

tie Limited

Paper to : **tie Board**
Subject : **Project Governance**
Date : **August 2006**

**Edinburgh's integrated transport system
Project governance – agreed structure, August 2006**

Note :

This paper combines the principles and structure which were set out in papers to the TEL Boards on 19 June 2006 and 24 July 2006 and the results of further discussions. The paper is intended to be a complete picture of the agreed structure to take the project through to financial close.

Background

The delivery of Edinburgh's integrated transport system has the following key players:

- CEC was the Promoter of the Tram Bills, will be the user of the output from the project and is part-funder of the project
- TEL was created by CEC to deliver an integrated bus and tram system
- Tie is the delivery agent for the tram as specified by its client CEC acting through TEL
- Transport Scotland (TS) is the principal funder

This paper establishes a practical approach to project governance through to Financial Close. It is anticipated that a revised structure will be required to execute the construction phase of the project.

The fulcrum of the previous governance structure was the TEL Board acting as the Project Board. Attendance included senior parties from the key stakeholders, including CEC and TS. The Tram Project Director (TPD) had delegated authority from the TEL Board to execute and in turn delegated on day to day matters to his tram project team.

Agreed structure - August 2006

The revised structure is summarised in the diagrams in Appendix 1. These highlight the following four key bodies :

- TEL Board
- Tram Project Board (an independent body with authority delegated to it by CEC (through TEL) and by TS ("TPB"))
- TPB sub-committees : 1) Business Planning, Integration and Commercials ("BPIC") ; and 2) Design, Procurement and Delivery ("DPD")

Remits for each of the four primary bodies are set out in Appendices 2-4. In summary, their roles are as follows :

TEL Board

The role of the TEL Board is focussed on its statutory stewardship role and on its overall responsibility to deliver an integrated tram and bus network for Edinburgh, on behalf of CEC. It will make the formal recommendations to CEC on key aspects of the project including business plan and business case approval, contractual commitment and matters which have a political dimension. Attendance will be restricted to Directors. The TEL Board will also address any matters outwith the direct arena of Integrated Bus and Tram systems and any statutory TEL considerations.

Tram Project Board

The TPB is established as an independent body with full delegated authority from CEC (through TEL) and TS to execute the project in line with the remit set out in Appendix 3. In summary, the TPB has full delegated authority to take the actions needed to deliver the project to the agreed standards of cost, programme and quality. The TPB also exercises authority over project design matters which significantly affect prospective service quality, physical presentation or have material impact on other aspects of activity in the city. Certain matters are reserved by TS and CEC, as described below.

The delegation of authority to the TPB is formalised by the approval of this paper by the TEL Board and by the Senior TS Representative.

The suggested membership of the TPB is 6 people (Office of Government Commerce constituency definitions "highlighted"):

- Chair
- Senior TS Representative
- Senior CEC Representative - "Senior User Representative"
- TEL CEO and Project "Senior Responsible Owner"
- "Senior Supplier" representatives (tie Executive Chairman and TEL Operations Director)

The Chair will be the TEL Non-executive Chairman, rather than the Project SRO. Other parties, principally senior project management and advisers, will be called to attend as required, though it is anticipated that a common group including the Tram Project Director will attend most meetings.

The intention is that the empowerment of Senior Representatives of TS and CEC will enable the TPB to act with appropriate efficiency.

The Senior TS Representative is empowered by TS to support all decisions made by the TPB except those matters reserved by Scottish Ministers and set out in Appendix 3A. In particular, the milestone approval requirements set out in the grant award letter are within the approval powers of the Senior TS Representative. The Senior CEC Representative is empowered by CEC to support all decisions made by the TPB except those matters reserved by CEC and set out in Appendix 3B.

Exceptionally, the TS or CEC Senior Representatives may withhold approval of matters within their powers for further reference in their respective organisations.

Sub-committees

Execution workstreams will be categorised (largely as at present) as either “Business Planning, Integration and Commercials” (“BPIC”), or “Design, Procurement and Delivery” (“DPD”). The BPIC programme is under the direction of TEL management led by Bill Campbell. The DPD programme is under the direction of the Tram Project Director Andie Harper. There are critical linkages and dependencies which the two programme directors must manage effectively. At operational level, CEC, TS and Transdev have key involvement in many of the workstreams. This structure should encompass all workstreams and approvals needed to deliver the integrated system. In particular, the two programme leaders must ensure that all other project-related activities (“influencing groups”) are fully aligned with the governance structure documented in this paper, or bring any parallel activities to the attention of the TPB for action to be taken.

The role of the sub-committees is to challenge and filter workstream outputs and provide recommendations to the Tram Project Board. Membership of sub-committees will be partly sub-set of the TPB and partly additional advisers and stakeholder representatives. It is also likely that membership will vary according to the subject-matter on the table. The sub-committees have no delegated decision-making authority (except as specifically delegated by the TPB) but will be required to make recommendations to the TPB.

The tie Board

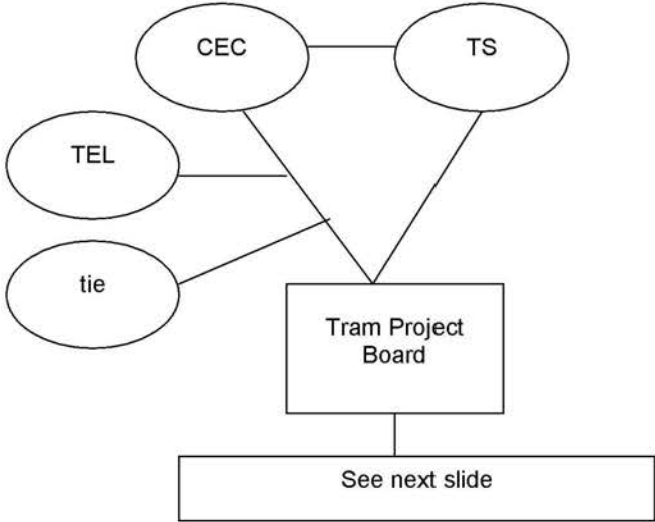
In addition to the four primary bodies, the tie Board retains a specific role, in line with its previous responsibilities. These are 1) to apply quality assurance to the execution by the Tram Project Director and his team ; 2) to make formal funding requests to TS and be accountable for expenditure ; and 3) to enter into contractual arrangements necessary to execute project delivery. It is anticipated that the tie Board will place reliance on the governance processes executed by the TPB in assessing the work required to execute their own responsibilities under 2 and 3.

Members and participants

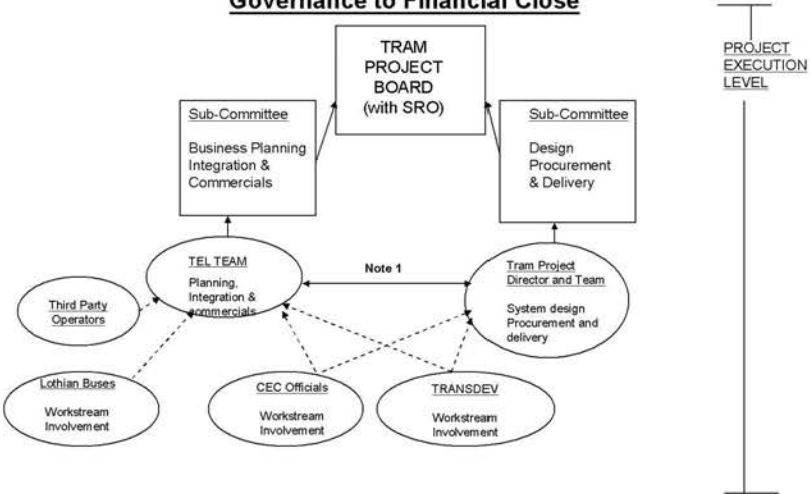
Appendix 5 sets out the suggested composition of the four primary governance bodies. The status of individuals is defined either as “Member”, each of whom has formal decision-making authority, or “Participant”.

Appendix 1 – Overview of governance structure

EDINBURGH'S INTEGRATED TRANSPORT SYSTEM
Governance to Financial Close



EDINBURGH'S INTEGRATED TRANSPORT SYSTEM
Governance to Financial Close



Note 1: Critical linkages including design

Appendix 2 - TEL Board Remit

The TEL Board has the following responsibilities :

(1) Company stewardship

1. Matters relating to TEL as a statutory entity, including Board membership, statutory reporting, maintenance of books of account and statutory records.
2. Matters arising from CEC / TEL Operating Agreement
3. Matters relating to TEL employees including Health & safety

(2) Integrated Edinburgh Tram and Bus Network

1. Overall responsibility for the delivery of an integrated Edinburgh Tram and Bus Network on behalf of CEC
2. Preparation of a Business Plan (and a supporting Tram Business Case) for the Tram Project covering specifically the period to Financial Close (as defined in the Project Programme), and setting out in particular (1) the Company's assessment of the financial and economic viability of a proposed integrated bus and tram system and the affordability of constructing a tram system ; and (2) how the Company intends to incentivise the tram and bus operators to deliver a high quality, viable integrated bus and tram system.
3. Execution of its responsibilities under 1 and 2 through the project governance arrangements, while reserving the following powers :
 - Formal recommendation to CEC :
 - that the TEL Business Plan and the Tram Draft Final Business Case be approved with defined consequential approvals
 - in relation to other critical milestones through to Financial Close where it is anticipated that full Council approval will be required
4. Health & Safety responsibilities arising from the Integrated Edinburgh Tram and Bus Network.

Appendix 3 - Tram Project Board ("TPB") Remit

Except for the matters reserved by respectively TS and CEC and set out in Appendices 3A and 3B, the TPB has full delegated responsibility for the delivery of an integrated Edinburgh Tram and Bus Network on behalf of CEC and TS, in particular :

1. To oversee the execution of all matters relevant to the delivery of an integrated Edinburgh Tram and Bus Network, with the following delegations :
 - a. Changes above the following thresholds
 - i. Delays to key milestones of > 1 month
 - ii. Increases in capital cost of > £1m
 - iii. Adversely affects annual operational surplus by >£100k
 - iv. is (or is likely to) materially affect economic viability, measured by BCR impact of > 0.1
 - b. Changes to project design which significantly and adversely affect prospective service quality, physical presentation or have material impact on other aspects of activity in the city
 - c. Delegate authority for execution of changes to TEL CEO with a cumulative impact as follows:
 - i. Delays to key milestones of up to 1 month
 - ii. Increases in capital cost of up to £1m
 - iii. Adversely affects annual operational surplus by <£100k pa
 - iv. is (or is likely to) materially affect economic viability, measured by BCR impact of <0.1

[Note: these are cumulative impacts since the last position approved by the TPB.]

The TEL CEO will delegate similar authority to the leaders of the BPIC and DPD workstreams respectively. Changes within this level of delegation require the approval of both the workstream leader and the TEL CEO.

2. To appoint the Senior Responsible Owner for the project and to receive reports from the SRO on project progress
3. To receive reports from sub-committees established to oversee 1) Business Planning, Integration and Commercials ("BPIC") ; and 2) Design, Procurement and Delivery ("DPD").
4. To ensure BPIC and DPD workstreams are executed according to robust programmes under the leadership of Project Directors appointed by the TPB.
5. To approve the release of procurement documentation to the market, to approve procurement selection decisions and to recommend to the TEL and tie Boards (as appropriate) that they enter into contractual commitments.
6. To approve the submission of funding requests and to recommend approval of funding terms to the TEL and tie Boards (as appropriate). The TPB will also confirm to TS compliance that all relevant aspects of the grant award letter.
7. To ensure proper reporting through the TPB Chairman to the TEL Board, CEC or TS (as appropriate) of decisions made and reserved power compliance. .

All papers seeking decisions from the TPB shall have been circulated to Transport Scotland, City of Edinburgh Council, TEL, tie and Transdev for comment before formal submission to the TPB. In practice this should be achieved primarily through the sub-committees

Appendix 3A – Scottish Ministers' Reserved Matters

The following matters cannot be determined by the Transport Scotland Senior Representative without further consultation within Transport Scotland and the Scottish Executive.

1. Those of City of Edinburgh Council's reserved matters set out in Appendix 3B which may be referred to the Scottish Ministers for determination.
2. Approval of the business case.
3. Commencement of physical works under the Multi Utilities Diversion Framework Agreement
4. Entering into contracts for the delivery of tram vehicles (Tramco) or system infrastructure (Infraco)
5. Increases in Scottish Ministers' funding beyond the total of grant already offered to City of Edinburgh Council
6. Decisions in relation to the application of concessionary fares to the Edinburgh Trams scheme

[Note: item 5 should still allow assumptions to be made within the business case but makes it clear that agreement to those assumptions does not bind our colleagues in Transport Group to deliver those assumptions. That would form part of the collective decision making about the scheme.]

Appendix 3B – CEC Reserved Matters

The following matters cannot be determined by the CEC Senior Representative without further consultation within CEC :

1. Those of Transport Scotland's reserved matters set out in Appendix 3A which may be referred to the Council for additional determination.
2. Approval of the Business Case.
3. Commencement of physical works under the Multi Utilities Diversion Framework Agreement
4. Commencement of physical works for Infraco
5. Entering into contracts for the delivery of tram vehicles (Tramco) or system infrastructure (Infraco)
6. Changes to contractual costs or budgets from that previously agreed by the Tram Project Board. The formal mechanism for informing the Council will be through the Tram Project Board on which the CEC Director of City Development (or his delegate) sits. Depending upon the scope and scale of financial change, it may be necessary to seek approval from the Council Executive or full Council.
7. Matters of substantive public interest which require political involvement, as are determined by the CEC Senior Representative.
8. Decisions in relation to the application of concessionary fares to the Edinburgh Trams scheme
9. Statutory processes :

Prior Approvals

All Prior Approvals are to be approved by CEC, through the planning process.

Land Acquisition

The land acquisition process where it depends upon Council agreement or use of powers must be authorised by the Council either under delegated or direct Council approval procedures (i.e. GVD, CAAD etc).

Traffic Management

Traffic Management will be facilitated by the production of both TROs and TTROs that will emerge from the approved roads design. Both TRO's and TTROs will need to be approved and made by the Council.

Roads and Structures design

Facilitated through the design approval process.

Roads Demarcation Agreement

The Roads Demarcation Agreement will detail the ownership and maintenance liabilities for future operation of the tram and its associated infrastructure. It will also detail the agreed associated financial arrangements between the operator, the maintenance contractor, tram and CEC, and may include a transfer of obligations/risks.

Appendix 4 – Remits of TPB Sub-committees

1. To assess progress on matters within the Project Programme headings of (respectively) 1) Business Planning, Integration and Commercials (“BPIC”) ; and 2) Design, Procurement and Delivery (“DPD”) ; as appropriate, to request further work or investigation, or to approve the reports and recommend their acceptance to the TPB.
2. To ensure that papers brought to the sub-committee meetings and reported to the TPB are succinct but comprehensive, highlight key issues and decisions, define matters where project dependencies exist and the means of ensuring that those dependencies are addressed ; and that all members receive papers timeously and are given the opportunity to comment fully.
3. To report to the TPB through the sub-committee Chairmen : 1) on matters which are reserved to the TPB, CEC, the TEL Board and TS ; and 2) generally, as deemed appropriate by the sub-committee Chairman.

Appendix 5

TRAM PROJECT - MEMBERS AND PARTICIPANTS IN GOVERNANCE BODIES				
	TEL Board	Tram Project Board	BPIC Sub-Comm	DPD Sub-Comm
Members :				
David Mackay	Chair	Chair	Chair	
Willie Gallagher	X	X	X	Chair
Neil Renilson (TEL CEO and Project SRO)	X	X	X	X
Bill Campbell	X	X	X	X
Donald McGougan	X			
Ricky Henderson	X			
Fred Mackintosh	X			
Bill Reeve (TS Senior Representative)		X		
Andrew Holmes (CEC Senior Representative)		X		
Damian Sharp			X	X
CEC Senior Representative			X	X
Participants :				
Andie Harper		X	X	X
Graeme Bissett		X	X	X
Stewart McGarrity		X	X	X
Transdev		X	X	X
Project team members as required				
Advisers as required				
James Stewart (PUK)		X		
James Papps (PUK)			X	X
Norman Strachan (Secretary)	X	X	X	
Mark Bourke (Secretary to DPD Sub-Committee)				X