

Tie Limited Business Plan – 2005/06

The City of Edinburgh Council

2 June 2005

1 Purpose of report

All Council owned companies are routinely required to submit annual reports to receive Council approval for their business plans. The purpose of this report is to seek approval from the Council for the contents of a draft annual Business Plan by **tie** Ltd (formerly known as Transport Initiatives Edinburgh) for the financial year 2005/6.

2 Summary

- 2.1 **tie** is a private company wholly owned by the City of Edinburgh Council. The company was established by the Council to assist the development, procurement, project management and implementation of certain nominated projects as determined by the Council and which were contained in the Integrated Transport Initiative (ITI). In the past year **tie** have been developing or implementing seven major transport projects in Edinburgh. These were:- three tram schemes serving north, west and south east Edinburgh (designated Tram Lines 1 to 3 respectively); Edinburgh Fastlink (formerly entitled the West Edinburgh Busway Scheme – WEBS); Congestion Charging (now terminated); Ingliston Park and Ride; and the Edinburgh Airport Rail Link (EARL). The last project was channelled through the Council on behalf of the Scottish Executive and was supported by a direct grant of £5m. All the other projects formed part of the Council's Integrated Transport Initiative. **tie** currently has over £1bn of projects at various stages of development and implementation.
- 2.2 **tie** are also responsible for the SESTRAN 'One-Ticket' travel ticket scheme and the planning and procurement of the Stirling/Alloa/Kincardine railway project (SAK). The City of Edinburgh Council is not involved in SAK.
- 2.3 The recently revised operating agreement between CEC and **tie**, identifies the requirement for an annual business plan setting out the company's activities, costs and funding to be approved by the Council.
- 2.4 This report summarises the status of **tie**, and projects remitted to **tie**. The monitoring arrangements remain as reported to Council in last year's report on the Business Plan. Progress on the various projects is described and staffing and accommodation requirements to meet implementation targets are discussed. A summary of costs and funding is given before financial implications, conclusions and recommendations are presented.

- 2.5 All expenditure for the 2005/6 financial year apart from committed expenditure relating to the rundown of congestion charging is met from capital allocations.

3 Main report

tie

- 3.1 **tie** is a private limited company wholly owned by the City of Edinburgh Council, with a private sector majority board. The company was registered at Companies House in April 2002 and started operating in May 2002. The objectives of **tie** are defined in the Company's Memorandum of Association and relate to assisting the Council in developing and delivering its Integrated Transport Initiative (ITI).
- 3.2 Under the terms specified in the operating agreement between CEC and the Company, **tie** are required to submit a draft annual business plan for the following financial year which sets out the company's activities, costs and funding requirements. This plan requires the approval of the Council.
- 3.3 **tie** has submitted a draft Business Plan for financial year 2005/06. (Copies are available for inspection in party group rooms).
- 3.4 The Business Plan includes an overview of costs likely to accrue beyond 2005/06, based on current information. More accurate costings for these years will be provided in the future Business Plans.

tie Monitoring

- 3.5 In the Business Plan, **tie** once again confirms its commitment to high standards of corporate governance. To ensure these standards are maintained the Council has put several levels of monitoring in place. The detailed monitoring structure remains as reported to Council in April 2004 with regard to the annual Business Plan for 2004/05. However **tie** has recognised the need to enhance its financial accounting, monitoring and reporting processes and accordingly strengthened its procedures and its financial team.

tie Projects

- 3.6 As reported to the Council in April of 2004 **tie** has been directed to progress 6 major projects from its Integrated Transport Initiative. Progress on these projects is given below:
- a *Edinburgh Tram Lines 1 and 2* (serving the city centre and north Edinburgh and west Edinburgh respectively). **tie** report significant progress during financial year 2004-05. Two separate parliamentary committees began taking evidence in October requiring a substantial input from **tie** its advisers and Council staff. Both Bill Committees agreed their respective Draft Preliminary Stage reports early in 2005 with caveats regarding funding and the impact of Edinburgh Airport Rail Link on Tramline 2. These reports were subsequently approved by Parliament in February and March. **tie** have appointed a tram operator Transdev (who operate the Nottingham tram network) and have been working with them on detailed system design and bus / tram service integration issues. In the financial year 2005-2006 further substantial progress on Tram Lines 1 and 2 is planned. This will be the mainstay of **tie**'s activity on behalf of the Council. In the Business Plan **tie** present a list of tasks to be accomplished. These include the award of two major adviser contracts for the detailed design of the tram system and technical support to **tie** for the supervision and monitoring of the design, in addition to a contract for detailed revenue modelling. Significantly **tie** plan to have tender documentation prepared for the procurement of infrastructure and tram vehicles. Contracts for utility

diversions will ready to proceed after Royal Assent to Parliamentary Bills has been received. These, and several other important objectives, represent major strides towards implementation of the tram system.

This work can only be conducted if further funding is approved by both the Scottish Executive and the Council. **tie** is currently producing an Interim Outline Business Case (IOBC) for Edinburgh Tram Network. The Scottish Executive has stated that further funding will only be released when it is satisfied with the strategy outlined in the document. The Council has earmarked £1m in its Capital Investment Programme 2005/2008 and will make it available to **tie** on approval of the IOBC. A further report on the Tram IOBC will be presented to Council in due course.

- b *Congestion Charging Scheme* Work on the congestion charging scheme has been terminated following the referendum.
- c *Edinburgh Tram Line 3* work on Tram Line 3 has been wound down following notification by the Scottish Executive that it would no longer be able to fund the project's development. Planning safeguards remain.
- d *West Edinburgh Busway Scheme (WEBS)*. Construction of the off-street guideway and on street bus priority measures was completed in December 2004. Maintenance of the busway will be carried out, following contractor handover, from within existing revenue budgets.
- e *Ingliston Park and Ride A* design and build contract for the works was awarded in October 2004. It is envisaged that the site will become operational in July 2005, together with the Park and Ride site at Hermiston.

3.7. **tie** is also responsible for the 'One-Ticket' scheme and has been given a wider remit by the Scottish Executive for heavy rail schemes including the airport rail link. **tie** have overall responsibility for cost and programme management of the Stirling Alloa Clackmannan Kincardine (SAK) line. **tie** have also carried out work for the Forth Estuary Transport Authority (FETA).

3.8 *Edinburgh Airport Rail Link*. Technical Operational and Environmental feasibility studies for this project, which is wholly funded by the Scottish Executive are well underway. The studies are examining the provision of a new underground heavy rail link integrated into the existing rail network. The project is now programmed for Parliamentary submission at the end of May 2005.

This project is not part of the Council's Integrated Transport Initiative, and although supported by the Council, was not initiated by the Council. Instead the project was proposed by the Scottish Executive who sought to engage the project development and procurement expertise of **tie** by fully grant funding the project through the auspices of the City Council. Scottish Executive Grant was formally offered for the preparatory work on the project in October 2003.

The Scottish Executive are now seeking to reach an agreement with **tie** under which **tie** would act as promoters of the Private Parliamentary Bill and would fund **tie** directly. On 12 May 2005 the Council accepted the Director of City Development's recommendation to change the terms of the operating agreement between **tie** and the Council so enabling **tie** to promote EARL.

3.9 SESTRAN 'One-Ticket' travel ticket scheme. This project provides a travel ticket scheme throughout the SESTRAN area.

Staff and Accommodation

Staffing

3.10 Details of the current staffing levels together with proposals for the coming financial year are set out in the Business Plan, which includes a full staff organisation chart.

3.11 There are currently 33 employed posts in **tie** augmented by substantial consulting and seconded resources. There will be a further increase in activity in the coming financial year within **tie** as the major projects in their portfolio are progressed. To cope with this increased workload **tie** propose to increase the staff complement to about 49 members. **tie** reports more intensive financial control and reporting and will introduce additional posts in this discipline reflecting increased workload.

New Office Accommodation

3.12 The company moved out of serviced offices to occupy standard leased office accommodation at Haymarket Yards in July 2004. The new accommodation is sufficiently large to accommodate planned staff increases.

Costs

3.13 The Business Plan provides a series of tables summarising past and forecast expenditure on internal staff project costs, external project costs and overheads. Forecast costs include expected out-turns for financial year 2004/05, planned costs for 2005/06 and projected costs beyond that financial year.

3.14 The table below compares the budgeted and out-turn expenditures for financial years 2003 through to 2005. In financial year 2003-04 there was a significant overall underspend, principally related to progress on WEBS.

3.15 In overall terms the underspend against original business plan was substantially smaller in 2004-05 compared to 2003-04. However the budgeted figure for 2004/05 did not include expenditure for Stirling Alloa Clackmannan Rail Link nor the additional expenditure on the development of infrastructure proposals for trams. In addition the tram infrastructure development work was accelerated following the offer of an additional £4m of grant from the Scottish Executive in October 2004.

3.16 Summary of Budgeted and Out-turn Expenditures

Project	2003-04		2004-05	
	Budget	Out-turn	Budget	Out-turn
Congestion Charging Development	£1610,788	£1,709,657	£1,731,213	£1,515,379
Congestion Charging Procurement	0	£694,159	£2,048,701	£1,917,311
WEBS	£6,286,558	£1,846,282	£7,623,094	£8,082,664
Tram Line 1	£3,072,318	£3,553,649	£1,072,763	£1,548,741
Tram Line 2	£2,921,555	£2,290,615	£1,838,360	£1,236,050
Tram Line 3	£1,167,914	£790,628	£1,983,989	£1,571,910
CC/Trams Post Bill Submission	0	0	£0	£0
Trams DPOF	0	£534,000	£1,044,113	£1,289,376
Trams InfraCo	0	0	£270,000	£1,269,316
EARL	0	0	0	0
EARL – Post Bill Submission	£22,998	£721,206	£4,255,796	£3,207,895
SAK	0	0	£156,357	£161,837
FETA	0	0	0	£24,039
Ingliston Park and Ride	0	£106,417	£2,469,465	£1,432,920
“One Ticket”	0	£36,345	£49,982	£22,386
Total Expenditure	£15,082,131.00	£12,282,958.00	£24,387,476	£23,255,785.00

Note: DPOF: Development Partnership and Operating Franchise
 InfraCo: Infrastructure Consortium

3.17 The following table summarises the anticipated expenditure and additional funding requirements of **tie** Ltd for the financial year 2005-06 as set out in the Annual Business Plan.

Project	Budgeted Spend	Additional Funding Required from CEC	Additional Funding Required from SE
WEBS	£262,945	£85,984	£0
Tram Line 1	£1,786,755	£0	£1,660,490
Tram Line 2	£1,577,594	£0	£1,356,270
Tram Line 3	£134,222	£0	£0
Trams Implementation and Procurement	£21,872,843	£1,000,000	£18,423,890,
EARL	£5,557,074	£0	£4,509,172
SAK	£229,676	£0	£229,676
Ingliston Park and Ride	£1,036,619	£0	£0
FETA	£80,412	£0	£0
"One Ticket"	£75,912	£0	£0
Total Expenditure	£32,614,052	£1,085,984	£26,179,498

4 Financial Implications

- 4.1 Additional funding requirements from the Scottish Executive totalling £21,441,000, for the tram, have been identified. Following approval of the IOBC it is anticipated this sum would be drawn from the £375m promised by Scottish Ministers for the Edinburgh Tram schemes. £1m has been identified in the Council CIP for the development of the tram network and can be released on approval of the IOBC.
- 4.2 It is anticipated that the Edinburgh Airport Rail Link project will be financed directly by the Scottish Executive.
- 4.3 Additional Council funding is required for Edinburgh Fastlink (WEBS). The Fastlink funding is required for the maintenance of the guideway and can be met from the Council Road Maintenance revenue budget.

5 Conclusions

- 5.1 **tie**'s operation as an arm's length company has seen significant developments in the period since the last Business Plan was reported to Council. The present plan represents a significant change in emphasis in the development of the major transport projects under **tie**'s control as these projects move from development to the final design and implementation stages. **tie** is proposing a further major increase in in-house resources to cater for these demands.
- 5.2 The coming year will see an intensification of activity and a commensurate effort will be required from the Council's own staff to ensure a successful outcome for all **tie** projects.

6 Recommendations

- 6.1 To approve the **tie** Business Plan, for the financial year 2005-06, subject to any expenditure in excess of the **tie** projected out-turn for 2004-05 being contained within the **tie** 2005-06 budget, and subject to the award of grant from the Scottish Executive to meet the additional funding required.



Andrew Holmes
Director of City Development

26.5.05

Appendices	None
Contact/tel	Ewan D Kennedy - 0131 469 3575 Lex Harrison - 0131 469 3688
Wards affected	All Wards
Background Papers	tie Ltd Business Plan – 2005/06