

Governance, Risk and Best Value Committee

10.00am, Thursday, 3 April 2014

Edinburgh Tram Project Update – April 2014

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|---------------|-----|
| Item number | 8.2 |
| Report number | |
| Wards | All |

Links

| | |
|--------------------------|--------------------------------|
| Coalition pledges | P18 |
| Council outcomes | CO7, CO8, CO22 |
| Single Outcome Agreement | SO1 |

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Executive summary

Edinburgh Tram Project Update – April 2014

Summary

This quarterly report to the Governance, Risk and Best Value Committee by the Chief Executive is expected to be the last made before the client target date for revenue service is achieved.

The governance structure created and installed following the March 2011 Mar Hall agreement and the Settlement Agreement signed in September 2011 continues to be utilised and works well.

The working relationship with the Contractors is good and is evidenced by the progress made in maintaining the Client Target Programme completion of May 2014, ahead of the contract programme date of July 2014.

The project remains within the revised budget of £776 million.

Recommendations

The Governance, Risk and Best Value Committee is asked to note:

1. the effectiveness of the project governance arrangements;
2. the completion of the Constructor's work on 14 March 2014 and the progression to testing and timetable running on 17 March 2014, led by Edinburgh Trams, the Operator;
3. the budget, completion of final account and financial close; and
4. the proposed demobilisation of the tram project offices and the creation of a project file library.

Measures of success

Delivery of the project within the revised programme and budget.

Financial impact

The projected financial implications remain as reported to and agreed by the Council in August and September 2011.

Equalities impact

There is an ongoing full equalities impact assessment being undertaken in relation to the Edinburgh Tram project to ensure that as implementation progresses the equalities impact assessment is maintained.

Sustainability impact

As part of a broader sustainable transport strategy within the city it is anticipated that the tram will make a positive overall contribution to the environment by encouraging model shift from private vehicles to public transport and mitigating the impacts of population growth and commuter and visitor generated traffic.

Consultation and engagement

There is a substantial commitment to consultation and engagement through the project implementation team, in conjunction with the Convenor and local elected members. There are however no consultation or engagement requirements arising as a result of this report.

Background reading / external references

[Edinburgh Tram Project](#) – report to Council, 25 August 2011

[Edinburgh Tram Project](#) – report to Council, 2 September 2011

[Edinburgh Tram Project Update](#) – report to Council, 26 September 2013

[Edinburgh Tram Project Update](#) – report to Council, 13 March 2014

Edinburgh Tram Project Update

1. Background

- 1.1 The purpose of this report is to update the Governance, Risk and Best Value Committee on the Edinburgh Tram Project. The report covers the period from 14 November 2013 to April 2014. Financial information is reported to the end of period 12 2013/14.
- 1.2 The cost of work done on the project to period 12 is £769.5m against the revised budget of £776m, consisting of a base budget of £742m and a risk allowance of £34m. The risk draw down now stands at £33.5m, which is a movement of £0.5m since the last report.

2. Main report

General

- 2.1 The purpose of this report is to advise Committee on the updated financial and governance information for the project.

Governance arrangements

- 2.2 The governance arrangements, adjusted to provide for the project stage moving from construction to testing and commissioning and to shadow running, are bedded in and working well. The project control input from the City of Edinburgh Council (CEC) remains as before, with greater involvement from Edinburgh Trams, the Operator, working with the Contractor's maintenance teams and safety verification procedures.
- 2.3 The regime of governance and control has been held in place, with the Senior Responsible Officer (SRO) reporting to the Tram Senior Management Team (SMT) and the Chief Executive of CEC, the project owner, on a twice weekly basis on a Tuesday and Thursday. This regime is to ensure that the interdependencies between finishing construction, testing and commissioning and the Operator's shadow running are managed in an efficient fashion.
- 2.4 There have been no items of dispute in the period covered by this report. There continues to be no challenge to any rulings made by the Independent Certifier which would otherwise have required escalation to the Joint Project Forum.

Programme

- 2.5 The tram project is being delivered in line with the client target programme (“Client Target Programme”). The Client Target Programme takes account of all project workstreams – see the attached Client Target milestones (Appendix 1).
- 2.6 Matters of programme and risk have moved from the process of site handover and completing testing/commissioning to seeking agreement with other parties who are key to ensuring safe working and travel, e.g. the Independent Competent Person and the emergency services.
- 2.7 The Thursday Tram SMT meeting has now reformed to the Tram Transition Board and been augmented by representatives from the CEC Tram operations/work permit teams and from the Operator, who participate in the detail to achieve the earliest possible revenue service date.
- 2.8 The City of Edinburgh Council has instigated an additional senior and mid management meeting involving operational personnel, the purpose being two fold: (i) to ensure that strategic and operational requirements between the operator and the contractors fit, e.g. availability of resources, access to track safe working, etc; and (ii) to lay the foundations of working relationships when operating the maintenance arrangements with the Tram in full operation. Programme and risk management continues to be dealt with at the weekly CEC/Infraco directors’ and Turner & Townsend look ahead meeting, the Tram Transition Board and the Testing and Commissioning control meeting.
- 2.9 As at March 2014 all Client Targets have been met.
- 2.10 Remaining key risks are inclement weather; securing the Independent Competent Person’s “letter of no objection”; integration between the Operator and the System Maintenance Contractor’s systems and requirements; and safety management compliance.

Final Account Strategy

- 2.11 The final account strategy is the result of an undertaking noted in the Council report of 28 August 2011 under the heading “Finalising the Outcome”.
- 2.12 Throughout the project CEC has sought to have measurements and values agreed as the work proceeds.
- 2.13 In October 2012, Infraco and CAF agreed to endeavour to work to a Final Account settlement within three months of project completion. The template and supporting details were confirmed at a Principals Forum meeting held in August 2013 and we are presently on target to have an early Final Account settlement in Summer 2014.

Project File – Demobilisation

- 2.14 It is the agreed target with Infraco to have the Tram Project site office demobilised no later than 31 July 2014. The site offices are in good condition and have useful life left. To that end, it has been agreed that CEC will take ownership of the office for their use in return for a consideration of £1.
- 2.15 The project continues to be directed to reduce resources as workload changes and diminishes to a point of complete demobilisation.
- 2.16 CEC has set out a strategy to capture the knowledge, experience and lessons learnt pre and post mediation. This detailed analysis and file is drawing knowledge from those involved before, as is the nature of this work, the project personnel are redeployed throughout Europe and beyond. This legacy file should be considered the “go to” file for any future consideration of works for, on or near tram routes.

Finance

- 2.17 The tram project remains in line with the revised budget of £776m, consisting of the base budget of £742m and a risk allowance of £34m, as approved by Council in September 2011.
- 2.18 The cost of work done on the project to the end of period 12 of financial year 2013/14 was £769.5m.
- 2.19 In the period since mediation, cost of work done is £291.5m compared to pre-mediation costs of £478m.
- 2.20 The sum drawn down against the risk budget of £34m, for approved changes as at period 12 of financial year 2013/14 is £33.5m.
- 2.21 The most significant reasons for risk contingency drawdown to date are as follows:
 - 2.22 (i) utility diversions - £18.1m of the amount drawn down to date relates to the net effect of undertaking these diversions; and
 - 2.23 (ii) Infraco works - £14.6m of the amount drawn down relates to the net effect of change relating to the Infraco works.
- 2.24 In relation to item 2.22 (i): utility diversions are complete. Of the amount drawn down, £13.5m relates to the costs associated with the main diversions and drainage works. £1.9m relates to the rework of legacy items resulting from the initial diversion works by tie Ltd. There have also been costs associated with resource from Scottish Utility Companies, primarily Scottish Water, which has resulted in an additional cost of £2.7m.

2.25 In relation to item 2.22 (ii): the cost of the Edinburgh Gateway works, currently standing at £3.4m, are subject to additional grant funding from Transport Scotland. In addition, there is a cost of £6.2m associated with the value engineering initiative undertaken from November 2011. This initiative re-sequenced the work activities which have delivered the current programme benefits and mitigated against elongated preliminaries associated with utility diversions. The remainder of the drawdown relates to design and scope changes.

3. Recommendations

3.1 The Governance, Risk and Best Value Committee is asked to note:

3.1.1 the effectiveness of the project governance arrangements;

3.1.2 the completion of the Constructor's work on 14 March 2014 and the progression to testing and timetable running on 17 March 2014, led by Edinburgh Trams, the Operator;

3.1.3 the budget, completion of final account and financial close; and

3.1.4 the proposed demobilisation of the tram project offices and the creation of a project file library.

Sue Bruce

Chief Executive

Links

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|---------------------------------|--|
| Coalition pledges | P18 - Complete the tram project in accordance with current plans |
| Council outcomes | CO7 - Edinburgh draws new investment in development and regeneration CO8 - Edinburgh's economy creates and sustains job opportunities CO22 - Moving efficiently – Edinburgh has a transport system that improves connectivity and is green, healthy and accessible |
| Single Outcome Agreement | SO1 - Edinburgh's Economy Delivers increased investment, jobs and opportunities for all |
| Appendices | Appendix 1 - Client Target Milestones Appendix 2 – Cost Summary as at 2013/14 Period 12 |

Works Milestones from Client Target Programme

| Works Package | Date of Handover | Delivered on or ahead of Time |
|--|--------------------------------|--------------------------------------|
| Section A Depot | 16 th December 2011 | ✓ |
| Section B Airport to Depot | 8 th March 2013 | ✓ |
| Section B ₁ Airport to Edinburgh Park Heavy Rail | 20 th December 2013 | ✓ |
| Section C Airport to York Place | 8 th March 2014 | ✓ |
| Section D Completion of Shadow Running and Release of Independent Competent “Letter of No Objection” Commencement of service | May 2014 | |

Appendix 2 – Cost Summary as at 2013/14 Period 12

| Cost headings | Cost heading notes | Cost prior to Settlement Agreement £'m | Budget pre Settlement (tie Ltd figures) £m | Budget post Settlement Agreement £'m | COWD since Settlement £m | COWD to Date - Period 6 £m | COWD to Date - Period 12 £m | Movement in reporting period £m | Notes | |
|---|--------------------|---|---|---|-----------------------------|-------------------------------|--------------------------------|------------------------------------|---|-------|
| Project Costs | | | | | | | | | | |
| On street infrastructure | | | | | | | | | | |
| Bilfinger Berger | | | £65.34 | £38.80 | £44.39 | £39.28 | £44.39 | £5.11 | £6.6m COWD drawn down against contingency. Most of this relates to the value engineering initiative. The remainder relates to on street scope change. | |
| Siemens | | | | | | | | | | |
| On street infrastructure - pre settlement | | £9.50 | | £0.00 | £0.00 | £9.50 | £9.50 | £0.00 | | |
| Other | | £0.00 | £0.00 | £0.00 | £1.44 | £1.44 | £1.44 | | | |
| TOTAL ON STREET | 1 | £9.50 | £65.34 | £38.80 | £45.83 | £50.22 | £55.33 | £5.11 | | |
| Off street infrastructure | | | | | | | | | | |
| Bilfinger Berger | | | £72.63 | £130.71 | £81.82 | £107.44 | £113.06 | £5.62 | £3.4m drawn down against contingency for Edinburgh Gateway - funded by Transport Scotland | |
| Siemens | | £31.24 | | | | | | | | |
| Other | | £18.53 | £0.00 | £18.09 | £0.43 | £18.79 | £18.96 | £0.17 | | |
| TOTAL OFF STREET | | £49.77 | £72.63 | £148.80 | £82.25 | £126.23 | £132.02 | £5.79 | | |
| Other Infracore | | | | | | | | | | |
| Bilfinger Berger | | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | | |
| Siemens | | £0.27 | £0.00 | £3.20 | £0.94 | £1.21 | £1.21 | £0.00 | | |
| Settlement of claims & contract de-risk | | £49.00 | £0.00 | £131.00 | £82.00 | £131.00 | £131.00 | £0.00 | | |
| System wide | | £98.35 | £121.93 | £98.35 | £0.00 | £98.35 | £98.35 | £0.00 | | |
| TOTAL | | £147.62 | £121.93 | £232.55 | £82.94 | £230.56 | £230.56 | £0.00 | | |
| Utilities | | | | | | | | | | |
| MUDFA | | £57.25 | £65.70 | £57.25 | £0.00 | £57.25 | £57.25 | £0.00 | £18.087m has been drawn down for utilities, the COWD of which is allocation against the contingency draw down line. | |
| Post Settlement Agreement | | £0.00 | | | £2.91 | £2.98 | £2.91 | £2.98 | | |
| Other | | £26.17 | | £27.43 | £-0.42 | £25.87 | £25.75 | £-0.12 | | |
| TOTAL | | £83.42 | £65.70 | £87.59 | £2.56 | £86.03 | £85.98 | £-0.05 | | |
| Vehicles | | | | | | | | | | |
| Construction/Fabrication | | £23.45 | £58.20 | £62.40 | £0.00 | £23.45 | £23.44 | £0.00 | | |
| Vehicle design | | £2.75 | | | | | £0.00 | £2.75 | £2.75 | £0.00 |
| Manuals, special tools and spare parts | | £4.40 | | | | | £0.55 | £4.95 | £4.95 | £0.00 |
| Delivery of trams | | £4.51 | | | | | £0.00 | £4.51 | £4.51 | £0.00 |
| Other | | £12.78 | | | | | £14.94 | £27.13 | £27.72 | £0.59 |
| TOTAL | | £47.90 | £58.20 | £62.40 | £15.49 | £62.79 | £63.38 | £0.59 | | |

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|---|---------------------------|---|--|---|------------------------------|--------------------------------|--------------------------------|-------------------------------------|--------------|
| Project Management | | | | | | | | | |
| Management & Supervision | 2 | £52.68 | | £60.96 | £18.51 | £68.19 | £71.19 | £3.00 | |
| Insurance | | £4.05 | £87.77 | £4.84 | £1.89 | £5.64 | £5.94 | £0.30 | |
| Accommodation, And Support Costs | 3 | £12.47 | | £17.31 | £1.81 | £14.05 | £14.28 | £0.23 | |
| TOTAL | | £69.20 | £87.77 | £83.11 | £22.21 | £87.88 | £91.41 | £3.53 | |
| Cost headings | Cost heading notes | Cost prior to Settlement Agreement | Budget pre Settlement (tie Ltd figures) | Budget post Settlement Agreement | COWD since Settlement | COWD to Date - Period 6 | COWD to Date - Period 6 | Movement in reporting period | Notes |
| Land, Property & other costs | 4 | £28.85 | £20.30 | £36.05 | £1.00 | £34.53 | £29.85 | £-4.68 | |
| Readiness for Operations | | | | | | | | | |
| Transdev and Edinburgh Trams staff | | £2.83 | | | £2.37 | £6.30 | £5.20 | £-1.10 | |
| Lothian Buses recharges and other costs | | £2.43 | £5.57 | £12.07 | £-0.38 | £2.99 | £2.04 | £-0.95 | |
| Ticketing machines | | £0.14 | | | £1.20 | £0.81 | £1.34 | £0.53 | |
| Others | | £0.09 | | | £0.49 | £0.32 | £0.58 | £0.26 | |
| TOTAL | | £5.50 | £5.57 | £12.07 | £3.66 | £10.43 | £9.16 | £-1.26 | |
| Comms & Stakeholder | | | | | | | | | |
| External comms & media | 5 | £2.20 | | | £0.51 | £2.69 | £2.71 | £0.02 | |
| Stakeholder | | £0.76 | £2.96 | £4.36 | £0.08 | £0.84 | £0.84 | £0.00 | |
| TOTAL | | £2.96 | £2.96 | £4.36 | £0.59 | £3.53 | £3.55 | £0.02 | |
| Design | | £27.18 | £34.20 | £29.05 | £-0.49 | £26.69 | £26.69 | £0.00 | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| Legal | | | | | | | | | |
| DLA | | £3.50 | | | £0.00 | £3.50 | £3.50 | £0.00 | |
| Post Mediation | | £0.00 | £6.11 | £7.22 | £2.14 | £1.87 | £2.14 | £0.27 | |
| Other | | £2.87 | | | £-0.40 | £2.43 | £2.47 | £0.04 | |
| TOTAL | | £6.37 | £6.11 | £7.22 | £1.74 | £7.80 | £8.11 | £0.31 | |
| | | | | | | | | | |
| Contingency | | £0.00 | £4.30 | £34.00 | £33.50 | £33.28 | £33.50 | £0.22 | |
| TOTAL | | £478.27 | £545.00 | £776.00 | £291.28 | £759.98 | £769.55 | £9.57 | |

Additional cost heading information

1. It should be noted that the cost of the on-street section does not include the utility costs. These are captured in a stand alone line item.

2. Management & Supervision includes;
 Project management Staff Costs
 Short Term Contractors
 Archaeology
 DRP Costs
 Tax Planning / Governance Costs (Non DLA)
 Technical Services
 Land agreement/negotiations

CEC staff costs
TSS Second to CEC-Approvals support
T&T Costs

3. Accomodation and Support Costs;

Recruitment Fees
Travel & Subsistence / Conference
Central Overheads
IT & Software Costs
Citypoint - rent,rates,s/c
City Point Overheads

4. Land, Property and other costs;

Integrated Transport Model
Surveys
Consultancy
Network Rail - FDA Work Contract 1
Network Rail - Basic Implementation Agreement
Network Rail - Asset Protection Agreement
Advisors
Advance Purchases of land
Haymarket station compensation
TRO's - Technical
Financial Consultancy
Commercial advice

5. Comms and Stakeholder

Fees
Tram branding
PR Support
Business development and marketing
Media monitoring
Promotional materials
Websites
Advertising
Internal communications
Communication consultancy services
Public Information
External Resources
S/H – Wider Community Consultations
S/H – Events
S/H – Open for Business
S/H – Communications - MUDFA
S/H – Communications - Infracore