

Subject : **CEC approvals of Tram Infraco/Tram Contracts**
Date : **11th September 2007**
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Background

In October 2007, officials within CEC will be required to make a recommendation to the full council Meeting on the preferred bidder for Infraco and Tram contracts. In doing so, they must satisfy themselves that :

- the contracts are robust transferring risk to the private sector as outlined in the risk allocation matrices for each contract,
- that where appropriate, risks remaining with the public sector can effectively be covered by the Owner controlled Insurance Package (OCIP) put in place by the contract
- that where risks are not covered by OCIP, that the level of these risks remaining with the public sector are understood and quantified
- and that those risks remaining with the public sector have robust risk mitigation plans in place to minimise the likelihood of these risks being realised

End Point

It has been agreed by the Legal Affairs Committee(LAC), that this committee be the formal CEC forum for recommending that these contracts and the preferred bidder is recommended to the full CEC meeting in October for approval. This is because CEC Legal, finance and city Development are all represented on this committee.

To do this, it is agreed that the following documents need to be put in place;

- 1) Final negotiated contracts for the preferred bidders – both Infraco & Tramco
- 2) Risk allocation matrices that identify the risk transfer in these contracts
- 3) Heads of terms outlining the key terms of both contracts
- 4) Duty of care letters from DLA to CEC to give comfort that the final negotiated contracts deliver the Heads of Terms and risk allocation matrices
- 5) Risk allocation matrices showing which CEC risks and covered by the OCIP package
- 6) For risks retained by CEC and not covered by OCIP, risk mitigation plans should be in place and transparent

Process

The recommendation will be made to the full CEC meeting on 25th October. This means that the report will be circulated to all members by 19th October. The Tram Project Board will meet to approve this recommendation being made to CEC on 26th September. The aim will be to close this down and have full agreement on making this recommendation by LAC on 24th September or 1st October.

A programme is in place to realise items 1), 2), 3) & 4). This requires that the full list of documents be with CEC by 17/09 and a response on any issues required by 21/09. these dates may be subject to some minor adjustment.

In terms of the exercise on risk – items 5) & 6), these should likewise be closed down in these timescales.