Risk Description	Effect(s)	Risk Sig	Treatment Strategy	Treatment Status end November	Treatment Status end December	Due Date	Risk Owner*
Risk 4. Over reliance on consultants	• Complex governance arrangements • Compromised presentation to stakeholders • Increased security risk • Lack of learning/cross fertilisation • Loss of project knowledge during or at end of scheme • Poor perception of **tie** • Potential reduced value for money • Style of working		1. Undertake review of areas of consultancy support that require to be internalised. 2. Seek to minimise and review the use and value of consultants on an ongoing basis. 3. Document the planned execution arrangements with each contract 4. Develop and communicate planned **tie** organogram. 5. Ensure that **tie** managers (not consultants) take lead in engagement with third parties. 6. Implement and monitor information management and IT security protocols. 7. Develop plan for in-house training including regular assessment of lessons learnt. 8. Review opportunities for cross-project working. 9. Ensure no individual becomes sole depository for information. 10. Develop robust information management systems. 11. Retain IPR and copyright through contracts. 12. Support projects with stakeholder manager and corporate input. 13. Undertake review of management styles being applied through regular cross organisation staff reviews.				**Colin McLauchlan**

* Risk Owner may delegate individual treatment actions

Risk Description	Effect(s)	Risk Sig	Treatment Strategy	Treatment Status end November	Treatment Status end December	Due Date	Risk Owner*
Risk 5. Uncertain role and strategic direction of **tie**'s business	• Insufficient qualified staff and consideration of opportunities • Lack of business clarity • Missed opportunity to take up a niche market • Poor interface with current/planned Clients • Reactive planning of facilities, infrastructure and staffing • Uncertainty on company policies • Unclear performance indicators or business targets • Unconnected planning across the business		1. Develop and implement a strategic plan confirming shape and direction of business including ownership, governance and market issues. 2. Update annual business plan to account for agreed strategy. 3. Review and prioritise the development of **tie** policies, processes and procedures. 4. Identify clear business objectives and performance targets for the measurement to drive and monitor business performance. 5. Consult and engage staff in development of the strategic plan. 6. Review extent of overtime working and identify areas of business constraints. 7. Assess skills base of current employees and training gap for planned role. 8. Develop overall resource plan across all projects and corporate support including review of implications on facilities. 9. Develop current liaison and performance reviews with current clients 10. Review and share lessons from key previous activities e.g. office expansion, procurements, PR.				**Graeme Bissett**

* Risk Owner may delegate individual treatment actions   07/06/2007

Risk Description	Effect(s)	Risk Sig	Treatment Strategy	Treatment Status end November	Treatment Status end December	Due Date	Risk Owner*
Risk 6. Funder/Shareholder intervention or review	• Dilution of intent of delivery agent • Duplication of checking • Increased bureaucracy • Lack of trust • Over reporting • Undermining of governance arrangements		1. Communicate intended business and project controls including approach to audit to funders. 2. Agree format and content of progress reports and requirements to satisfy funder audit. 3. Document extent of reserved matters and areas where approvals/ decisions are required from funders. 4. Review adequacy of governance arrangements and effectiveness of Project Boards. 5. Discuss and agree extent of required review and update project management plans and format of progress reports to suit. 6. Agree scenarios where and scope of potential intervention that could be necessary.				**Willie Gallagher**

Risk Description	Effect(s)	Risk Sig	Treatment Strategy	Treatment Status end November	Treatment Status end December	Due Date	Risk Owner*
Risk 7. Unclear management structure	• Approval and quality checks missed or inconsistent • Impacts of business decisions are not fully understood • Lines of communication unclear • Poor delegation • Poor handling of interfaces • Requests poorly handled • Uncertain roles and responsibilities • Unclear temporary/ permanent staffing		1. Develop and communicate planned **tie** organogram with chain of command/lines of communication. 2. Communicate the roles, responsibilities and authorities of existing and new incoming staff to empower individuals. 3. Develop structure of organisation and role of each Board to ensure implications of decisions are understood. 4. Develop quality assurance system that regulates the extent and requirements for checking of internal/external deliverables. 5. Develop and implement Delegated Authority Rules to Project Manager level. 6. Place cultural effort in management style to define and deliver on priorities.				**Colin McLauchlan**
Risk 8. Health & Safety exposures	• Failure to comply with legal obligations • Inadequate resource • Inadequate supervision • Poor knowledge management • Poorly developed framework with gaps		1. Develop and implement policy and procedures for assessment, control and reduction of safety exposures. 2. Ensure that safe environment objective is recognised in each project. 3. Assess and close out gaps in policy, resource, training and audit/review. 4. Undertake compliance testing within organisation and service providers.				**Steven Bell**

* Risk Owner may delegate individual treatment actions

07/06/2007

Risk Description	Effect(s)	Risk Sig	Treatment Strategy	Treatment Status end November	Treatment Status end December	Due Date	Risk Owner*
Risk 9. Ineffective systems and controls	• Competitor advantage • Inadequate assessment e.g. constructability • Inconsistent checking of service provider quality in deliverables • Inconsistent scrutiny across corporate and project ventures • Lack of consideration of choices and opportunities • Lengthy response time to FoISA requests causing stakeholder frustration • Misunderstanding of committed, actual and forecasted expenditure • No evidence of continuous improvement • Poor quality control • Poor stakeholder perception of **tie** • Unplanned release of commercial or confidential information		1. Benchmark scope of systems and controls against a competitor. 2. Review need for wider service provider input e.g. contractor programme construction rate 3. Regularly review quality risk exposures to prioritise attention and focus effort where necessary. 4. Expand scope of Quality & Risk Reviews to include Planning Review e.g. options/opportunities. 5. Set aggressive objectives to achieve high response rate well within mandatory period and measure. 6. Improve cost management within projects including reporting of challenge to expenditure. 7. Develop in-house processes including increased project quality checking and external audit requirements. 8. Review adequacy of current contractual arrangements for handling of information and quality. 9. Set organisational targets and objectives for quality including intention for improvements. 10. Implement performance monitoring on service providers. 11. Review capacity and adequacy of technical review being undertaken. 12. Develop escalation procedure for sub-standard quality 13. Develop process for consideration of capital investments including examination of alternatives.				**Graeme Bissett**

CEC01579852_0067

Risk Description	Effect(s)	Risk Sig	Treatment Strategy	Treatment Status end November	Treatment Status end December	Due Date	Risk Owner*
Risk 10. Poor internal efficiency	- Chain of command is bypassed - Disjointed effort to workstreams - Inadequate consideration of advantages in current technology - Inadequate consideration of corporate issues over projects - Inadequate in-house training - Incoherent forward planning - Poor handling of communications - Rumour mill - Tendency for crisis management - Too reactionary - Uncertainty over responsibilities for development of corporate policies, plans & controls		1. Assess skills base of current employees and training gap for planned role including in-house training. 2. Develop and communicate planned **tie** organogram. 3. Define processes for handling significant or repetitive tasks e.g. FoISA requests. 4. Review potential scope of usage of IT to support business. 5. Review effectiveness of Executive Board Agenda. 6. Develop and implement a strategic plan confirming shape and direction of business including ownership, governance and market issues. 7. Review effectiveness of current internal and external communications arrangements. 8. Define responsibilities for development of company policies and procedures. 9. Develop and implement Corporate processes to support requirements of Project specific processes e.g. Project Management Procedures. 10. Develop and implement project controls and management systems. 11. Consider electronic procurement methodologies to include web-based interfaces.				**Stewart McGarrity**

* Risk Owner may delegate individual treatment actions

07/06/2007

Risk Description	Effect(s)	Risk Sig	Treatment Strategy	Treatment Status end November	Treatment Status end December	Due Date	Risk Owner*
Risk 11. Security considerations	• Inadequate assessment • Poor disaster recovery and impeded business continuity plans • Inappropriate IT usage • Supply chain inadequacies leads to **tie** reputational impact		1. Convene working group to conduct an assessment of potential corporate and project weaknesses. 2. Consider use of independent specialist advice. 3. Develop and implement a disaster recovery plan. 4. Review and update IT Inappropriate Use documentation and communicate to staff. 5. Provide statistics on IT usage to Executive Board. 6. Review effectiveness of security controls of key service providers e.g. MUDFA and SDS.				**Steven Bell**
Risk 12. Weak commercial negotiation skills	• Compromise to planned risk transfer • Inexperienced tactics or strategy adopted • Lack of challenge to service providers • Lack of ownership of budgets by managers • Missed opportunities • Quality of scheme eroded • Value for money not obtained from service providers		1. Review **tie**'s approach to contracting and use of bespoke/standard contracts. 2. Implement revised procurement strategy. 3. Conduct value review of all contracts including assessment of fitness for purpose of remits. 4. Conduct review of effectiveness of project managers for budget management. 5. Conduct review of negotiation plan (resource and areas of compromise) with lead procurement director/manager. 6. Emphasise effort to scope and pursue opportunities. 7. Assess strength of current commercial staff and fill gaps 8. Review alternative arrangements for the delivery of best value services to projects e.g. frameworks				**Steven Bell**

CEC01579852_0069

PROJECT WIDE RISKS

Risk Description	Effect(s)	Risk Sig	Treatment Strategy	Treatment Status end November	Treatment Status end December	Due Date	Risk Owner*
Risk 13. Political risk to continued commitment of Governmental support for **tie** schemes. Change of local/national Government.	• Reversal of decisions by incoming administrations in either or both CEC, Fife and Holyrood • Projects become key political issue during election campaign • Delays on programme and increased cost/inflation/funding		1. Assess the range of potential outcomes during the run-up to the May 2007 election 2. Positively promote the benefits of schemes 3. Take soundings and hold balanced discussions with local and national parties. 4. Increased senior team review of responses to press and FoI(S)A requests 5. Increased checking of quality of information release 6. Regular briefings and discussions with senior officers to gain further insight.				**John Boyle**

CEC01579852_0070

Risk Description	Effect(s)	Risk Sig	Treatment Strategy	Treatment Status end November	Treatment Status end December	Due Date	Risk Owner*
Risk 14. Government Spending Policy (priority and capacity) is unknown, notably the need for competing schemes including Second Forth Crossing	• Cancellation of **tie**'s projects as priorities change. (Possible showstopper) • Delay in delivering schemes • Reduced funding availability curtails schemes		1. Gain a clear understanding of the Governments affordability position/constraints through close and continual interactions with TS, CEC and FETA respectively to establish funding delivery confidence and agreement. 2. Ensure the delivery programme and structure will allow our projects to progress within known constraints. 3. Demonstrate 'best value' practices from our procurement strategies from our current advisors and future advisors, relating to continual improvement. 4. Develop robust financial cases for the schemes including annual business plan 5. Develop a framework of robust spending controls then approval to expenditure and implementation of schemes may be compromised.				**Stewart McGarrity**

* Risk Owner may delegate individual treatment actions

Risk Description	Effect(s)	Risk Sig	Treatment Strategy	Treatment Status end November	Treatment Status end December	Due Date	Risk Owner*
Risk 15. **tie**'s projects fail to deliver their objectives due to being poorly managed	• Delay in approvals. • Difficulty or delay in cost recovery. • Future contracts awarded to alternative management organisations due to lack of confidence in **tie**'s ability to deliver major projects. • Poor value obtained from service providers. • Severe reputational damage, which could have a consequential effect on **tie**'s credibility for obtaining future projects.		1. Review of clarity of documented Client objectives. 2. Undertake Quality & Risk Reviews 3. Ensure that Project managers of each Project continue to meet Clients (SE, CEC, TS, FETA, FC etc.) objectives. 4. Undertake review of client satisfaction. 5. Board scrutiny of Projects regarding delivery against cost, programme and quality. 6. Identify areas where we offer additional value to clients. 7. Enhance project controls. 8. Review and enhance skills capacity/capability gap. 9. Work closely with PR advisors for all projects to promote **tie** as an efficient Project Management organisation				**Project Directors**
Risk 16. Failure of **tie**'s **main** projects to interface effectively	• 'Double counting' of capital allowances. • Dispute or disruption during construction • Incorrect assumptions • Increased cost or delays due to disruptive or re-working of design • Missed Opportunities • Reluctance to share relevant knowledge • Silo mentality		1. Define clear scope boundaries and service provider remit for each scheme. 2. Ensure regular **tie** and technical team liaison to address common knowledge requirements including construction sequence. 3. Utilise Quality & Risk Review to scrutinise interfaces. 4. **tie** Exec Board to review and recommend approach to areas of dispute between schemes. 5. Maintain and regularly review records of opportunities and assumptions between schemes.				**Project Directors**

* Risk Owner may delegate individual treatment actions

07/06/2007

Risk Description	Effect(s)	Risk Sig	Treatment Strategy	Treatment Status end November	Treatment Status end December	Due Date	Risk Owner*
Risk 17. tie's overall interface with **Network** Rail, including consents, approval and involvement in projects prevents project success	• Competitive tension between organisations • Delay to programme • De-prioritising **tie** schemes • Inability to explain Network Rail position to marketplace • Lack of or inadequate commitment of resources • Need for increased TS support • Risk transfer to response by bidders is to return risk to **tie** • Unclear liaison across schemes • Unclear path for development of Agreements		1. Early engagement on key issues and negotiations with Network Rail at senior levels 2. Ensure multi-level liaison is coordinated across projects 3. Escalation process to be developed including TS 4. Establish a productive and effective working environment including review of potential secondments. 5. Review **tie**/NR Agreements and road map for planned implementation (and handover) agreements 6. Seek agreement on objectives of projects with TS and NR 7. Review the need for overall liaison plan with Network Rail 8. Develop and agree programme of acceptance and the overall role of Network Rail.				**Steven Bell**

tie Limited

Paper to   :   **tie Board**

Subject   :   **Human Resources November Report**

Date   :   **5th December 2006**

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1.   HR Activities

Current headcount

Tie employees – 57 direct employees and 10 indirect service contractors

Resourcing

- Commenced procurement exercise for Executive Search consultancy to provide specialist search and executive head-hunting capability to source permanent delivery Project Directors for Tram and Earl. Final decision to be made w/e 8th December. Four providers have submitted proposals and three have been interviewed.
- Underway sourcing an interim Project Director for Tram to provide bridge between Andie Harper and delivery Project Director. Have five providers assisting and interviewing minimum of 7 candidates and intend to announce solution by w/e 15th December.
- Undertaken 6 interviews for ICT Business Analyst role. Shortlist of two to have further interview through December.
- Finalising procurement process for recruitment partner to provide broad recruitment support for project and operational roles. Assessed four providers and short listed one. Agreement in principle reached and finalising terms and conditions for w/e 8th December. Provide one-stop solution for managing attraction, filtering, assessing and banking candidates and talent both internal and external. Provides certainty of cost and effective utilisation of recruitment expertise and channels.
- Final resourcing plan established to support Tram Business Case and tie Business Plan for 2007/08.
- Established weekly Resourcing Review with Tram Project in order to ensure effective deployment of resourcing needs into Q1 2007 and onwards.
- Offer accepted for new Commercial Manager for MUDFA Project commencing December
- Project Commercial and Procurement Director EARL commencing December
- Outstanding offer HSQE Manager EARL

Deployment

- Starters – Carla Franchitti, Assistant Communications Manager Tram, Elena Keeper, IT Support Co-ordinator and Angela Docherty, Receptionist City Point
- Employee Handbook in print for issuing January 2007
- Decision re HR IT/IS system still under review awaiting ICT development issues

Development

- Draft Shared Services Business Plan produced for 2007/08
- Half Day Non Executive Director Briefing by DLA Piper to 5 Non Executive Directors and 3 tie Directors
- 17 tie employees attended 10 professional/project related courses and seminars through November
- 11 tie employees attended safe-tie courses with Lothian Fire Brigade
- Tie Safety leadership Team established with HR membership on the Team
- Programme of Executive Leadership team Performance Reviews established through January

Release

- Leavers – Sam Kelly, External Relations Manager and Angela Docherty Receptionist City Point.

2.   Recommendation or Requirement

None this month

Prepared by: Heather Manson and Hayley Dillon

Recommended by: Colin J McLauchlan

tie Limited

Paper to : **tie Board**

Subject : **Communications Update**

Date : **5 December 2006**

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1. Corporate Communications

1.1 Internal Communications
Willie Gallagher has now held two lunch sessions with staff, with the third being held on 4 December. Positive feedback has been received and a fuller review of thoughts and feedback is underway.

A tie corporate briefing will be held on 8 December where Willie Gallagher will inform the company of the business case headlines and answer any questions.

Internal Communications have been issued on:
- Andie Harper leaving
- Keith Rimmer and Eleana Keeper joining
- Launch of the new tie website.

1.2 Staff Newsletter
By December we will have issued six newsletters. Feedback continues to be excellent. Detailed feedback is being gathered and will be reported on in January 07.

1.3 Intranet
Work to deliver an intranet continues through HR, Comms and IT.

2 .1.Stakeholder Communications
Willie Gallagher and Michael Sheedy, Light Rail Director of Rail Procurement Authority, Dublin were key speakers at a Scottish Council Development and Industry "Influencers' Dinner" on 29 November at which business leaders and opinion formers were impressed by the success of Dublin's tram and excited by the prospect that Edinburgh Trams would have a similarly dramatic impact on the local and national economy. The new tie DVD on trams, featuring the Dublin experience was shown.

Willie Gallagher will also speak at an Institute of Directors lunch on 12th December and at an evening event we are arranging for 14th December with CBI.

Work has continued this month with the Princes Street Association, The Chamber of Commerce, the FSB and Transform Scotland. A meeting is being held on 4 December with the FSB to deliver the Small Business Support Package.

A number of one to one meetings are also being held with politicians, elected members and key stakeholders.

2. Tram Public Relations & Media

2.1 Tram Press

Proactive positive media work has concentrated on press releases for the Business Support Package, the creation of jobs from the tram project, the 50th anniversary of the last tram in Edinburgh (16/11), the Nottingham extension, the Dublin extension and the continuing round of Community Meetings.

A story covering Andie Harper leaving tie was carried on 29 November along with an interview with Michael Sheedy of RPA Dublin.

On the negative side the SNP's announcement that they would cancel the tram project if they came into power received wide coverage through print and broadcast media. **tie** worked with CEC and our partners to ensure that the messages were put across, with tie staying out of the political arena.

A good balance of positive and negative letters has continued to be printed throughout the month.

2.2 Newsletters

The November tramtime newsletter has been issued to 30,000 households and businesses in Edinburgh. Plans are in place to deliver a special edition in January 07 focussing in on the draft final business case.

Weekly stakeholder newsletters continue to be issued covering different topics.

The Nottingham visit on 14 November went well and received good media coverage. The Strasbourg visit has been postponed to January/February 07.

2.3 Strategy

Work to deliver the 'hearts and minds' campaign for trams continues.

Delivery this month included radio adverts airing on Radio Forth, 98 sheet billboard advertising, an ad van circling the city, posters and information stands for the Western General Hospital, bus and bus shelter advertising campaign throughout the city.

The tram bus has been delivered and is currently going through checks before it gets on the road. It is expected to launch prior to Christmas.

The dvd has been delivered and received its first airing at an SCDI dinner on 29 November. A four minute version will also be delivered w/b 4/12.

The draft final business case timetable (attached) has been finalised and work is underway to deliver this over the coming fortnight.

2.2 Newsletters

The November tramtime newsletter has been issued to 30,000 households and businesses in Edinburgh. Plans are in place to deliver a special edition in January 07 focussing in on the draft final business case.

Weekly stakeholder newsletters continue to be issued covering different topics.

The Nottingham visit on 14 November went well and received good media coverage. The Strasbourg visit has been postponed to January/February 07.

2.4 Consultation

The next round of public consultation meetings showing the preliminary design to frontagers continued this month with meetings being held in the Granton area.

The second of six public tram events took place in Granton. 5,200 invites were issued and 400 laminated posters put up throughout the area along with a press release to the Evening News. 150 people attended on the day and the feedback was very positive.

Plans for December and January meetings are underway.

3. EARL

3.1 Media
EARL received varied overall coverage. Negative articles focused on: claims that the SNP will scrap EARL should they gain power next May; the SNP referring to EARL as 'Holyrood Project Mark II', PR costs and negative letters from the public.

Positive pieces, however, included: coverage of key objection withdrawals, a letter from Cllr Ewan Aitken promoting the benefits of EARL and a letter from Cllr Ricky Henderson promoting EARL and the other transport projects, which are in the pipeline for Edinburgh. A vast amount of positive coverage, both broadcast and media, was received on the tunnelling presentation held for press showing how the EARL scheme would be constructed and giving examples of other cities who have delivered such a scheme.

EARL factsheets are now being produced.

3.2 Parliament
The Assessor Hearings have take place since 27 November 2006. This involves a short, intensive period where evidence is scheduled to be given over a five-day period and will continue into the following week should any issues remain outstanding. A number of meetings have been held with various MSPs having specific transport interests.

The Parliamentary Bill Unit has also requested further evidence from **tie**, Network Rail and Transport Scotland on residual Preliminary Stage concerns regarding: timetabling, fares, rolling stock and funding.

The EARL communications team will ensure the findings are conveyed to stakeholders and the media, and any media coverage is managed.

Positive releases are currently being prepared on the large number of objection withdrawals received.

3.3 Stakeholder
Continuing the stakeholder communications process, the team held a Community Council meeting in Winchburgh on 13 November and an Open Day in Ratho on 15 November. This Open Day was advertised, through a mail drop, to the Ratho Community Council area.

4. SAK

4.1 General
Public contact with the SAK Project Team has focused on the following areas:

- General construction
- Vibration as a result on ongoing track formation
- General questions

4.2 Website
The "work in progress" section of the website has been updated with new photos and copy. This will continue to be updated on a monthly basis.

Prepared by: Suzanne Waugh

tie Limited

Paper to : **tie Board**

Subject : **FINANCE & PERFORMANCE REVIEW**

Date : **5 December 2006**

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1. **FINANCIAL PERFORMANCE REPORT FOR THE MONTH OF OCT 06**

A report of actual cost to date and forecast outturn for the year against the FY06/07 Business Plan is provided in the Consolidated Expenditure Report at Appendix 1. The following is a commentary on that tabulation:

Actual Costs to date (column 1) v Business Plan=Budget to date (column 2)

Total expenditure on all projects and central services to date is **£24.1m** compared to the budget to date of **£39.3m**, an underspend of **£15.2m**. The major components of this underspend continue to be:

- **Tram £10.7m underspend (last month reported £4.2m)**
  The principle components of the underspend are:
  - SDS (design services contract with Parsons Brinckerhoff) is now running £1.5m behind the profile in the original budget compared to £1.4m reported last month.
  - The original budget for October included a £5m advance payment to a utility company for utility diversions – this payment will now be made in financial year 0708.
  - MUDFA is running c£1m behind the profile in the original budget reflecting the fact the contract was awarded in October rather than June as originally programmed.
  - The £2.5m contingency spend profiled for April to Oct in the original budget has not been required.

- **EARL £4.5m underspend (last month reported £3.8m)** – TSDS (technical and design services contract with Scott Wilson) is now running substantially behind budgeted profile due to 2 month delay in start and further delays in the engagement by BAA into the design process.

Latest forecast costs for the year to 31 March 07 (column 4) v last month's reported forecast (column 5) v Business Plan for year (column 8)

The latest forecast for the Tram project has been increased to £44m to reflect the acquisition of all land required for Phase 1a and for all other expenditure excluding physical utility diversions up to the end of March 2007. Transport Scotland are now processing the necessary paperwork to issue an amended Grant offer for this amount and to extend the funded period from December 06 through to the end of March 2007.

The EARL forecast has been reduced from £14.4m to reflecting the delay experienced in stakeholder engagement and the forecast remains highly dependant upon detailed project engagement with BAA and Network Rail to enable the design process under TSDS to proceed as anticipated.

The forecast outturn on One-ticket project has been reduced to reflect a rescheduling of the recruitment of additional management support for that project.

2. BALANCE SHEET AND BANK BALANCE

Our month end balance sheets since 31 March 06 are tabulated at Appendix 2. As previously reported, our Balance Sheet has a deficit in Net Assets of £670,415 which is equal to our share of the new liabilities of the Lothian Pension fund at 31 March 2006.

The bank overdraft per the balance sheet at the end of October was £3.1m compared to £2.5m at the end of September. The overdraft per the bank statement at 1st December was £2.7m as reflected in the graph at Appendix 3 at which date the invoices to CEC for October Tram costs amounting to £2.7m had not been paid.

Bank overdraft interest incurred by **tie** from April to October amounted to £94,000 (£14,000 for the month of October). CEC and Transport Scotland have now agreed to fund expenditure on the Tram project in advance. Invoices totalling £12.3m (inclusive of VAT) have been issued to CEC covering forecast expenditure for November through January. Once paid, these amounts and future advance billings will allow **tie** to operate without the need to resort to our overdraft facility.

3. STATUS OF FUNDING

Forecast expenditure on the Tram project is fully funded to the end of December 2006 and as noted above we expect Transport Scotland to issue an amended grant letter extending the funded period through to the end of March 2007. Expenditure on all other projects is fully funded till 31 March 2007 (end of FY07).

4. BUSINESS CASES

The status of the EARL OBC and the programme for delivery of the Tram DFBC is described in the progress reports for each project.

The Tram DFBC was delivery to CEC and Transport Scotland in its entirety by 16th November and was the subject of presentations to the TEL Board / Tram Project Board on 20th November and the **tie** Board on 27th November. It will be considered by the full Council of 21 December.

5. PROCESS IMPROVEMENT AND INTERNAL AUDIT ACTIONS

Appendix 4 is a control sheet of the programme of future management actions on the significant comments arising from previously issued Internal Audit Reports. Progress on the required management actions is being closely monitored and is reported to the **tie** Board on a monthly basis.

Appendices

Appendix 1 – Consolidated Expenditure Report
Appendix 2 – Balance Sheet
Appendix 3 – Bank overdraft April to 20 November 06
Appendix 4 – Internal Audit Actions – Control Sheet

Prepared by: Stewart McGarrity

tie CONSOLIDATED EXPENDITURE REPORT (FORECAST v. FY 0607 BP) - At end October 2006

		Year to Date (7 mths to 31/10/06)			Year (12 mths ending 31/3/07)				
		1	2	3=1-2	4	5	6	7=4-5	8=4-6
		Actual	Bus Plan =Budget	Variance	Latest forecast	Forecast last month	Bus Plan =Budget	Latest forecast v last month	Latest forecast v Budget
Direct Staff & Contractors Costs									
Tram		1,709,597	1,177,846	531,751	3,537,033	3,537,033	2,397,039	0	1,139,994
EARL		405,855	496,274	(90,419)	888,812	888,812	858,286	0	30,526
SAK		104,085	140,570	(36,485)	161,284	161,284	243,110	0	(81,826)
Ingliston Park & Ride		7,968	9,795	(1,827)	12,274	12,274	16,939	0	(4,665)
Fastlink (WEBS)		12,854	16,514	(3,660)	19,225	19,225	28,561	0	(9,336)
FETA		30,705	33,894	(3,189)	48,380	48,380	58,618	0	(10,238)
One Ticket		21,025	49,180	(28,155)	36,000	64,145	88,409	(28,145)	(52,409)
Business Development		28,427	61,171	(32,744)	26,107	26,107	105,793	0	(79,686)
Forth Ferry		14,428	17,036	(2,608)	21,880	21,880	29,463	0	(7,583)
Stirling Waste Management		33,852	37,414	(3,562)	55,000	55,000	64,706	0	(9,706)
	A	2,368,796	2,039,694	329,102	4,805,995	4,834,140	3,890,924	(28,145)	915,071
Central Services & Management									
Indirect Staff & Contractors		656,769	341,841	314,928	1,089,622	1,083,659	591,201	5,963	498,421
Other Central Sercices Costs:									
Training		56,388	58,333	(1,945)	84,000	84,000	100,000	0	(16,000)
Recruitment		52,197	3,000	49,197	54,088	54,088	3,000	0	51,088
Non Executive Directors		9,047	9,333	(286)	31,333	23,333	16,000	8,000	15,333
Office Space		150,412	123,731	26,681	238,091	238,091	215,000	0	23,091
Corporate Communications		65,359	30,333	35,026	52,000	52,000	52,000	0	0
ICT		100,022	104,477	(4,455)	179,103	179,103	179,103	0	0
Legal, Financial & Prof Advisors		58,064	27,592	30,472	69,301	69,301	47,300	0	22,001
Other		156,997	87,500	69,497	202,051	198,453	150,000	3,598	52,051
TQM		104,651	40,833	63,818	106,625	106,625	70,000	0	36,625
Bank Charges		6,251	700	5,551	7,470	7,470	1,200	0	6,270
Overdraft Interest		94,049	58,333	35,716	170,000	170,000	100,000	0	70,000
		853,437	544,165	309,272	1,194,060	1,182,462	933,603	11,598	260,458
Contingency		0	0	0	182,439	200,000	0	(17,561)	182,439
	B	1,510,206	886,006	624,200	2,466,121	2,466,121	1,524,804	0	941,318

tie CONSOLIDATED EXPENDITURE REPORT (FORECAST v. FY 0607 BP) - At end October 2006

			Year to Date (7 mths to 31/10/06)			Year (12 mths ending 31/3/07)				
			1	2	3=1-2	4	5	6	7=4-5	8=4-6
			Actual	Bus Plan =Budget	Variance	Latest forecast	Forecast last month	Bus Plan =Budget	Latest forecast v last month	Latest forecast v Budget

Central Services & Management

Allocation by project:	% Alloc to July	% Alloc from Aug									
Tram	59.17%	75.92%		999,541	524,252	475,289	1,725,359	1,725,359	902,272	0	823,087
EARL	24.93%	18.66%		336,840	220,891	115,949	515,209	515,209	380,163	0	135,046
SAK	7.06%	2.69%		78,914	62,552	16,362	104,601	104,601	107,681	0	(3,080)
Ingliston Park & Ride	0.49%	0.21%		5,629	4,341	1,288	7,575	7,575	7,503	0	72
Fastlink (WEBS)	0.83%	0.31%		9,249	7,350	1,899	12,195	12,195	12,650	0	(455)
FETA	1.70%	0.86%		20,360	15,062	5,298	28,540	28,540	25,964	0	2,576
One Ticket	0.00%	0.00%		0	0	0	0	0	0	0	0
Business Development	3.07%	0.00%		26,944	27,201	(257)	26,922	26,922	46,859	0	(19,937)
Forth Ferry	0.86%	0.37%		9,888	7,620	2,268	13,384	13,384	13,050	0	334
Stirling Waste Management	1.88%	0.99%		22,841	16,737	6,104	32,302	32,302	28,660	0	3,642
Diff				0	0	0	34	34	0	0	34
	100.00%	100.01%	C = B	1,510,206	886,006	624,200	2,466,121	2,466,121	1,524,804	0	941,317

Total Staff, Contractors & Central Services

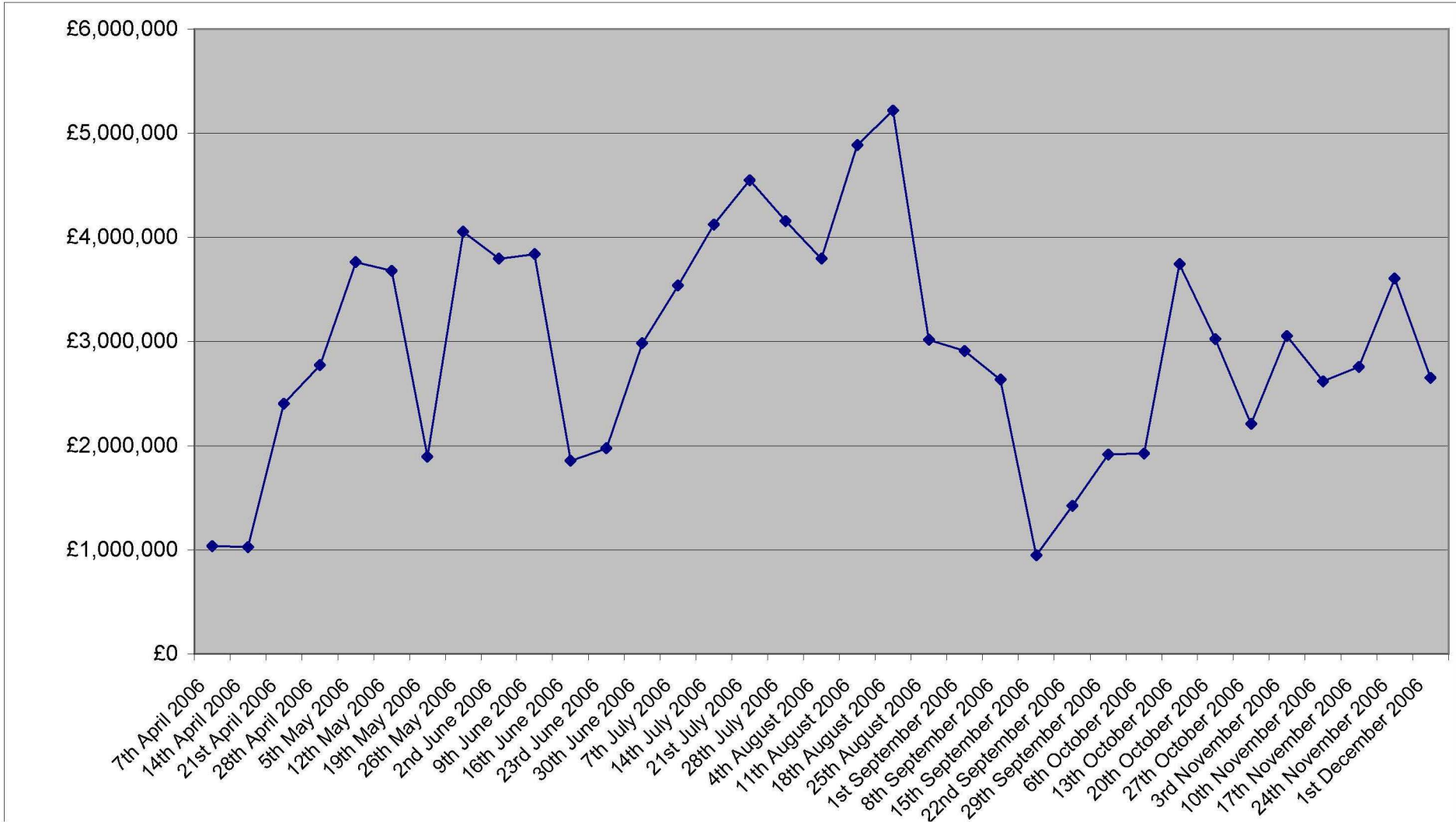|										
Tram		2,709,138	1,702,098	1,007,040	5,262,392	5,262,392	3,299,311	0	1,963,081
EARL		742,695	717,165	25,530	1,404,021	1,404,021	1,238,450	0	165,571
SAK		182,999	203,122	(20,123)	265,885	265,885	350,791	0	(84,906)
Ingliston Park & Ride		13,597	14,136	(539)	19,849	19,849	24,442	0	(4,593)
Fastlink (WEBS)		22,103	23,864	(1,761)	31,420	31,420	41,211	0	(9,791)
FETA		51,065	48,956	2,109	76,920	76,920	84,582	0	(7,662)
One Ticket		21,025	49,180	(28,155)	36,000	64,145	88,409	(28,145)	(52,409)
Business Development		55,371	88,372	(33,001)	53,029	53,029	152,652	0	(99,623)
Forth Ferry		24,316	24,656	(340)	35,264	35,264	42,514	0	(7,250)
Stirling Waste Management		56,693	54,151	2,542	87,302	87,302	93,366	0	(6,064)
Diff		0	0	0	34	34	0	0	34
	D=A+C	3,879,002	2,925,700	953,302	7,272,116	7,300,261	5,415,728	(28,145)	1,856,388

tie CONSOLIDATED EXPENDITURE REPORT (FORECAST v. FY 0607 BP) - At end October 2006

	Year to Date (7 mths to 31/10/06)			Year (12 mths ending 31/3/07)				
	1	2	3=1-2	4	5	6	7=4-5	8=4-6
	Actual	Bus Plan =Budget	Variance	Latest forecast	Forecast last month	Bus Plan =Budget	Latest forecast v last month	Latest forecast v Budget
External Project Costs								
Tram	14,183,909	25,849,902	(11,665,993)	38,778,608	34,759,448	66,363,689	4,019,160	(27,585,081)
EARL	5,918,598	10,450,250	(4,531,652)	12,600,404	13,028,704	15,490,527	(428,300)	(2,890,123)
SAK	4,390	24,517	(20,127)	42,000	42,000	42,000	0	0
Ingliston Park & Ride	0	18	(18)	1,010	1,010	(0)	0	1,010
Fastlink (WEBS)	71,522	69,869	1,653	119,774	119,774	119,774	0	(0)
FETA	6,806	268	6,538	6,805	6,805	418	0	6,387
One Ticket	34	0	34	34	34	0	0	34
Business Development	1,403	27	1,376	2,037	2,037	(0)	0	2,037
Forth Ferry	234	(37)	271	149	149	0	0	149
Stirling Waste Management	2,365	1,453	912	2,633	2,633	2,634	0	(1)
Diff	0	0	0	(34)	(34)	0	0	(34)
E	20,189,261	36,396,267	(16,207,006)	51,553,420	47,962,560	82,019,042	3,590,860	(30,465,622)
Total Project Costs								
Tram - 9mths to Dec				22,960,000	23,162,000	32,678,191	(202,000)	(9,718,191)
Tram	16,893,047	27,552,000	(10,658,953)	44,041,000	40,021,840	69,663,000	4,019,160	(25,622,000)
EARL	6,661,293	11,167,415	(4,506,122)	14,004,425	14,432,725	16,728,977	(428,300)	(2,724,552)
SAK	187,389	227,639	(40,250)	307,885	307,885	392,791	0	(84,906)
Ingliston Park & Ride	13,597	14,154	(557)	20,859	20,859	24,442	0	(3,583)
Fastlink (WEBS)	93,625	93,733	(108)	151,194	151,194	160,985	0	(9,791)
FETA	57,871	49,224	8,647	83,725	83,725	85,000	0	(1,275)
One Ticket	21,059	49,180	(28,121)	36,034	64,179	88,409	(28,145)	(52,375)
Business Development	56,774	88,399	(31,625)	55,066	55,066	152,652	0	(97,586)
Forth Ferry	24,550	24,619	(69)	35,413	35,413	42,514	0	(7,101)
Stirling Waste Management	59,058	55,604	3,454	89,935	89,935	96,000	0	(6,065)
	0	0	0					0
F=D+E	24,068,263	39,321,967	(15,253,704)	58,825,536	55,262,821	87,434,770	3,562,715	(28,609,234)

tie Board 11 December 2006 - Finance & Performance Report
tie BALANCE SHEETS MARCH TO OCTOBER 2006

	At March 06	At April 06	At May 06	At Jun 06	At July 06	At Aug 06
FIXED ASSETS	183,342	180,386	177,429	178,724	185,417	202,470
	183,342	180,386	177,429	178,724	185,417	202,470
CURRENT ASSETS						
Trade Debtors	5,408,314	4,337,723	6,339,052	4,894,366	6,826,879	6,053,558
Other Debtors	47,235	31,912	31,912	31,655	31,655	31,655
Prepayments & Accrued Income	4,235,208	6,367,222	6,182,677	7,841,388	7,603,464	6,457,478
Petty Cash	48	98	148	248	298	556
	9,690,804	10,736,954	12,553,789	12,767,657	14,462,296	12,543,247
CURRENT LIABILITIES						
Trade Creditors	2,806,064	619,497	1,529,870	1,155,062	2,008,815	4,536,948
Employee Creditor	1,249	1,076	1,919	2,529	31,922	(1,479)
Bank Account	2,688,478	3,761,251	4,878,378	3,536,319	4,844,560	1,936,402
Payroll Creditors	93,586	93,453	109,497	116,373	155,793	119,267
Capital Grants	183,341	180,386	177,429	178,724	185,416	202,469
Accruals	4,235,208	6,361,658	6,097,228	8,020,117	7,750,857	6,327,793
VAT Payable/(Refundable)	(134,779)	(100,980)	(64,103)	(63,743)	(330,649)	(376,683)
Other Creditors	671,415	671,415	671,415	671,415	671,415	671,415
	10,544,562	11,587,756	13,401,633	13,616,796	15,318,128	13,416,132
NET CURRENT ASSETS/(LIABILITIES)	(853,757)	(850,801)	(847,844)	(849,139)	(855,832)	(872,885)
Liabilities > 1 Year	0	0	0	0	0	0
NET ASSETS	(670,415)	(670,415)	(670,415)	(670,415)	(670,415)	(670,415)
Represented by:						
Share Capital	1,000	1,000	1,000	1,000	1,000	1,000
Reserves	(671,415)	(671,415)	(671,415)	(671,415)	(671,415)	(671,415)
Profit & Loss Account	(0)	0	0	0	0	0
Balance as at Period End	(670,415)	(670,415)	(670,415)	(670,415)	(670,415)	(670,415)

Appendix 3

£3,004,260
£2,651,997

24th November 2006
1st December 2006

Internal Audit Reports (prepared by Scott-Moncrieff CA)

Items with action dates past or iminent are highlighted

Report Title	Issued	Management Action Plan				
		Observation & Risk	Ranking	Actioned by:	No later than:	Further Action Required / Taken
Procurement and Tendering Procedures Follow Up	Jun-06	2.1 Procurement Policy always in line with EU regulations & updates communicated to staff	3	Mark Bourke	Aug-06	Procurement Policy updated and to be considered at October Executive Board
Procurement and Tendering Procedures Follow Up	Jun-06	2.2 Thresholds - aggregate levels are monitored and well documented (centralised contract register)	3	Stuart Lockhart	Oct-06	Delivery of Register of Spend Summary of Service Providers
Procurement and Tendering Procedures Follow Up	Jun-06	3.2 Tender Selection - not the sole function of one person and decisions are transparent	3	Mark Bourke	Aug-06	Procurement Policy updated and to be considered at October Executive Board
Procurement and Tendering Procedures Follow Up	Jun-06	4.1 Framework Agreements -investigate their introduction and implementation	3	Project Directors	Aug-06	Procrement Policy reflects that Project Directors will consider the use of Framework Agreements
Procurement and Tendering Procedures Follow Up	Jun-06	5.1 Documentation - files incomplete	3	Project Directors	Dec-06	PP updated to include a checklist/sign off control sheet
Review of ICT Network Infrastructure	Jun-06	1.1 User Access - develop information management strategy & review access for staff and contractors	4	Seamus Healy	Oct-06	Recommendations to November Executive Board
Review of ICT Network Infrastructure	Jun-06	1.5 Acceptable Use Policy - reissue IT Acceptable Use Policy & ensure sign-up with support from HR	4	Seamus Healy	Oct-06	Recommendations to November Executive Board
Review of ICT Network Infrastructure	Jun-06	4.1 IT Disaster Recovery & Business Continuity Planning - prioritise development of a plan in light of co-location	4	Seamus Healy	Sep-06	Updated Disaster Recovery Plan recommendations to be considered at October Executive Board.
Review of ICT Network Infrastructure	Jun-06	4.2 Storage of Back-Up Media - consider secure offsite locations and back up tapes removed daily	4	Seamus Healy	Sep-06	Changes have been made to backup regime meaning that Verity House is now backed up each day by Citypoint and vice-versa.
Review of ICT Network Infrastructure	Jun-06	1.2 IT Strategy - ICT strategy to be developed on the back of a business strategy	3	Seamus Healy	Jul-06	Embodied in ICT Strategy now approved
Review of ICT Network Infrastructure	Jun-06	1.3 User Account Management - assistance from HR on starters/leavers re staff and contractors	3	Seamus Healy	Oct-06	Recommendations to November Executive Board
Review of ICT Network Infrastructure	Jun-06	1.4 Powerful User Accounts - control Damovo user access & domain administrator password	3	Seamus Healy	Jul-06	Now actioned
Review of ICT Network Infrastructure	Jun-06	1.6 Information/Records Management - develop policies/procedures to manage the information assets of the company	3	Seamus Healy	Dec-06	
Review of ICT Network Infrastructure	Jun-06	1.7 Job Descriptions - HR to prepare clearly defined job descriptions for all staff	3	Seamus Healy	Aug-06	Embodied in ICT Strategy - preparation of Job Descriptions in progress
Review of ICT Network Infrastructure	Jun-06	1.8 Network Security - password expiry protocols to be reviewed to 30 days	3	Seamus Healy	Sep-06	Updated password expiry protocols to be considered at October Executive Board.
Review of ICT Network Infrastructure	Jun-06	2.2 Laptop Security - consider improvements to physical & logical security of laptops and standard issue to include secu	3	Seamus Healy	Nov-06	Board to consider risk v cost
Review of ICT Network Infrastructure	Jun-06	2.3 PC Security - consider enhancing Group Profiles in relation to installation of peripheral devices	3	Seamus Healy	Nov-06	Board to consider risk v cost
Review of ICT Network Infrastructure	Jun-06	3.1 Data Encryption - consider adoption of data encryption/PKI to ensure integrity of data emanating from company.	3	Seamus Healy	Dec-06	Board to consider risk v cost
Review of ICT Network Infrastructure	Jun-06	5.1 Penetration Testing - consider tests to "hack" into company network	3	Seamus Healy	Dec-06	Board to consider risk v cost
Review of ICT Network Infrastructure	Jun-06	5.2 Internet Content Monitoring - consider monitoring and filtering of internet access	3	Seamus Healy	Nov-06	
Review of ICT Network Infrastructure	Jun-06	5.3 Network & Contract Monitoring (Damovo) - consider greater proactive monitoring	3	Seamus Healy	Jul-06	Cost & benefit analysis underway with recommendations to be considered at October Executive Board
Review of ICT Network Infrastructure	Jun-06	6.1 Management Reporting - IT to provide regular reports on service performance	3	Seamus Healy	Oct-06	Recommendations to November Executive Board

KEY (Ranking)
5 Very high risk exposure - Major concerns requiring immediate Board attention
4 High risk exposure - Absence/failure of significant key controls
3 Moderate risk exposure - Not all key control procedures are working effectively

Other categories which are filtered out for this report:
2 Limited risk exposure - Minor control procedures are not in place/not working effectively
1 Efficiency/housekeeping point

External Audit Reports (prepared by Geoghegan & Co CA)

Report Title	Date of Issue	Management Action Plan				
		Observation & Risk	Ranking	Actioned by:	No later than:	Further Action Required
Report to Management for Year Ended 31st March 2006	Jun-06	1.0 Fixed Asset Stewardship - clear identification of asset location		Stuart Lockhart	Ongoing	
Report to Management for Year Ended 31st March 2006	Jun-06	2.0 Fixed Asset Capitalisation Policy - formal policy to be put in place & documented		Stuart Lockhart	Ongoing	
Report to Management for Year Ended 31st March 2006	Jun-06	3.0 Contracted Staff - continue to review/monitor service contracts in relation to IR35 legislation		Colin McLauchlan	Ongoing	
Report to Management for Year Ended 31st March 2006	Jun-06	4.0 Accounting procedures - Document financial accounting systems & controls		Stuart Lockhart	Ongoing	
Report to Management for Year Ended 31st March 2006	Jun-06	4.0 Accounting procedures - enhance Audit Committee reporting to entire Board of Directors		Stuart Lockhart	Ongoing	
Report to Management for Year Ended 31st March 2006	Jun-06	5.0 Accounting Journals - formal review process to be documented		Stuart Lockhart	Ongoing	
Report to Management for Year Ended 31st March 2006	Jun-06	6.0 Purchase Ledger - there is a need to "tidy up" some old ledger balances		Stuart Lockhart	Ongoing	

Code of Guidance for Council Companies

Introduction

In July of this year **tie** received the 'Code of Guidance' and 'Company Self Assessment Questionnaire' which were published by CEC on the 29th June 2006 with a recommendation to all CEC owned companies to adopt the recommendations contained within the report.

Review

In the report and self assessment questionnaire there are some 79 points that were required to be met on Governance for CEC owned companies.

Having reviewed each of these against **tie** operating procedures it is reassuring to note the information below:

Already in place within **tie**	63	
In place but required re-enforcing	8	*Note 1
Requiring some form of action	7	*Note 2

We therefore had in place **90%** of the requirements prior to the publication of the guidance and have now set in motion the plans to finalise the remaining 8 points prior to the end of this financial year where we will comply **100%** with the guidance.

Note 1 – The 8 points all related to the Register of Notifiable Interests, which **tie** have in place but required to be re-formatted and re- populated at greater periodicity than previously.
Action : Board meetings will have this item as a standing agenda item from January 2007 onwards.

Note 2 – The 7 Points for action are as follows, along with the proposed action :

i) Are the standards required to promote compliance with the Combined Code of Corporate Governance detailed in a legally binding, operating agreement?
Action : Incorporate a simple document into tie Board meeting minute, which has been pre-approved by CEC officials. To amend the tie – CEC Operating agreement would require full Council approval which seems disproportionate given the general level of tie compliance.

ii) Are the performance of Board members (Executive and Non-executive) reviewed annually on the basis of attendance, input at the Board meetings, technical expertise, etc?
Action : The first such review will be in March 2007, allowing new members of the Board a reasonable period of settling in.

iii) Does the Board assess the performance and review the remit of each committee annually?
Action : The Board should perform this review in April 2007 for the Audit and Remuneration committees.

iv) Are the Operating Agreement with CEC, roles and responsibilities of the Board and senior managers, committee remits and terms of reference, procedures for appointing and training new Board members and Board members maximum length of service, reviewed regularly to determine whether they remain relevant in the light of experience and changing circumstances?
Action : Requires a once pa review, suggested for September (mid-year)

v) Has a formal written strategy and/or policy for the prevention, detection and investigation of fraud and corruption been adopted and approved by the Board?
Action : The existing policy is focussed on procurement, which is the area in tie's business which would be most susceptible to fraud. This policy will be expanded for dissemination by February 2007.

vi) The Directors will attend at least 75% of all Board meetings?
Action : Review annually, tied in to financial year, hence first review April 2007.

vii) Policy Implementation Report ?
Action : Implementation of policy matters in this area will be a standing item on tie Board agendas from January 2007.