

Joint Tram Project Board and **tie** Board

17 December 2008

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Agenda

| | |
|--|-------------------|
| Minutes and Matters Arising | D Mackay |
| Overview | Steven Bell |
| Governance matters | Graeme Bissett |
| HSQE | Steven Bell |
| Project Delivery | Steven Bell |
| – Princes Street programme | |
| – MUDFA – programme & commercials | |
| – InfraCo programme & commercial issues | |
| – Other key areas | |
| – Christmas embargo & January 2009 readiness | |
| Finance | Stewart McGarrity |
| Network Extensions | Stewart McGarrity |
| Change Control | Steven Bell |
| Risk Management | Steven Bell |

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Overview

- Overall fair progress in some areas but some difficult challenges hampering full production, particularly in;
- Carillion performance improved and way forward to reaching commercial agreement resolved 16.12.08.
- CAF programme progressing well
- InfraCo programme and commercial negotiations proving very challenging.
- Princes Street planning co-ordinated and well advanced.

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Overview (continued)

- Readiness for both enhanced Christmas embargo closed down as planned and January 09 programme start up under detailed focus (on programme).
- 1 RIDDOR accident but action in progress.
- Definition of Gogar Interchange proposed Change expected to be issued in January.

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Governance (1) Options

- Review of the most effective and efficient governance model is underway – there are broadly three options :
- Retain TEL structure but transfer all trade, assets and contracts from tie to TEL, leaving tie dormant
- Establish tie as main entity, transfer trade, assets and contracts from TEL to tie, leaving TEL dormant ; possibly change tie name to TEL or a “New TEL” name
- Establish a Newco to hold shares in both tie and TEL
- In all cases, the shares of Lothian buses plc will be transferred into ownership within this sub-group, as has been the anticipation for some time.
- Option 1 creates the least overt change, but causes the maximum legal and contractual disruption. Option 2 minimises disruption but involves more sensitive communications issues. Option 3 does not obviously create a better structure, but would be the least disruptive.

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Governance (2)

Issues for review and responsibilities

- To assess all aspects of the decision, the following issues require to be addressed – responsibilities are suggested for leading each area in collaboration with others in the family.
- Contractual obligations of the existing entities, TUPE and Council guarantees (tie - GB)
- Decision-making clarity, Board composition and responsibilities in all entities (All – GB to provide bases for discussion)
- Tram monitoring Officer role (CEC)
- Communications implications (CEC)
- Impact on current tax planning (tie – GB)
- Competition Law and State Aid considerations (tie – GB)
- Transport Act 1985 considerations (tie – GB)
- Terms of the Grant Award Letter (tie – SMcG)
- LB share transfer and position of LB minority shareholders (CEC)
- Health & Safety obligations (tie - GB)
- Constitutional documents – Memorandum and Articles of Association for each entity, Operating Agreements (CEC, with approval by company Boards)
- HR, employment and people issues

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Governance (3) TPB Sub-Committees

- Attached paper sets out position of :
- Traffic Management Peer Group – need to assess how this fits with Council's objectives
- Finance commercial and Legal Sub-committee – TPB asked to approve establishment, remit and initial composition
- Communications sub-committee – for discussion as to appropriate mechanism and governance model

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HSQE



- 1 'Major' reportable accident. An office worker for BSC slipped on the internal staircase at the consortium office in Edinburgh Park
- The AFR for the annual rolling period is now **0.29** which is above the target of **0.24**. It is still possible to achieve the target by period 13
- MUDFA service damage frequency reduced but increased for Infraco for the period. However, the total number of strikes for the 13 periods continues to climb
- There was a meeting held with the Health and Safety Executive on the 3rd of December. During the meeting the HSE expressed their concern with the lack of progress from CUS and BSC on Occupational Health Management.
- 100% of planned Health and Safety inspections/tours were achieved in period 9 which is an increase on last period; and has achieved the target of **100%**.

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Project Delivery (1) Utilities works

- Completion scheduled for end-April 2009 in line with current programme 7.09 with risk items at the Mound and Lothian Road.
- General progress is slower than programmed, impeded by embargo close down and Manor Place deferment.
- Mound Works gas solution proposed to SGN for review and approval.
- Significant challenges at Lothian Road to integrate with traffic management and InfraCo but integrated option now emerging. Trial holes integrated 05.01.09.
- Commercial negotiation has progressed robustly but painstakingly – resolution proposed within risk contingency and authority is sought from TPB to conclude provided the final draft is acceptable. Final review with CUS on 16.12.08.
- Reinstatement works have a remedial plan underway but still require further close out with CEC technical team following meeting with CEC/CUS and there are residual quality of workmanship disputes outstanding which Jim McEwan is progressing with this morning.

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Project Delivery (2) InfraCo Progress

- Underlying concern that BSC have not adopted an “ownership” approach to the project with engagement and attitude to address;
 - Programme and problem solving
 - Approach to change
 - Acknowledgement of deficiencies
 - Management of the designers
- Operational challenging review held 16.12.08 with BSC (including Bilfinger Exec Board Director).

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Project Delivery (3) InfraCo issues resolution

- Reaffirmed commitment to Princes St delivery escalated.
- Focused approach to resolving issues.
- Reprogramming works highlighted with a particular approach to provide revised contract programme including recovery elements.

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Project Delivery (4) Princes Street

- Traffic Peer Review Group supported recommended option for Council decision 18.12.08.
- Contingency arrangements clear.
- Strong “one family” approach to addressing the challenge.

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Project Delivery (5) Embargo Close Out for Christmas

- City Centre closed out for 28.11.08.
- Leith Walk/ Constitution St closed out for 12.12.08 (except gas emergency work).

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Project Delivery (6) Post Embargo

- Start up plan available and on programme.
- Gradual increase in traffic management and worksites to avoid driver confusion
- Start up phased to ensure conflicting traffic locations not tackled in parallel
- First location St Andrews Sq
- Utility trial holes at Lothian Rd & Broughton St from 5/01 before the Mound closes again
- Mound diversion from 25/26 Jan to allow utility work to re-commence
- Princes St diversion from mid February
- Leith Walk will re-start from 19th January

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Finance – Ph1a Costs & Funding

- YTD (P9 6/12) expenditure is £66.0m and reported outturn costs for FY0809 remain at £126m (TS share is £116m) – TS briefed on sensitivity of outturn to ramp up in construction in Jan- Mar 09
- Overall costs remain at £512m including £29m risk allowance. Funding remains at £545m. Status of review of costs to be reported at TPB in Jan 09 including impacts of:
 - Traffic Mgt arrangements
 - Late design to IFC incl redesign due to engineering issues or stakeholder requirements
 - Progress of core negotiations on updated programme with Infracore
 - Deliverability of VE items which are programme critical
 - Marginal scope creep up to IFC – death by a thousand cuts
 - Impact of Ph1b decision and inclusion of Gogar Interchange
 - Attendant additional resource costs – tie, TEL & CEC
- NB - All changes subject to Change Control and scrutiny by TPB where applicable

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Network Extensions

Ph1b

- Infraco firm price for Ph1b infrastructure now expected 19th Dec
- Examination of Ph1b funding options continues in context of current economic and development prospects
- Paper on status to Council this week

South East Tramline

- JRC have delivered a draft project plan for the demand modelling and STAG appraisal
- Introductory meeting with TAWS unit at Scottish Executive
- No mention of South East Tramlines in the STPR. Need to explore context and imperative for possible light rail link to Fife via bridge which was in the STPR

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Change Control

- Summary paper detailing current position and potential changes.
- Utilities items covered previously and proposed settlement agreement addresses key elements.
- Phase 1b and Gogar Interchange will be clear scope alterations with altered cost and time effects.
- Traffic Management constraints likely to require ongoing mitigation and evaluation.
- Programme impact and recovery plans and cost for Infraco will not be funded and agreed until the New Year.
- TEL, tie and CEC project management costs pressures are subject to rigorous scrutiny.
- Underlying Contract Management of Change in Infraco is a continued relentless challenge.

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Risk Review (1)

| Date Updated: 4 November 2009 | | | | | | | | | | | |
|-------------------------------|--------------|-------|---|--------|-------------|-----------------------|-------------|--|---|--------------|---|
| Rank | Risk Profile | Owner | High Level Risk Statement | Impact | Probability | Budget Sensitivity £m | Risk Rating | Actions to Manage Risk | Action Status | Action Owner | Target Date |
| 1 | | SB | Infraco mobilisation impacting programme | H | H | 5 | 40 | Integrated project management opportunities/solutions to manage subcontractors. Single focus on 12-week lookahead to remove any outstanding barriers and ensure delivery. Plan in place to agree revised programme. Identification, evaluate and agree on plan to recover lost time. Formal contractual notice of Infraco delay. Escalate to Infraco German parent companies if still unresolved. Identify potential threat/response to BSC positioning to encourage accidental engagement and co-ordinate to resolve programme challenges and delays. | <input checked="" type="radio"/> <input type="radio"/> <input type="radio"/> <input checked="" type="radio"/> <input type="radio"/> <input checked="" type="radio"/> <input checked="" type="radio"/> | SB | September Complete Complete December October Complete December January |
| 2 | | SC | Response to traffic issues impacting upon reputation of the | H | H | 3 | 20 | Accelerated review agreed re programme with BSC CEC to be given ETOX for procurement of extension to existing contract with Siemens to provide increased level of service for out of hours traffic signal cover. CEC to co-ordinate traffic management requirements Peer review group to be set up TMRP checklist to be implemented TMRP/TMWG agenda's to be reviewed Procedure to track TIRO's about to expire to be implemented TM checks built into PM's site safety checklist. | <input type="radio"/> <input checked="" type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> | DF | Complete November Complete Complete Complete Complete Complete |

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Risk Review (2)

| Date Updated: 4 November 2008 | | | | | | | | | | | |
|-------------------------------|--------------|-------|---|--------|-------------|-------------------------------|-------------|---|---------------|--------------|-------------|
| Rank | Risk Profile | Owner | High Level Risk Statement | Impact | Probability | Budget Sensitivity £m +ve -ve | Risk Rating | Actions to Manage Risk | Action Status | Action Owner | Target Date |
| 3 | ↑ | SMcG | Business development- Lack of future projects following completion of Tram project, such as Phase 1B | H | M | 3 | 18 | Review and discuss opportunities for further phases and options with appropriate agencies. Seek authorisation of a feasibility study on Tram/Train options. Pursue and develop Phase 1B authorisation plan. Pursue and progress phases of the plan with checkpoint stage at end Sept | ● | SMcG | December |
| 4 | ↑ | DM | Current or potential contractual dispute negatively affects Infraco's turn out cost | H | M | 3 | 18 | Weekly change meeting with Infraco. Regular internal change meetings. Weekly internal review of contractual correspondence. Adhoc contract advice from construction adjudicator Contract advice from DLA Regular one to one meetings with consortium Commercial Director and Manager | ● | DM | Weekly |
| 5 | ↑ | JMcE | Audit findings have identified weaknesses in Mudra management procedures Concerns with previous internal audit partner | M | H | 3 | 18 | Additional support from the Business Improvement Director Agreed amendment to management resources with contractor Rectification of all findings by December 08 Review of overall quality within Mudra Programme for rectification | ○ | JMcE | Complete |

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Risk Review (3)

Date Updated: 4 November 2009

| Rank | Risk Profile | Owner | High Level Risk Statement | Impact | Probability | Budget Sensitivity Em +ve -ve | Risk Rating | Actions to Manage Risk | Action Status | Action Owner | Target Date |
|------|--------------|-------|---|--------|-------------|-------------------------------|-------------|------------------------|---------------|--------------|-------------|
| 6 | | SMcG | Concerns about effectiveness of previous internal audit partner could possibly lead to newly appointed internal auditors finding deficiencies in Internal Controls Environment. | H | L | | 3 | 9 | ○ | SMcG | Complete |
| | | | | | | | | | ● | SMcG | Complete |
| | | | | | | | | | ● | SMcG | Complete |
| 7 | | CMcL | Lack of Tie Business Continuity plan | H | L | | 3 | 9 | ○ | CMcL | September |
| | | | | | | | | | ● | CMcL/SC | January |
| 8 | | SB | Management reporting from suppliers/contractors to tie and from tie to stakeholders such as CEC. Transport Scotland is lacking in high quality management information | H | M | | | 6 | ○ | SB | Complete |
| | | | | | | | | | ● | SB | November |
| | | | | | | | | | ● | SB | January |
| 9 | | CMcL | TIE reputation - Communication weakness, Adverse Publicity, poor Stakeholder Management | M | H | | 1 | 6 | ● | CMcL | November |
| | | | | | | | | | ● | CMcL | November |
| 10 | | CMcL | Human Resources Management, recruitment and retention - e.g. if Phase 1b not going ahead | M | H | | 1 | 6 | ● | CMcL | December |

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Risk Review

- Corporate Risk Register reviewed in Period 9
 - Treatment plans and completion dates updated for risk nos. 1, 2, 5, 7, 8 and 9
 - Risk Profile of risk no.5 amended to red
 - Risk Profile of risk no.8 amended to green

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HR & Comms

- Strategic review of Stakeholder engagement – “City Tsar”
- Joint CEC/tie Edinburgh Tram Project Communications review
- Media Plan and Communications Plan for Princes St
- Customer services team and new website now implemented

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END

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