

Item 4.2 - Minutes

Additional Transport and Environment Committee

2.00 pm, Monday 4 September 2017

Present:

Councillors Macinnes (Convener), Doran (Vice-Convener), Arthur, Barrie, Booth, Bruce, Burgess, Kate Campbell (substituting for Councillor Key), Cook, Douglas and Gloyer.

1. **Edinburgh Tram – York Place to Newhaven – Updated Business Case**

1.1 Deputation – Leith Central Community Council

The Committee agreed to hear a deputation from Harald Tobermann and Charlotte Encombe from Leith Central Community Council in relation to the Edinburgh Tram – York Place to Newhaven – Updated Business Case.

The deputation made the following points:

- Leith Walk had already seen 10 years of construction works.
- The updated outline business case being considered should take the impact on the area of a further five years of construction into account.
- Contrary to the statement in the report, Leith Walk ward residents had the highest employment rate in Edinburgh, backed by qualifications well above the average for Edinburgh.
- The Leith Walk area was the most densely populated area in Scotland and should therefore benefit from commensurately intense services.
- The Leith Walk area had comparatively low car ownership which meant that people relied on decent pavements, reliable public transport and shops within walking distance.
- The history of the tram works in Edinburgh demonstrated their adverse impact.
- The Committee should acknowledge the importance of giving serious consideration to the health and quality of life of the residents of the most densely populated area in Scotland.

- The Committee should therefore give the City more time to review the business case and interrogate its many assumptions by requesting an updated report to address the many concerns.

The Convener thanked the deputation for their presentation and invited them to remain for Committee's consideration of the report by the Executive Director of Place.

1.2 Councillor Joanna Mowat, Ward Member

Councillor Mowat thanked the Committee for giving her the opportunity to address them. The following points were raised:

- Councillor Mowat acknowledged that the Committee had a very difficult decision to make and many of the councillors had not been through the previous process of the letting of the tram contract. If the Committee approved Stage 2, then they were moving to the next stage of letting the contract and this was a process that would be difficult to stop.
- The report understated the risks in moving to Stage 2 of the project and £2m of public money might be wasted in the process.
- Concerns were raised regarding the outcome of Lord Hardie's inquiry and that that the timetable was designed so that the project would proceed before the findings were made known and that this could derail the project.
- There was the risk of political uncertainty. The exit from the European Union might mean additional inflation, uncertainty about bids for the tramline and uncertainty about contractual arrangements. The Committee would be to blame if it failed to factor this in to the letting of the contract. There should be an increased risk allowance, but there was no evidence of this.
- Concerns were raised that the £7.4 m figure for development was realistic. The land originally allocated for housing was no longer available, there was uncertainty about how much land was available close to the tram and where the contributions would come from.
- Implementing the first stage of the tram project had been a "bruising" experience for elected members and they did not receive all the information during that process. The Committee should ensure that there was no recurrence of this.

The Convener thanked Councillor Mowat for her presentation and invited her to remain for Committee's consideration of the report by the Executive Director of Place.

1.3 Presentation by the Project Director.

Rob Leech (Project Director) gave a presentation on behalf of the Tram Project on the Edinburgh Tram – York Place to Newhaven, which included the following themes:

- Edinburgh as a growing city
- "Why do Leith & Newhaven need a tram"
- OBC Introduction
- The Strategic Case
- Capital Cost
- Financial Modelling Assumptions
- Financial Modelling Outputs
- The Commercial Case
- Way Forward
- Timeline for Project

The Convener thanked the officers for their presentation and invited questions from members.

1.4 Report by the Executive Director of Place

The Committee considered a report by the Executive Director of Place on the updated Outline Business Case for the Edinburgh Tram York Place to Newhaven project. The report has been referred to the City of Edinburgh Council for approval to commence Stage 2 activities of the project.

In December 2015, the Council approved in principle the option of completing the existing tram line to Newhaven, and approved the commencement of Stage 1 activities. A commitment was made to update and refine the project financials during Stage 1, and to bring a report back to Council by summer 2017 recommending a way forward.

The Outline Business Case included at Appendix 1 of the report had been prepared in accordance with Transport Scotland Guidance, which implemented the business case development process set out in Office of Government Commerce and HM Treasury guidance. The updated Outline Business Case built on the work done for the Outline Business Case reported to Council in November 2015. The work to update the Outline Business Case was overseen by the cross-party Transport Projects Working Group, in conjunction with an officer led Project Board to monitor progress and the approved project budget for Stage 1.

A Public inquiry led by the Right Honourable the Lord Hardie was underway into the original Edinburgh Trams project. The inquiry aimed to establish why the project incurred delays, cost more than originally budgeted and through reductions in scope delivered significantly less than projected. Oral hearings were expected to commence in September 2017, and these would be followed by a final report that would make recommendations as to how major tram and light rail infrastructure projects of a similar nature might avoid such failures in the future.

The Outline Business Case recommended that a gateway approval process was put in place to ensure all recommendations from the Edinburgh Tram Inquiry would be incorporated into the project plans and governance arrangements before contracts for the main construction works were signed.

Motion

- 1) To note the findings and recommendations set out in the Updated Outline Business Case.
- 2) To note the estimated costs for Stage 2 of the project up to the award of the main contract was £2 million and this could be funded through the Council's Strategic Priorities' Fund.
- 3) To agree in principle the commencement of Stage 2 activities, subject to Council approval, which would keep the project on programme and:
 - (a) Allow affordability to be tested based on tender prices.
 - (b) Provide a further 12 months of evidence of tram patronage build up.
 - (c) Allow the recommendations of the Edinburgh Tram Inquiry to be incorporated into the project plans and governance arrangements through a gateway approval process, before contracts for the main construction works were signed.
 - (d) Allow the project to develop options for financing the funding gap in the worst- case sensitivity case.
- 4) To agree that, prior to any contracts for the main construction works being signed, they would be reviewed by an independent assessor from outwith the City of Edinburgh Council and further approvals would then be sought.
- 5) To note the decision of Full Council on 29 June 2017 that the design of an future tram line extension would reflect the Council's policies to prioritise pedestrian and cyclist safety and convenience, including consideration of segregated cycle lanes, and therefore agrees to consult with key stakeholders including pedestrian and cycle groups in developing detailed plans for the extension to Newhaven.
- 6) To note that prior to implementing any traffic management, all proposals would be full modelled in consultation with Lothian Buses, the emergency services, businesses, residents and elected members.

- 7) To note that a compensation support scheme for businesses along the route would be put in place prior to any works commencing.
- 8) To note that significant new housing developments around the city would have a significant impact on Edinburgh's Local Transport Strategy and that the Tram Project must be linked to the broader transport requirements across the city.
- 9) To refer the report to Council to approve the commencement of Stage 2 activities at its meeting on 21 September 2017.
 - moved by Councillor Macinnes, seconded by Councillor Doran

Amendment

- 1) To note the contents of the report.
- 2) To note with regret that the Updated Outline Business Case had not changed fundamentally from proposals considered by Council at several junctures in 2015.
- 3) To agree to take no action due to that fact the proposals continued to:
 - Expose the Council to a high degree of financial and reputational risk.
 - Present poor value and failed to constitute prudent use of taxpayers' money, particularly at a time of continued public sector funding pressures.
 - Rely too heavily on a wide variety of assumptions.
 - Proceed prior to publication of the full findings of the Hardie Inquiry into what went so badly awry with the previous project; considered the proposals presented in respect of the Inquiry findings to be presumptive and wholly inadequate to ensure lessons were learned meaningfully and comprehensively.
 - Impact negatively upon Lothian Buses and remained likely to lead to higher fares for passengers.
 - Moved by Councillor Cook, seconded by Councillor Douglas

Voting

The voting was as follows:

For the motion - 8

For the amendment - 3

(For the motion: Councillors Arthur, Barrie, Booth, Burgess, Kate Campbell (substituting for Councillor Key), Doran Gloyer and Macinnes.)

For the amendment: Councillors Bruce, Cook and Douglas.)

Decision

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- 3) To agree in principle the commencement of Stage 2 activities, subject to Council approval, which would keep the project on programme and:
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(References – Act of Council (No. 5) 10 December 2015 and Act of Council (No. 4), 29 June 2017; report by the Executive Director of Place, submitted)

Declarations of Interest

Councillors Booth, Doran and Macinnes declared non-financial interests in the above item as Directors of Transport for Edinburgh.