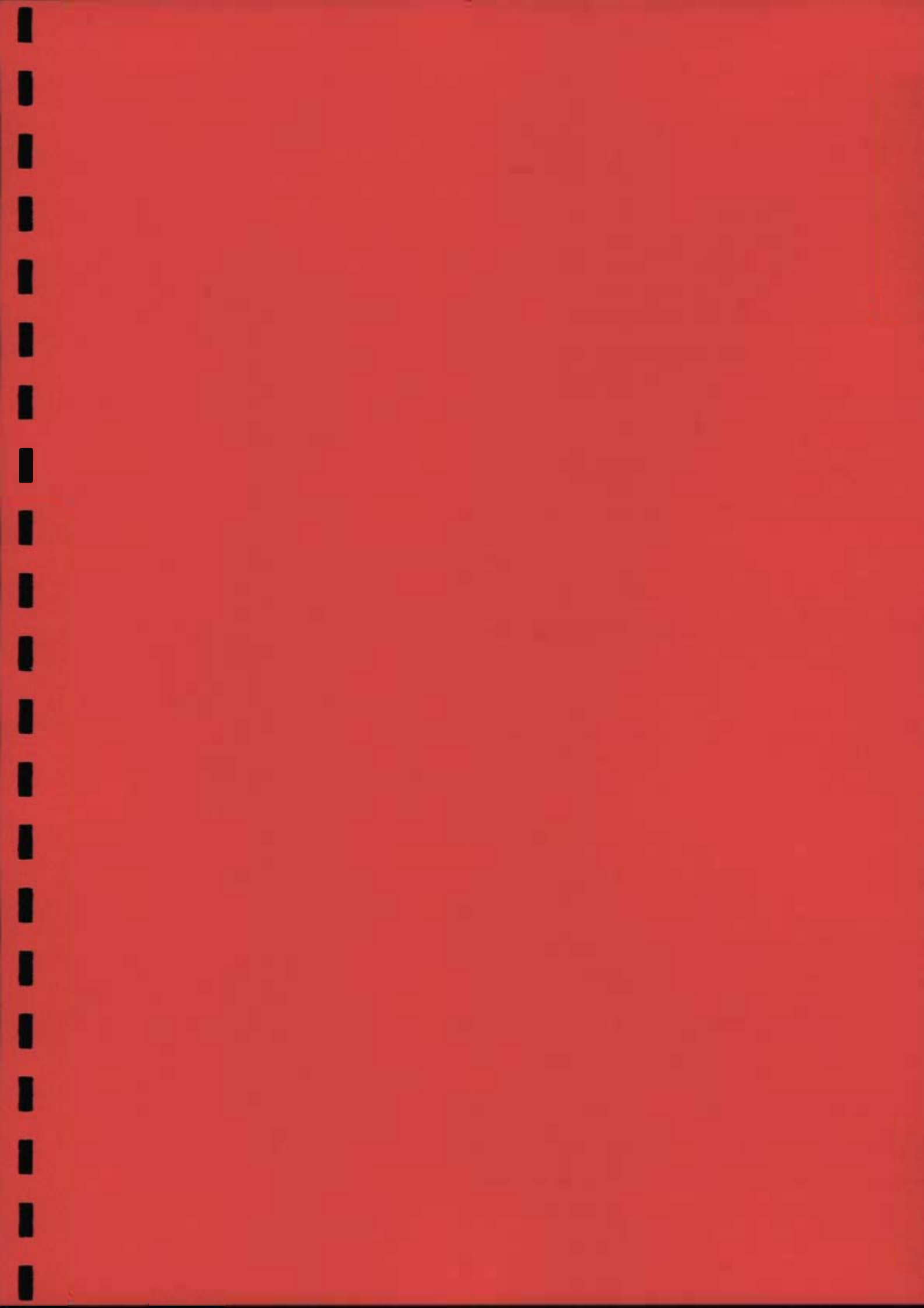
The Referendum information programme has been planned and is awaiting approval by CEC Elections Department.

An Adshel campaign is being planned that will utilise bus shelter advertising in the New Year and to end of February. The design of the advert is to be started.

A public debate is planned for end of January 2005. This is in the planning stage.

Transport Edinburgh has a new public enquiries service with a telephone number – 0131 469 3623 and an email address [transportedinburgh@edinburgh.gov.uk](mailto:transportedinburgh@edinburgh.gov.uk) All enquiries are being handled by Sue Campbell and Vicki Mowat of Transport Edinburgh.

Sue Campbell  
17<sup>th</sup> November 2004





**Agenda Item 7b**





**Board Update  
Stakeholder Management  
16 November 2004**

Stakeholder work is progressing on five fronts:

- Existing stakeholders
- New stakeholders
- High profile stakeholders
- Newsletter
- Websites.

**Existing stakeholders**

The following presentations have been held in the last month:

Now Business	19 October
Heriot Wat:	27 October
Chamber of Commerce	28 October
Watsons College	9 November
Loretto School	12 November

Existing stakeholder contacts have been renewed and opportunities offered to engage direct with the stakeholder and their employees. Success has lead to meetings or presentations dates set.

Grapevine	Presentation to members on 13 or 14 December
Royal Bank Of Scotland	Presentation to employees 11 January Manned information stand in staff restaurant 12 January
Scottish Widows	Meeting arranged for 22 November
Scottish & Newcastle	Meeting arranged for 6 December
Queen Margaret College	Finalising date for presentation @ mid December
Institute Of Chartered Accountants	Presentation booked for 8 December
Fettes College	Presentation booked for 13 January

A number of stakeholders have been contacted in the last month. Dates for chasing these contacts are set. The attached stakeholder document details the contacts and chase dates.

### **New Stakeholders**

Following a review of the Stakeholder Strategy and, based on the Westminster Report, a number of new stakeholder groups have been identified. Work to initiate contact and meet with these groups started this week.

These groups are:

Edinburgh Colleges and Edinburgh Universities. Specifically targeting students, especially transport students, lecturers and staff.

Edinburgh Schools. Specifically 5<sup>th</sup> and 6<sup>th</sup> year students, teachers and interested parents.

Social Inclusion Partnerships. Specifically targeting residents in Pilton, Wester Hailes, Craigmillar, Niddrie and Gracemount.

Young People's Social Inclusion Partnerships. Following the same areas but concentrating on young or unemployed people.

The retired. Targeting retired residents with bus passes to inform them of the plans and improvements.

Tourism. Targeting Edinburgh businesses, including restaurants, likely to benefit from the implementation of the plans.

### **High profile Stakeholders**

Work to identify key, high profile, easily recognised stakeholders is progressing. A list of names along with a plan will be presented at the Transport Edinburgh Communications Group meeting on 22 November.

The plan will be circulated to all involved to enable identification of any natural contacts they may have, in addition to highlighting opportunities for initiating contact in the weeks leading up to the referendum.

The plan will be regularly updated with contacts made, opportunities for media involvement and our approach to getting high profile support and key messages across to the public.

### **Newsletter**

Although well received by Stakeholders there is no evidence that the newsletter is being passed on any further into the organisations.

Work on the next newsletter will start on 18 November. An article specifically to promote the distribution of the newsletter deeper into organisations along with a suggestion of linking to the Transport Edinburgh website, which has already been progressed by Standard Life, will be made. These suggestions will be followed up by a call to our contact one week after the newsletter has been issued.

**Website**

The tie limited website will be updated. Recommendations to update some content of the Transport Edinburgh site, specifically Edinburgh Fastlink pages will also be made.

The Board is asked to note the position.

Suzanne Waugh  
16<sup>th</sup> November 2004

Suzanne Waugh  
 Stakeholder Document  
 w/b 15 November 2004

Stakeholder	Contact name	Who's responsible	Communication Medium	Next steps	Newsletter
Grapevine	Andy Groves	SW	Possible open day or presentation to members	Meeting to plan 18 November  Fiyer to advertise 22 November  Date for presentation tbc 13 December or pm or 14 December am	Yes
Now Business	Gordon	SW	Presentation to individual members employees and contacts	Emailed individual members for opportunities to speak to employees  Chase 22 November	Yes
Forum of Private Businesses & CIPD	Bill Anderson	SW	Offered opportunity for presentation to members	Chase for reply 22 November	Not yet, progressing
Federation of small business	Dorothy (secretary)	SW	Paragraph on web page to advertise opportunity to present/speak with members	Check on web page  Contact Edinburgh members direct 22 November	No
Royal Bank of Scotland	Douglas Bell	SW MH presenting	Presentation agreed to @70 employees 11 January  Stand in staff restaurant agreed for 12 January	Visit site w/b 3 January	Yes
Scottish Widows (incl. Lloyds TSB)	Rom Whatford	SW	Meeting booked for 22 November	Attend meeting	Discuss at meeting

Age Concern	William Kay	SW	Asked to speak at their next meeting	No further action at moment. Possible chaser in March 2005	Yes
Scottish & Newcastle	Therese Fraser	SW	Meeting 6 December with Tony Graham and Elinor Cannon	Attend meeting 6 December	Offer
Heriot Watt	Rachel MacSween	SW	Ask for another presentation date for students/staff	Chase 23 November	Yes
Queen Margaret College	Rosaline Marshall	SW	Set up date for presentation	Chase 22 November	Yes
British Heart Foundation	Claire Shaw	SW	Presentation offered to members	Chase 23 November	Yes
Wee Entrepreneurs	Richard	SW	Presentation offered to members	Chase 23 November	Yes
Institute of chartered accountants	Michael Hunter	SW AM presenting	Lunchtime presentation booked 8 December	Presentation booked	Yes
Edinburgh University Transport Advisory Group	Angela Lewthwaite	SW	Presentation for campus offered, await dates	Chase for reply 22 November	Offer

Public sector schools		SW	<p>Presentations offered to 5/6 year students and all staff and parents:  Portobello  Currie  Leith  Castlebrae  Balerno.</p> <p>To be contacted:  Jame Gillespies  Broughton  Boroughmuir  Firrhill</p>	<p>Chase for reply 23 November:</p> <p>Portobello  Currie  Leith  Castlebrae  Balerno</p>	Offer
Independent schools		SW	<p>Loretto  Watsons  Mary Eiskines all held.</p> <p>Fettes  13 January presentation planned</p>	<p>Presentations offered to 5/6 year students and all staff and parents:</p> <p>Chase for reply 18 November:</p> <p>St Margarets</p> <p>Chase for reply 23 November:</p> <p>St Serfs  St Marys  St Georges  Merchiston  Heriots  Rulfolph Steiner</p>	Offer
Napier University	Joan Stringer	SW	Offered presentation options	<p>Wait for reply  Chase 23 November</p>	Offer

Edinburgh University	Fiona Simon	SW	Offered presentation options	Wait for reply Chase 24 November	Offer
Edinburgh Park Transport Advisory Group	Deborah	SW	Offered presentation or attendance at next meeting	Wait for reply Chase 24 November	Offer

Work to be progressed w/c 15 November

Stakeholder	Contact name	Who's responsible	Communication Medium	Next steps	Newsletter
Law Society of Scotland					
Social Inclusion Partnership					
Young peoples social inclusion partnership					
Retired residents					
Nursery & primary schools by area					
Communities					
CLG's					
Tourism					
Solicitors/Estate agents groups					
Scottish Financial Enterprise	Amanda Harvie				
Connect Scotland	Stephen Norris				





Agenda Item 8

**AOB**

**C = Commercially Confidential**  
**\* = Paper enclosed**