

Funding development of the Integrated Transport Initiative

Full Council

16 October 2003

Purpose of report

- 1 To seek authorisation for development of Integrated Transport Initiative proposals up to January 2004.

Main report

- 2 The 18 September meeting of the Council agreed a report which
 - a) updated the Council on development of the ITI since October 2002;
 - b) set out the framework for a revised Local Transport Strategy that will underpin the implementation of the ITI
 - c) set out a programme for taking forward the statutory Charging Order that is required to implement a congestion charging scheme as part of the ITI;
 - d) sought approval to initiate this programme by undertaking statutory and wider public consultation on a draft Charging Order starting in October this year.
- 3 The report noted that its recommendations would result in significant financial implications, as follows:
 - a) Most immediately, in respect of the information leaflet and preparatory legal costs related to a public inquiry
 - b) To take forward the necessary measures to ensure that the timetable for implementation can be met if all the necessary approvals of the scheme are given.In view of these implications the report recommended that a further report on financial issues be brought to members in October.
- 4 The report also noted that discussions were ongoing with the Scottish Executive with a view to securing the necessary additional funding.

ITI project budget changes for tie

- 5 The budget for ITI has been reviewed in detail following the further development work undertaken since the Approval in Principle was granted in December 2002. This was referred to in the report to Council in September 2003. The current budget is based on estimates made in Autumn 2002 and included in a bid for additional Scottish Executive funding which was agreed in September this year. This budget provides for total ITI development costs of £4.234m for the financial years 2000/1 – 2004/5.
- 6 The current review has identified two areas where further major costs are likely to be incurred in 2003/4. These are
 - a) Costs associated with the statutory procedures, in particular legal fees;
 - b) Procurement costs for the congestion charging operating system.

Legal and associated costs

- 7 The estimate of legal and other related costs (including publicity) associated with the statutory procedures was prepared before the appointment of legal advisers to tie, before the experience of the central Edinburgh traffic management scheme (CETM) public hearing and prior to legal advice in respect of consultation on the draft charging order. Following
 - a) a legal appointment and the development of a detailed programme for the statutory procedures,
 - b) legal advice that an extensive SESTRAN – wide consultation on the draft charging order should be undertaken (with significant cost implications) and
 - c) with the benefit of experience gained from CETMit is estimated that an additional spend of £600,000 should be allowed for in 2003/4 over and above the existing budget. Of this, it is estimated that £400,000 will be spent by the end of January 2004.
- 8 The increase is due to a number of factors. The key issues are the requirement to avoid challenge to the procedures adopted, which will have to be completed in a shorter timescale than would normally be expected for a project of this significance, and to ensure adequate preparation of the case for what is a complex and wide-ranging project. The first of these requires very widespread consultation and information distribution at an early stage, and administrative arrangements to minimise the public inquiry timescale. The second involves substantial preparatory work by legal advisers, including Counsel. Some additional technical work to provide back-up information is also likely to be necessary under this heading.

Procurement of charging system

- 9 In developing the original cost estimates for installation of the charging system, an assumption was made that a PPP approach would be adopted, with no cost liability beyond procurement advisory costs until after the congestion charging scheme was in operation. Procurement timescales and analysis of the implementation risks involved has led to an alternative recommended strategy that would require procurement to start in October 2003, with a detailed design and pilot stage during 2004, and full implementation in 2005/6.

- 10 This strategy will require expenditure on detailed system design and testing prior to implementation – indeed prior to the Council making a final decision on proceeding with the scheme following a referendum. Best current estimates are that the required additional spend in 2003/4 would be £560,000. Of this, an estimated £300,000 would be spent by the end of January.
- 11 Much of this expenditure would be incurred with any procurement approach – a PPP type contract would inevitably involve penalty clauses should the contract be cancelled prior to implementation. The route adopted includes direct payment for development work. Either approach will therefore involve the risk of abortive spending if the charging scheme does not receive final approval.

Overall position

- 12 In total, therefore, the additional requirement for ITI development in 2003/4 will be £1.16m of which it is estimated £700,000 will be spent by the end of January. Council expenditure to date on ITI development has been match funded (50:50) by the Scottish Executive on the basis of an agreement reached in 2001. It is anticipated that the Executive would be willing to extend this arrangement in respect of the additional funding set out in this report. The Scottish Executive has also indicated a willingness to allow the Council to utilise shortfalls in spending on other Executive funded transport projects to fund the SESTRAN – wide public consultation. A shortfall of at least this magnitude is likely on spending on development work related to the South Suburban Railway. Taking this point into account, the commitment from this Council would therefore be £500,000 in this financial year, of which £270,000 is expected to be spent by the end of January 2004.
- 13 The Council has received written notification from the Scottish Executive that funding up to £850,000 for immediate needs could reasonably be found from the shortfall in other public transport projects that the Executive has allocated resources to, this financial year (such as the tram preparatory work). This is subject to the need for formal amendment of the conditions of grant which has not yet been received and the need to make up the shortfall in those projects in the next financial year. Discussions are ongoing with the Scottish Executive with regard to this but members are reminded that previous commitments have been met on a fifty fifty basis with the Scottish Executive.
- 14 The sums identified in this report reflect the commitment required prior to any Council decision in January 2004 about the future of the congestion charging proposals. It should be noted that should Council decide at that time not to proceed further with the charging scheme there will be inescapable spending commitments made prior to January 2004 essential to progress the development of the ITI project to the agreed programme. These are not expected to exceed the full budget requirement for 2003/4, ie an additional £230,000 after allowing for Scottish Executive match funding. The position for 2004/5 and 2005/6 will be set out in the tie business plan for Council approval in January 2004.

Financial Implications

- 15 The financial implications of this report are summarised in paragraphs 12 to 14.

Recommendations

- 16 To approve the utilisation of £350,000 from resources allocated to public transport project by the Scottish Executive to meet the costs of developing congestion charging proposals up to the end of January 2004, recognising that in the event of the project being cancelled a further £230,000 may be required to meet necessary and inescapable commitments entered into prior to that date.



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9. 10. 03.

Appendices	None
Contact/tel	Phil Noble - 0131 469 3803
Wards affected	All
Background Papers	None