

DAMIAN



tie Board Meeting

22nd August 2005



Agenda for tie Board Meeting
 @ tie offices, Verity House, Edinburgh
 @ 10.00 hrs – 12.00 hrs on Monday 22nd August 2005

Item No.	Agenda Item	Resp	Timing
1.	Minutes of Meeting of 25th July 2005 for approval and signing – a) Approve and signing of full version of minutes	EB	10.00 hrs
2.	Matters arising	EB	
3.	Chief Executive Report – a) Chief Executive Board Report *	MH	
4.	Risk - a) Risk Report *	AM	
5.	Finance – a) Board Finance Review * b) Tram Project Board/Terms of Reference/DAR's *	MH	
6.	Heavy Rail - a) EARL - Progress Report * b) EARL - Parliamentary Report * c) EARL - GI Advisors * d) SAK - Project Progress Report *	SC SC SC PP	
7.	Tram a) Project Progress Report * b) Procurement – SDS/JRC Appointments *	IK IK	
8.	Other Projects – a) Other Projects Progress Report *	AM	
9.	Communications - a) Communications Progress report *	MH	
10.	AOB –	EB	
11.	End		12.00 hrs
12.	Date of next meeting – Tuesday 20th September 2005 @ 10.00 hrs. Venue: tie office, Verity House, Edinburgh		

* = paper enclosed (available under FOISA but subject to review under Section 5b of tie's publication scheme and exceptions in The Act)



Item 1

Minutes of the Meeting

held on 25th July 2005

- a) Approve full version of minutes



tie limited

Minutes of tie BOARD MEETING

In the tie Boardroom, Verity House, 19 Haymarket Yards
@ 10.00 hrs – 12.00 hrs on Monday 25th July 2005

Board Members: Ewan Brown
Gavin Gemmell
Maureen Child
Bill Cunningham
Jim Brown

EB
GG
MC
BC
JB

In attendance: Michael Howell, tie Chief Executive
Alex Macaulay, tie Projects Director
Susan Clark, tie Project Director - EARL
Barry Cross, tie Project Development Director
Ian Kendall, tie Procurement Director
Damian Sharp, Scottish Executive, Head of PTMIT
Andrew Holmes, CEC, City Development Director
Keith Rimmer, CEC, CDD, Head of Transport
Neil Renilson, TEL, Chief Executive Designate
James Papps, PUK

MH
AM
SC
BC
IK
DS
AH
KR
NR
JP

Apologies: Andrew Burns
John Richards
John Ewing

Circulation: as above

Note: The Board papers are issued for the meeting only. Observers are required to return all the papers to tie at the end of the meeting. Those in receipt of papers and who did not attend the meeting are required to confirm their copies have been destroyed or returned to tie.

* = paper enclosed (available under FOISA but subject to review under Section 5b of tie's publication scheme and The Act)
(C) = minute exempt under Section 5b of tie's publication scheme and The Act.

ItemAction
By**1. MINUTES OF THE MEETING OF 20th JUNE FOR APPROVAL AND SIGNING**

The minutes were approved.

2. MATTERS ARISING

None

3. CHIEF EXECUTIVE'S REPORT *

a) The report was discussed.

b) Governance Matters *

A proposal for a new governance structure for the Tram Project and EARL was discussed and agreed in principle. The proposal included the creation of "Project Boards" for both projects with delegated powers and a reporting line to the **tie** Board. The chairs of the new boards would be appointed from the **tie** private sector directors

There would be further consultation with third parties and SE to finalise the remit and constitution of each Project Board and these will be presented to the **tie** Board for final approval,

c) New Project Development *

A paper presenting a proposal for **tie**'s new project development work under the leadership of Alex Macaulay was discussed and approved.

4. RISK

a) Risk Report *

The monthly Risk report was presented and discussed. It was agreed that this would be reviewed for consistency with other board papers.

MH

5. FINANCEa) Board Financial Review *

The review and financial performance reports were noted.

6. HEAVY RAILa) EARL – Procurement *

Adverts had been placed for the procurement of Geo-technical Investigation (GI) works and Technical Support Services EB requested that research be undertaken on the tunnelling experts worldwide and a report made to the next Board meeting.

SC

b) EARL – BAA South East Pier*

SC advised that the proposed construction of a new South East Pier by BAA would cross the proposed EARL alignment. Agreement had been reached between **tie** and BAA to procure a joint design commission to create two separate structures and safeguard the EARL route.

SC

c) SAK – Project Progress & Financial Report *

The project progress report was discussed.

7. TRAMa) Progress Report*

Partial funding had been approved by SE for the implementation phase, including TSS. The TSS contract, appointing Scott Wilson Railways Limited, was to be signed after the board meeting.

Recommendations for the appointment of SDS/JRC will be made at the next Board meeting.

IK

SE and **tie** are working closely to mitigate any risk of excessive tender prices by taking appropriate action before going to the market.

Agreed that contact would be made with Frank Yuill of Selex – SAS (formerly BAE Systems).

MH

b) Order Issues/Parliamentary Process *

BC reported on TL1 & TL2 costs and advised that the parliamentary process for TL1 has added additional costs to the project. Discussions on the resulting additional funding needs are in progress with SE.

Action
By

SMcG

8. OTHER PROJECTS

a) Progress Report

The project progress reports were presented. It was noted that **tie** had been provisionally selected as the Project Manager for a series of environmental works in Stirling. Conclusion of this arrangement was approved.

AM

Fastlink

It was proposed that communication advice should be sought to ensure the public were properly informed while the remaining contractual issues with Balfour Beatty and Halcrow were resolved.

AM

Ingliston Park + Ride

It was noted that the Lothian Buses strike had postponed the opening of the project, which had been scheduled for 14th July.

b) Business Development *

The position was noted.

9. COMMUNICATIONS

a) Communications Progress Report *

The report was noted.

10. AOB

None

11. Date of Next Meeting

Monday 22nd August 2005 in **tie** offices from 1000 hrs – 1200 hrs

Signed and approved on behalf of the Board of **tie** limited by:

Ewan Brown (Chairman).....

Date.....

Declaration:

*Agenda Items marked * indicate that a report or relevant paper on this subject was attached and will be made available under FOI(S)A but will be subject to review under Section 5b of **tie's** publication scheme and The FOI (Scotland) Act 2002. The contents of these minutes will be reviewed by **tie** and items marked with a **(C)** will be made exempt as required under The FOI (Scotland) Act 2002 prior to release.*



Agenda Item 2

Matters Arising



Agenda Item 3

Chief Executive Report

- a) **Chief Executive Board Report ***

* = paper enclosed (available under FOISA but subject to review under Section 5b of tie's publication scheme and exceptions in The Act)



tie BOARD MEETING – 22ND AUGUST 2005

Please note that this report takes account of the provisions of FOI (Scotland) Act.

Chief Executive's Report

A. General

- It has been formally announced that Bill Reeve, recently appointed from the SRA, will shortly take responsibility for major projects, including the Edinburgh tram. Bill will report to Malcolm Reed, the new Chief Executive of the National Transport Agency.
- On the occasion of a visit of the new Minister for Transport, Tavish Scott, to the SAK project on 18th August, it is expected that full funding of the project will be announced.
- A meeting has been set with David Hume, Chief Executive of Scottish Borders Council for 1st September to discuss tie's involvement in the implementation of the Borders Rail Link.
- An internal reorganisation within tie was announced on 28th July. Steps are now being taken to finalise responsibilities and define individual targets for the balance of the year. The changes have been broadly well received both inside and outside tie.
- The tram Project Board will hold its first meeting under the chairmanship of Gavin Gemmell on 18th August. The EARL Project Board will meet under Jim Brown's chairmanship during September.
- tie's extended role has made a good start with work for Stirling Council on a major environmental project, and strong indications of early progress on the planned Forth ferry crossing from Fife.

B. Tram

- As previously reported, a budget of £4.1M was approved for the implementation phase, which is sufficient to fund work until 30 September.
- The Technical Support Services contract, awarded to Scott Wilson Railways Limited, was signed on 25th August.
- CEC expects to receive a letter providing comfort that the balance of £17.8M of tram funding for 2005/6 will be awarded in time for formal conclusion of the tender awards for System Design Services, and the



Joint Revenue Committee in September. This is three months later than the original plan for this year.

- Recommendations for appointments for the SDS and JRC contracts will be proposed by Ian Kendall at the board meeting.
- It will now be possible to move forward with the new transport & revenue model to avoid further delay. In the short term, efforts are being made to secure clear data on the impact of EARL on TL2 and vice versa. Provisional results are encouraging, and this is due to the opportunity for modal interchange at the airport station.
- Rebuttal statements for the post-recess tram objections have been prepared.
- The pre-recess evidence programme for the Parliamentary committees was not completed, and there are indications that TL2 in particular will be delayed by 4-6 weeks from October to December. There is still the expectation that the two bills will have completed their committee hearings before Christmas.
- Negotiations continue with a number of other significant objectors. There are 25 priority 1 objections which, it is targeted, should reach some conclusion by 26th August.
- A visit by Tom Coffey, President of Dublin's City Business Association, is to take place on 29th/30th August. The objective is to communicate the positive benefit of LUAS, Dublin's new tram system, on that city.
- An exhibition beside the Scott Monument, featuring a full size replica tram, will be held during September.
- A new "tramtime" website was launched in early August.

D. EARL

- Formal introduction of the EARL bill will occur as soon as there is "room" in the Parliament i.e. on completion of the tram bills. This is no longer likely to be in October, but closer to Christmas. The indications are that GARL (Glasgow) will have caught up by that time and will also be introduced.
- Formal confirmation of continued funding for this year is still awaited. We would like early comfort from the Scottish Executive since the carryover from last financial year is now exhausted.

11 Aug letter

E. SAK

- A visit of the new minister to the project on 18th August is expected to confirm funding for the project.
- Preparations have been underway with this in mind.



F. Ingliston Park & Ride and FastLink

- Assuming acceptance by the Lothian buses workforce of the latest pay offer, the launch of bus services from Ingliston Park + Ride is expected on 14th September.
- Discussions continue concerning resolution of quality problems on the Fastlink busway.

G. Finance and Risk

- The Finance and Risk reports are attached.

H. Business Development

- **tie's** proposal to Stirling Council for the management of a programme of waste management works was accepted and work began on 18th August.
- Other projects are being pursued, including the cross-Forth ferry.

I. Communications

- The report is attached.

Michael Howell

17th August 2005



Agenda Item 4

Risk

a) Risk Report *

* = paper enclosed (available under FOISA but subject to review under Section 5b of tie's publication scheme and exceptions in The Act)

**tie Limited Board Meeting
Risk Report**

**Confidential
22 August 2005**

Ref	Risk – FETA Road User Charging Order	RAG	Mitigation	Due Date	%age Complete	Owner
1.	If there are delays to completing a contractual agreement then there could be ambiguity in our service position		Draft agreement prepared utilising SAK Agreement as base documentation. Roles and responsibilities defined. Invoices being paid. Work closely with FETA Legal to accelerate ongoing review due to be complete by end of August.	June 2005	95%	FETA/ tie (PM)
2.	If the timetable for the publication of guidance from the SE is unclear then the overall programme may be compromised.		Develop project programme to highlight dependences and float. Hold regular liaison meetings with SE to ensure programme assumptions are clear and timescale is achievable. Develop resource schedule for delivery.	July 2005	70%	SE
3.	If there is a lack of political will to introduce an Order then the scheme will stall.		Hold regular meetings with FETA Officers and Members to ensure commitment to process.	Nov 2005	0%	FETA

Ref	Risk - Edinburgh Airport Rail Link	RAG	Mitigation	Due Date	%age Complete	Owner
4.	If we fail to prepare a robust Operating Agreement for our role as Promoter then there may be an ambiguous approvals process or delays could be incurred prior to lodging Bill in Parliament.		Finalise Operating Agreement and develop internal governance arrangements. Liaise with SE regarding funding application, milestone reviews, endorsement of procurement strategy, incentivising service provider performance and agree robust Governance Arrangements. Resolve VAT position in conjunction with SE with regard to current and future structuring.	Sep 2005	90%	SE / tie (PD)
5.	If the Private Bills Unit can only deal with 3No. Bills (4No. currently lodged) then there may be delays to existing Bills or EARL Bill and additional costs incurred.		Discuss timetable concerns with Private Bills Unit. Liaise with Tram schemes regarding potential interaction between Bills. Resolve timing of Bill relative to GARL e.g. October or December. Seek funding for development activities including technical advisor services, 'Form A' design and ground and archaeological	Sept 2005	70%	PBU / tie (PD)

Status	Colour
The risk management action cannot begin until a future specified date, therefore, it is not possible to measure progress	
No progress has been made	
Moderate progress being made on risk management action with little/no evidence of the deliverable	
Progress is being made, commensurate with the stage of the Project, with appropriate evidence of the deliverable	
Risk management action has been successfully completed and any associated deliverable has been provided	

**tie Limited Board Meeting
Risk Report**

**Confidential
22 August 2005**

Ref	Risk - Edinburgh Airport Rail Link	RAG	Mitigation	Due Date	%age Complete	Owner
			surveys. Utilise time for objection avoidance including utilities agreements. Publish 'draft' Bill for consultation.			
6.	If we don't enter into Heads of Terms of agreements with BAA and NR before lodging the bill then they may formally object to it.		Assurance protocol and way forward agreed. Meet regularly with BAA and NR and develop Heads of Terms agreements in conjunction with advisors. Seek verification that there will be no objection from BAA and NR. Agree protective provisions with NR and carry out 'Form A' design. Conduct advance design and construction for SE Pier and Transport Hub. Review lessons from Tram schemes. Adopt a united approach with SE and GARL. Use period for delay in introduction to advance 'potential' objector management. Review procurement strategy in conjunction with BAA, SE and NR.	Sept 2005	45%	DLA / tie (PD)
7.	If the construction industry is highly active on other key schemes e.g. Olympics 2012, Trams, Crossrail then the construction inflation may increase.		Review timings of construction period and make adequate allowance for construction inflation. Ensure market attractiveness of scheme is maintained. Review potential for early works.	Jan 2007	5%	tie (PD)
8.	If the existing rail franchise and rolling stock procurement is unable to accommodate the introduction of Earl then the scheme will not be able to be commissioned and transferred into NR asset base.		Review status of existing agreements and convene procurement group to review flexibility in rail franchise, interest from First Scotrail and planned rolling stock procurements.	Jan 2007	5%	SE

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**tie Limited Board Meeting
Risk Report**

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22 August 2005**

Ref	Risk - Tram Network	RAG	Mitigation	Due Date	%age Complete	Owner
9.	If there is insufficient funding delivered through the Annual Business Plan to fund implementation of procurement strategy and allow land acquisition and utility diversions from the Scottish Executive then we will fail to meet operational service delivery date in 2009.		Develop a robust Plan that clarifies the expenditure for planning, negotiating, placing and acting on agreements to relocate services and acquire land. Develop a robust Annual Business Plan and Interim Outline Business Case. Support CEC in dialogue with the Executive regarding procurement strategy and immediate funding requirements. Supply optioneering paper to SE. Seek early commitment to funding beyond FY05/06.	June 2005	90%	SE
10	If CEC employees are not empowered or protracted negotiation with objectors (e.g. Roseburn and Starbank) then there may be delays to the placing of agreements (removal of objections) and/or contract procurements.		Develop a governance model that includes CEC in approval chain. Seek clarification of delegated authorities of CEC liaison team. Ensure that empowered individuals are responsible for review. Provide briefings on content and risks in each Side Agreement. Hold regular meetings to seek routes to withdraw objections. Establish the scope of precedent to support our case from elsewhere in the UK. Implement additional specialist resourcing. If alternative routing plans are necessary review all capital, operating and revenue implications.	Nov 2005	60%	CEC / tie (PM)
11	If public concern and MSP influence the Committee to require us to consider Bill amendment to re-route for Western General Infirmary then there may be new objections, consultations and Bill amendments necessary.		Review basis of CEC/SE approvals for current Roseburn Corridor routing including consultation findings. Review options for Telford Road and Craighleith to link to rear/front of WGI to confirm financial implications from current position. Discuss bus feeder services from tram stop to WGI with LB. Discuss access issues with WGI. Locate stop to minimise walking distance on existing route. Improve contacts with MSPs to lobby for existing route.	Nov 2005	50%	MM/FM/ tie (PM)

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**tie Limited Board Meeting
Risk Report**

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22 August 2005**

Ref	Risk - Tram Network	RAG	Mitigation	Due Date	%age Complete	Owner
			Defend existing option at Committee hearings in October. Review implications on programme for Bill amendments at Haymarket Yards and Gyle.			
12	If the development of alternative routing plans at Haymarket Yards requires to be implemented then there may be new objections, consultations and Bill amendments necessary		Develop alternative routing plans with clear understanding of capital, operating and revenue implications. Report on outcome of current objection period being managed through land referencing companies.	Dec 2005	45%	MM/ tie (PM)
13	If the scheme design does not address the interchange design and compliance with Design Manual then the scheme consent may be delayed.		Review the early design of BAA Transport Hub, St.Andrew Sq., Leith Walk and Crewe Toll in conjunction with SDS. Discuss with Planning the aspirations and applicability to Tram scheme to develop detailed specification of works with SDS. Ensure TSS checking role extends to these areas.	Mar 2006	5%	SDS/ tie (PrD)
14	If there is inadequate progress on operational system including bus/tram integration, development of network service pattern and TEL Business Plan then the revenue may not be sufficient.		Develop run-time estimates in conjunction with Transdev. Assess reliability of patronage forecasts through JRC commission. Seek validation through traffic surveys to assist model development. Work closely with Lothian Buses to develop Fares Policy.	April 2006	5%	JRC/ tie (Tram FD)
15	If there is a funding shortfall for the scheme then the Parliamentary process may not allow for phasing or scheme truncation leading potentially to a Bill failure.		Obtain legal opinion on flexibility within Bill process. Discuss funding options with the Council and Scottish Executive with regard to a phased system and/or support from additional funding by the Council.	Dec 2005	20%	CEC/SE/ tie (Tram FD)

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**tie Limited Board Meeting
Risk Report**

**Confidential
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16	If Royal Assent is delayed beyond December 2005 then there will be a need for additional funding.		We have made initial assessments for a scenario where both Line 1 and 2 reach Royal Assent at the end of the financial year. This is based on spend to date and equates to approximately £1.2m (£400k per month). Funding for this workstream requires to be obtained.	Dec 2005	5%	CEC/SE/ tie (Tram FD)
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Ref	Risk - Stirling-Alloa-Kincardine Railway	RAG	Mitigation	Due Date	%age Complete	Owner
17	If there is delay in Ministerial approval then the target price may be invalid, work may be proceeding in an inefficient manner, programme may be unachievable or new risks may be imported.		Await Ministerial announcement which is anticipated to be given in coming week (w/e 19 August 2005). The current completion date of May 2007 is based on the announcement of funding on the 18th August. It is further anticipated that the SE preferred option for Public Liability insurance will be announced at this time.	Aug 2005	95%	tie (PM)/ SE
18	If the governance arrangements are unclear then the decision making and approvals process may not keep pace with scheme implementation		We have now tabled a proposed Project Governance which is currently being reviewed by Jacobs Babbie and will then be discussed and agreed with the Scottish Executive. This is also under review internally within tie to ensure consistency with other projects. Amongst other things, this proposal identifies a Risk Management Process, a Change Management Process and Delegated Authorities for the Project Team members and committees.	Aug 2005	60%	tie (PM) / Jacobs
19	If there is inappropriate allocation of risk bidders may not offer value for money or project affordability then the scheme may not proceed.		We have now agreed the allocation of risk between the contractor and the employer and also a separate, distinct contingency fund for mineworking remediation which is owned by the public sector. The contractor's risk fund is currently under review as they are updating the target cost to reflect the announcement of funding on the 18th	Sept 2005	90%	SE

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**tie Limited Board Meeting
Risk Report**

**Confidential
22 August 2005**

Ref	Risk - Stirling-Alloa-Kincardine Railway	RAG	Mitigation	Due Date	%age Complete	Owner
			<p>August and the fact that advanced works have been undertaken prior to this date. Additionally, the design has been progressed to such an extent that a far greater understanding of some of the major risks associated with Network Rail approvals have been diminished.</p> <p>The impact of the contractor's risks have been applied to the construction programme and a suitable allowance made therein. The impact of the public sector's risks is still under review, although it is unlikely to affect the current planned completion date of May 2007.</p>			
20	If compensation and access arrangements have yet to be resolved then there may be delays to implementation of the scheme or inflated compensation arrangements.		There has been little progress on the compensation issues. Diageo have been authorised to expend funds on looking at the design and planning implications of alternative accommodation which will firm up the compensation estimates. Access to the Diageo land is not required until December 2005, although we have a legal right to enter immediately after the issue of notices. We have currently budgeted for what is considered to be the upper extent of the likely compensation payable, so this issue is potentially an opportunity rather than a risk.	Dec 2005	75%	Jacobs
Ref	Risk - Ingliston Park & Ride	RAG	Mitigation	Due Date	%age Complete	Owner
21	If the advance warnings for additional costs and programme are all validated then there will be a project overspend.		Assess each of the potential 'compensation events' in conjunction with our advisors. Discount inappropriate claims. Establish a project forecast with the Contractor. Apply liquidated damages to Contractor (£1,000 per day) as recommended by Halcrow. Prepare for potential adjudication.	July 2006	75%	HGL / tie (PM)

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**tie Limited Board Meeting
Risk Report**

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22 August 2005**

Ref	Risk - Edinburgh Fastlink	RAG	Mitigation	Due Date	%age Complete	Owner
22	If there is lack of clarity of the outstanding Operational Agreements in place then we may fail to fulfil our obligations		Develop programme for the conclusion of all agreements (including 3 rd party audit, gritting, cleaning, CCTV and shelter repairs). Prioritise and resource to ensure completion.	July 2005	80%	tie (GBM) / CEC
23	If there is a need to close the facility to make good on repairs (to bring in line with specification) then there will be a need to suspend operational access to Lothian Buses		Monitor for spalling of concrete or potential guide-wheel damage. If required localised speed restrictions to be applied at damaged locations. Develop programme with contractor to remedy defects and ensure possessions minimise disruption to operations. Ensure adequate supervision of activities and monitor quality of repairs.	Aug 2005	80%	BB / HGL
24	If our advisors or contractors do not remedy any out-of tolerance defects or fail to demonstrate reasonable endeavours in their performance then we may have to commence a legal dispute.		<p>Include loop system to improve the performance and reliability of scheme traffic lights.</p> <p>Initial Balfour Beatty survey information not of sufficient quality. Seek further detailed alignment and crack surveys. Allow access for survey works. Take strong stance that facility will be closed with consequent PR fall-out to BB unless remedial activity complete. Obtain clear report of site checks by main and sub-contractors, checks by auditors and our advisors and reasons for defect and responsibility for rectification. Agree programme for remedying defects. Consider options to recover any losses suffered by tie, the Council or Lothian Buses through Balfour Beatty.</p> <p>Seek litigation advice regarding our case and review need for independent technical expert review (witnesses)</p>	Oct 2005	60%	BB / HGL / tie (GBM)

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**tie Limited Board Meeting
Risk Report**

**Confidential
22 August 2005**

Ref	Risk - Edinburgh Fastlink	RAG	Mitigation	Due Date	%age Complete	Owner
			regarding cracking, vertical and horizontal tolerances.			
25	If Further Defects are found during rectification then there could be further out-of service events		Ensure Contractor notified. Follow contract process to agree form and programme for rectification (if necessary).	Oct 2005	10%	BB / HGL / tie (GBM)
26	If the Council are unable to take over operations then tie management of the operational guideway may be extended by another year.		Develop an exit strategy to allow handover of operational management to the Council. Identify personnel responsible for taking on role of Guided Busway Manager. Review desire of Council to maintain tie role for 2 nd year of operations. If necessary extend insurance requirements.	Nov 2006	10%	tie (PD)

Key

External Risk Owner	Internal Risk Owner
BB – Balfour Beatty Construction Limited CEC – City of Edinburgh Council DLA – DLA (Legal Advisors) FETA – Forth Estuary Transport Authority FM – Faber Maunsell (Technical Advisors) HGL – Halcrow Group Limited (Project Managers & Technical Advisors) Jacobs – Jacobs Babbie (Project Managers & Technical Advisors) JRC – Joint Revenue Committee (Modelling Advisors) MM – Mott MacDonald (Technical Advisors) PBU – Private Bills Unit SDS – System Design Services (Tram Designer) SE – Scottish Executive SWH – Scott Wilson & Halcrow (Technical Advisors)	tie (DD) – tie Development Director tie (GBM) – tie Guided Busway Manager tie (PD) – tie Projects Director tie (PM) – tie Project Manager tie (PrD) – tie Procurement Director tie (Tram FD) – tie Tram Finance Director

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Finance

- a) **Board Finance Review ***
- b) **Tram Project Board/Terms of Reference/DAR's**

* = paper enclosed (available under FOISA but subject to review under Section 5b of tie's publication scheme and exceptions in The Act)



Agenda Item 5a

Finance

- a) **Board Finance Review ***

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tie Limited

**tie Board Meeting – 22 August 2005
Finance Review**

Financial Performance Report

The monthly *Financial Performance Report* is attached as Appendix 1 and provides an up to date view of the financial position of all projects and for the company as a whole.

The following points are worth highlighting, more details in Appendix 1:

- We continue to await approval for the main Tram and EARL funding from the Executive.
- Expenditure continues to be below budget in most projects due mostly to timing rather than absolute savings against full year budget. The exception is in Tram implementation where FY06 spending will be below plan for the year due to the delay in commencing detailed design work. This will be rescheduled again once funding is approved.
- The funding required for the Tram Supplementary Bills is estimated at c£0.5m and will be handled through the Tram Project Board
- Risks remain on the outturn of Fastlink (exposure to rectification work) and Ingliston (contractor claims). There has been dialogue, but no change to the expected outturn position

Business Cases

(1) Tram project

The July 2005 Tram Project Progress report is contained in these Board papers and covers the financial position of the project.

Other relevant matters not mentioned in that report are as follows :

1. A Progress Report is under preparation which will in due course be presented to both the full Council and to Parliament. This is an important and sensitive document which will require careful review by all the key players. The report will summarise the progress achieved to date on all aspects of the project. It will also set out the approach to assessing how to optimise the system configuration within the constrained level of capital funding.

Being
resolved

2. We are experiencing difficulty in getting good quality output from our technical advisers in relation to the assessment of the impact of EARL and Tram Line 2 on each other. This is a critical matter for the Parliament (as well as our own evaluation of the issue) and steps are being taken to escalate this matter.
3. We have recruited an experienced banking professional, Graeme Dunn, to address two areas within the Business Case and reporting to Stewart McGarrity : the assessment of PFI as a funding mechanism ; and the development of income from property sources. His role will involve close liaison with colleagues in the Executive and the Council, as well as harmonising work performed by our advisors.

(2) EARL Project

Progress on EARL is reported elsewhere in the Board papers. Other relevant matters not mentioned in that report are as follows :

1. Trans-European Network (TEN) funding request, submitted to the DfT on 14th June 2005, is expected to be considered and hopefully approved by November 2005.
2. The confirmation of the issues surrounding VAT on EARL will now be submitted to the HMCE for confirmation of likely VAT treatment based on current assumptions of tie being promoter and authorised undertaker. It is expected that the final agreed position will be reported to the November Board.

Governance

The project governance structures and processes for each of Tram and EARL have been the subject of considerable debate and assessment in recent weeks. A report was provided to the July Board and approved.

Appendix 2 to this Review is a draft remit for the Tram Project Board ("TPB"), together with suggested Delegated Authority Rules governing the relationships between the tie Board and the TPB and between the TPB and the Project Director.

This is not an easy read, but the direction of the remit should be clear from the document.

It should be noted that the financial delegated limits in the detailed document are those applicable for the period when substantial capital expenditure is underway. A schedule applicable to the short-medium term period is under preparation which will reflect the more limited funding available in that period.

The tie Board is requested to review and if thought appropriate approve the draft. In the event that amendments are required, it would be appreciated if the execution could be delegated to the tie Chief Executive.

Once approved by the tie Board, the TPB will require to agree the terms. It is envisaged that this will be confirmed by having a copy of the remit signed by each principal member. Any suggested amendments will be reported back to the tie Board in September.

A parallel process for EARL will be reported by Susan Clark.

One important matter to note is that commitment to a substantial level of system design expenditure under the SDS contract is imminent. It is critical that the project's governance rules and processes, including change controls, are clear before any significant work commences. If they are not, there is a serious risk of wasted expenditure. The particular risk area is the interface between the tram project team and CEC. This matter is being addressed but it should be regarded as a critical path item on the way to approving the signing of the SDS contract and commencing work.

Other matters

Audit Committee

A verbal report from the Audit Committee Chairman will be presented to the Board. This will include the issue relating to the approval of the tie FY06 Business Plan and the change to the forecast for Ingliston reported in previous Board papers.

Graeme Bissett
16 August 2005



Agenda Item 5a – Appendix 1

Finance

- a) Financial Performance Report
(Appendix 1)***

* = paper enclosed (available under FOISA but subject to review under Section 5b of tie's publication scheme and exceptions in The Act)

tie

Financial Performance Report

July 2005

Prepared by Stuart J Lockhart

16th August 2005

Contents:

- 1 Key Points Summary
- 2 Project Portfolio Structure
- 3 Project Financial Commentary
- 4 Overheads Commentary
- 5 Detailed Expenditure – Current Month, Year to Date, Full Year Forecast
- 6 Balance Sheet
- 7 Cash Flow – Year to Date and Next Month Forecast

1. Key Points summary

Tram line 1 and 2 are now reflecting the additional costs in respect of the 'Bill within a Bill' process, for Tram line 1 this cost is estimated at £0.286m. The comparable figure for Tram line 2 for 'Bill within a Bill' is £0.225m giving an overall increase in scope of £0.525m. These additional costs represent a scope change but are not yet firm. **tie** is seeking ways to mitigate the total costs in dialogue with the Executive and PBU.

tie has received approval to roll-over funding from 2004/5 for the Tram and EARL projects and also for Tram implementation funding for the first half of 2005/6. However, approval has not yet been given for the balance of Tram implementation funding in the **tie** FY06 Business Plan. This has delayed the commencement of the principal design contract, and total spend for the financial year FY06 will be lower than Plan. **tie** will again revise the Tram implementation spending profile for FY06 once the funding approval is given, now expected imminently. **tie** is also awaiting a response from the Executive over EARL funding for this and next financial year.

The cumulative spend for the 4 Months to end of July is **£2.720m** under plan, largely driven by 2 key elements;

- 1) £0.328m on EARL as a direct result of the delay in Bill submission.
- 2) £2.144m on Tram Implementation as a direct result of the delayed commencement of the principal design contract.

Uncertainties over outturn spend on the Ingliston and Fastlink projects are as reported last month and described within this report. There is no material progress to report on the likely financial outcome.

2 Project Portfolio Structure

tie's project portfolio comprises:

	Projects	Programme	Project	2005/06 Expenditure	2005/6 Expenditure		Variance	Monthly	
	Director	Manager	Manager	Plan	YTD Plan	YTD Actual	YTD Delta	Confirmations	
				(£'000's)	(£'000's)	(£'000's)	(%)	Completed	
								per Timetable	
Tram Programme									
1	Line 1 Development & Parliamentary Process	I Kendall	B Cross	W Fraser	1,787	861	826	-4%	Yes
2	Line 2 Development & Parliamentary Process	I Kendall	B Cross	W Fraser	1,578	767	637	-17%	Yes
3	Tram Implementation - DPOFA/INFRACO Execution, Procurement & Funding	I Kendall	I Kendall	N/A	21,873	4,070	1,926	-53%	Yes
4	Line 3 Development	I Kendall	I Kendall	W Fraser	134	134	98	-27%	Yes
Other Projects									
5	WEBS	A Macaulay	N/A	L Murphy	263	205	141	-31%	No
6	Ingliston Park & Ride	A Macaulay	N/A	L Murphy	1,511	1,490	1,508	1%	No
7	FETA	A Macaulay	N/A	K MacLeod	80	26	17	-35%	No
8	One-Ticket	A Macaulay	N/A	S Lockhart	76	12	13	8%	Yes
9	Information Programme	A Macaulay	N/A	N/A	0	0	21		N/A
Heavy Rail Projects									
10	EARL	S Clark	N/A	S Clark	5,557	1,448	1,120	-23%	Yes
11	SAK	P Prescott	N/A	R Hudson	330	108	93	-14%	Yes
					33,189	9,121	6,400	-30%	
12	Overheads	M Howell	-	S Lockhart	1,683	555	491	-12%	N/A

3 Project Financial Commentary

Tram Lines One & Two

	Current Month (July '05)			Year to Date (4 mths to 31/7/05)			Year End (12 mths ending 31/3/06)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Total incl. OH)									
Tram 1	232,638	173,208	59,430	825,747	861,452	-35,705	2,250,000	1,786,755	463,245
Tram 2	166,579	155,387	11,192	637,445	767,021	-129,575	1,639,432	1,577,593	61,839

As reported last month, the outturn costs for Tram line 1 and 2 reflect the inclusion of the effect of the 'Bill within a Bill' process that is currently being undertaken on both lines, these costs are **£0.286m** and **£0.225m** respectively and will result in change requests being raised to the value of **£0.511m**. These are still our best estimates based on current experience of the Parliamentary process but must be viewed as subject to variation dependant on the actual process.

All other costs can be managed within the current extent of available funding for Lines 1 and 2.

Tram Line 1 & 2 Implementation

	Current Month (July '05)			Year to Date (4 mths to 31/7/05)			Year End (12 mths ending 31/3/06)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Total incl. OH)									
Trams - DPOF	0	0	0	0	0	0	0	0	0
Trams - INFRACO	383,817	1,679,614	-1,295,797	1,926,007	4,069,651	-2,143,644	17,816,452	21,872,843	-4,056,391

The cumulative position for the months to end of July reflects design work being brought forward to facilitate the removal of objections, and it is necessary for this to continue despite the delay in the appointment of SDS. This will be balanced over the financial year by subtracting the re-allocated amount from the SDS design budget, thereby undertaking less SDS design work than planned. However, the effect of this is outweighed by the delay in commencing the detailed SDS design work due to delay in funding approval.

Tram Line Three

Workstream will be completed by mid August 2005

	Current Month (July '05)			Year to Date (4 mths to 31/7/05)			Year End (12 mths ending 31/3/06)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Total incl. OH)									
Tram 3	16,667	0	16,667	98,341	134,221	-35,880	110,591	134,222	-23,631

The agreed budget for this financial year for TL3 was to closedown and archive the project. This included carrying out modelling to assess the viability of this scheme. This work has extended beyond the original deadline as a result of weaknesses within the LUTI model. The work has now been completed and report has been prepared. **tie** has provided comments on the report and these are now being included in the final draft. This work will be completed this month.

FastLink development

Important financial issues being addressed.

	Current Month (July '05)			Year to Date (4 mths to 31/7/05)			Year End (12 mths ending 31/3/06)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Total incl. OH)									
WEBS	42,852	7,088	35,764	141,306	205,147	-63,841	262,945	262,945	0

Some rectification work has been carried out in July at the contractor's expense; further defects investigations are underway.

The ERDC Contract is complete and any works ongoing are considered to be snagging. An initial £54k has been certified in this financial year against early warning notices which have now become compensation events. This was accrued from last year's budget. Negotiations have progressed and any further outstanding payments should be finalised within the next month or so.

The Cultins Road connection to Fastlink at Edinburgh Park Station has been opened and this traffic movement continues to be accommodated safely and if it continues to perform satisfactorily will lead to a saving as the works to the Calder Road Roundabout will not be required.

There remains a substantial exposure to rectification work which is under assessment.

ANY REQUEST UNDER FOISA FOR PUBLIC DISCLOSURE OF THIS INFORMATION SHOULD BE RESTRICTED BECAUSE OF COMMERCIAL CONFIDENTIALITY.

Ingliston Park & Ride*Important financial issues being addressed.*

	Current Month (July '05)			Year to Date (4 mths to 31/7/05)			Year End (12 mths ending 31/3/06)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Total incl. OH)									
Ingliston Park & Ride	433,145	2,549	430,596	1,508,080	1,489,564	18,516	1,510,548	1,510,548	0

The total project estimated outturn cost is £3m, compared to original budget of £2.5m. The main contractor, Border Construction, has tabled preliminary claims amounting to c£0.6m, reflecting a long list of claimed out of scope items. Certain other costs – utilities and real-time information provision – ran ahead of original budget by c£0.1m in aggregate. As is typical in these situations, a substantial proportion of the preliminary claims is expected to be negotiated away and the outturn estimate of £3.0m reflects 60% of the sum claimed. However **tie** intends to negotiate for a lower outcome. The outturn estimate does not allow for the potential claim by **tie** for Liquidated Damages of c£0.1m, which will be pursued in the negotiations. If none of the claims were successful and LDs were agreed, the project cost would be in line with the original budget, but this is clearly an optimistic scenario. This has not changed since reported last month.

ANY REQUEST UNDER FOISA FOR PUBLIC DISCLOSURE OF THIS INFORMATION SHOULD BE RESTRICTED BECAUSE OF COMMERCIAL CONFIDENTIALITY

'One-Ticket'

	Current Month (July '05)			Year to Date (4 mths to 31/7/05)			Year End (12 mths ending 31/3/06)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Total incl. OH)									
One Ticket	3,068	3,119	-51	12,640	12,476	164	75,912	75,912	0

A number of meetings have taken place with First ScotRail and also now with GNER and Virgin. The objective is to seek their full participation in the scheme. A further meeting will take place at the end of September. This is ongoing.

FETA

	Current Month (July '05)			Year to Date (4 mths to 31/7/05)			Year End (12 mths ending 31/3/06)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Total incl. OH)									
FETA	4,162	6,592	-2,431	16,776	26,225	-9,450	82,000	80,412	1,588

The final version of the Local Transport Strategy was approved by the FETA board at their meeting on 29 June and we are currently making preparations for this to be printed. At the same meeting it was noted that **tie** would prepare a scoping report on a communications strategy. This has been approved by the FETA management team and will be presented to the next FETA Board meeting on 2 September. A meeting was held with the Scottish Executive on the revised guidance for promoting a charging Order but this will be subject to consultation later in the summer with publication not expected until well into the autumn. The full Charging Order in support of the Local Transport Strategy will be promoted in line with current guidance in the meantime with a view to seeking approval in principle from Ministers in November. A revised programme and resource schedule has been prepared on this basis.

EARL

	Current Month (July '05)			Year to Date (4 mths to 31/7/05)			Year End (12 mths ending 31/3/06)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Total incl. OH)									
EARL	367,222	374,528	-7,306	1,120,398	1,447,909	-327,511	5,557,074	5,557,074	0

The under spend on costs both in month and year to date is due to the delay in Bill submission date.

Stirling Alloa Rail Link

	Current Month (July '05)			Year to Date (4 mths to 31/7/05)			Year End (12 mths ending 31/3/06)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Total incl. OH)									
SAK	22,738	27,161	-4,423	92,660	108,260	-15,601	329,676	329,676	0

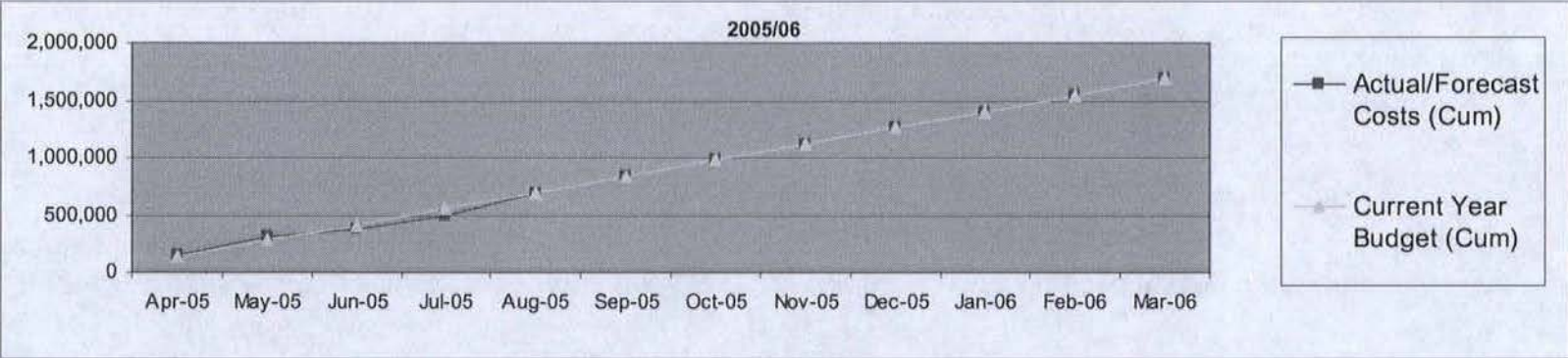
The main variance in the actual cost versus budget being down is due to reduced involvement during the first four months from the Rail Project Director.

4 Overheads Commentary

Overheads are allocated, and charged to CEC on a monthly basis, to each project pro rata as per the agreed business plan budget.

Some costs previously attributable to the Congestion Charge project have now been absorbed within overhead. These include an element of salary costs and legal fees associated with "marketing" the project.

Spend to date on IT and Telephony, Computer Equipment and Project Management software & training (Primavera) are timing issues in relation to comparisons with budget. The combined total cost to date of c£130k is directly attributable to the Tram implementation project. A re-alignment of costs, out of overheads, has taken place in June.



Bank

CEC are now issued with one invoice per month. The "book" bank balance (in funds) as at 31st July totalled £0.375m.

Relationship with CEC

tie has issued invoices to CEC, Clackmannanshire Council, FETA and One-Ticket Limited to 31st July. Accrued costs and depreciation are not included in these re-charges to our clients.

5 Detailed Expenditure Report for Period Ended 31st July 2005

	Current Month (July '05)			Year to Date (4 mths to 31/7/05)			Year End (12 mths ending 31/3/06)		
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance
Project Costs (Staff)									
Congestion Charging - Development	1,123	0	1,123	1,123	0	1,123	1,123	0	1,123
Congestion Charging - Procurement	0	0	0	0	0	0	0	0	0
Congestion Charging - Information Programme	5,332	0	5,332	21,327	0	21,327	26,660	0	26,660
WEBS	5,280	2,980	2,300	16,505	11,920	4,585	36,596	36,596	0
One Ticket	3,068	3,119	-51	12,640	12,476	164	75,912	75,912	0
EARL	28,836	29,676	-840	110,529	118,704	-8,175	364,425	364,425	0
SAK	15,770	11,213	4,557	61,738	44,852	16,886	137,699	137,699	0
Ingliston Park & Ride	3,617	1,519	2,098	19,482	6,076	13,406	18,656	18,656	0
FETA	1,866	3,926	-2,060	7,515	15,704	-8,189	49,798	48,210	1,588
Trams - DPOF	0	0	0	0	0	0	0	0	0
Trams - INFRACO	239,571	132,115	107,456	578,386	447,685	130,701	1,482,557	1,488,795	-6,238
Tram 1	8,787	10,029	-1,242	32,785	37,790	-5,005	120,828	120,828	0
Tram 2	8,943	9,914	-971	33,408	37,332	-3,924	119,421	119,421	0
Tram 3	0	0	0	10,800	10,894	-94	10,800	10,894	-94
Sub-Total	322,195	204,491	117,704	906,238	743,433	162,805	2,444,473	2,421,434	23,039
Project Costs (External Costs)									
Congestion Charging - Development	0	0	0	0	0	0	0	0	0
Congestion Charging - Procurement	0	0	0	-0	0	-0	0	0	0
Congestion Charging - Information Programme	0	0	0	0	0	0	0	0	0
WEBS	35,829	2,083	33,746	117,778	185,238	-67,460	201,905	201,905	0
One Ticket	0	0	0	0	0	0	0	0	0
EARL	321,037	324,700	-3,662	939,905	1,249,633	-309,729	4,949,230	4,949,230	0
SAK	413	8,333	-7,920	4,476	33,333	-28,858	100,000	100,000	0
Ingliston Park & Ride	428,641	0	428,641	1,485,032	1,479,430	5,602	1,479,430	1,479,430	0
FETA	0	0	0	11	0	11	0	0	0
Trams - DPOF	0	0	0	0	0	0	0	0	0
Trams - INFRACO	65,292	1,455,782	-1,390,490	1,029,245	3,259,862	-2,230,617	15,226,063	19,276,216	-4,050,153
Tram 1	217,989	156,370	61,619	769,324	796,777	-27,453	2,046,911	1,583,666	463,245
Tram 2	151,839	138,740	13,100	580,666	703,106	-122,440	1,438,690	1,376,851	61,839
Tram 3	16,667	0	16,667	79,459	116,122	-36,663	92,585	116,122	-23,537
Sub-Total	1,237,706	2,086,007	-848,301	5,005,893	7,823,502	-2,817,609	25,534,815	29,083,421	-3,548,606
Project Costs (Total)									
Congestion Charging - Development	1,123	0	1,123	1,123	0	1,123	1,123	0	1,123
Congestion Charging - Procurement	0	0	0	-0	0	-0	0	0	0
Congestion Charging - Information Programme	5,332	0	5,332	21,327	0	21,327	26,660	0	26,660
WEBS	41,110	5,063	36,046	134,283	197,158	-62,876	238,501	238,501	0
One Ticket	3,068	3,119	-51	12,640	12,476	164	75,912	75,912	0
EARL	349,874	354,376	-4,502	1,050,434	1,368,337	-317,904	5,313,655	5,313,655	0
SAK	16,183	19,546	-3,363	66,214	78,185	-11,972	237,699	237,699	0
Ingliston Park & Ride	432,258	1,519	430,739	1,504,514	1,485,506	19,008	1,498,086	1,498,086	0
FETA	1,866	3,926	-2,060	7,526	15,704	-8,178	49,798	48,210	1,588
Trams - DPOF	0	0	0	0	0	0	0	0	0
Trams - INFRACO	304,862	1,587,897	-1,283,035	1,607,631	3,707,547	-2,099,916	16,708,620	20,765,011	-4,056,391
Tram 1	226,776	166,399	60,378	802,109	834,567	-32,459	2,167,739	1,704,494	463,245
Tram 2	160,782	148,654	12,129	614,073	740,438	-126,365	1,558,111	1,496,272	61,839
Tram 3	16,667	0	16,667	90,259	127,016	-36,757	103,385	127,016	-23,631
Sub-Total	1,559,901	2,290,498	-730,597	5,912,131	8,566,935	-2,654,804	27,979,288	31,504,855	-3,525,567

Board Meeting 22nd August 2005

	Current Month (July '05)			Year to Date (4 mths to 31/7/05)			Year End (12 mths ending 31/3/06)			
	Actual	Budget	Variance	Actual	Budget	Variance	Forecast	Budget	Variance	
Overheads										
Administration Salaries	50,364	73,444	-23,080	236,963	293,776	-56,813	899,475	899,475	0	
Recruitment & Other Staff Costs	6,975	9,167	-2,192	24,800	36,667	-11,866	110,000	110,000	0	
Occupancy & Property Costs	11,171	17,966	-6,795	74,893	71,865	3,028	215,594	215,594	0	
IT & Telephony	11,685	5,953	5,732	33,816	23,813	10,003	71,440	71,440	0	
Promotional Expenses	9,874	1,667	8,207	13,394	6,667	6,727	20,000	20,000	0	
Legal & Financial	8,164	8,400	-236	20,626	33,600	-12,974	100,800	100,800	0	
Insurances	10,833	11,352	-518	43,333	45,407	-2,073	136,220	136,220	0	
Telecoms	726	583	143	3,562	2,332	1,230	6,995	6,995	0	
Travel & Subsistence	2,136	100	2,036	11,942	400	11,542	1,200	1,200	0	
Print, Post & Stationery	4,532	2,567	1,965	17,942	10,267	7,675	30,800	30,800	0	
Other Overheads	1,268	-883	2,152	5,205	-3,533	8,738	-10,600	-10,600	0	
Finance, Taxation & Dividends	2,029	3,433	-1,405	3,955	13,733	-9,778	41,200	41,200	0	
Capital Expenditure:										
Land & Buildings	0	0	0	0	0	0	0	0	0	
Furniture & Fittings	164	1,667	-1,503	164	6,667	-6,503	20,000	20,000	0	
Motor Vehicles	0	0	0	0	0	0	0	0	0	
Computer Equipment	-478	3,333	-3,811	0	13,333	-13,333	40,000	40,000	0	
Other Assets & Improvements	0	0	0	0	0	0	0	0	0	
Sub-Total	119,442	138,748	-19,306	490,596	554,993	-64,397	1,683,124	1,683,124	0	
Overheads (Allocated by Project)										
Congestion Charging - Development	0.00%	0	0	0	0	0	0	0	0	
Congestion Charging - Procurement	0.00%	0	0	0	0	0	0	0	0	
Congestion Charging - Information Campaign	0.00%	0	0	0	0	0	0	0	0	
WEBS	1.46%	1,743	2,024	-282	7,024	7,989	-966	24,444	24,444	0
One Ticket	0.00%	0	0	0	0	0	0	0	0	
EARL	14.52%	17,349	20,153	-2,804	69,964	79,571	-9,607	243,419	243,419	0
SAK	5.49%	6,555	7,615	-1,060	26,446	30,075	-3,629	91,977	91,977	0
Ingliston Park & Ride	0.74%	887	1,030	-143	3,566	4,058	-492	12,462	12,462	0
FETA	1.92%	2,295	2,666	-371	9,250	10,521	-1,272	32,202	32,202	0
Trams - DPOF	0.00%	0	0	0	0	0	0	0	0	
Trams - INFRACO	66.10%	78,955	91,717	-12,762	318,376	362,104	-43,728	1,107,832	1,107,832	0
Tram 1	4.91%	5,862	6,810	-948	23,639	26,885	-3,247	82,261	82,261	0
Tram 2	4.85%	5,797	6,733	-937	23,372	26,583	-3,210	81,321	81,321	0
Tram 3	0.00%	0	0	0	8,082	7,205	877	7,206	7,206	0
Sub-Total	100.00%	119,442	138,748	-19,306	490,596	554,992	-65,273	1,683,124	1,683,124	0
Project Costs (Total Incl. OH)										
Congestion Charging - Development		1,123	0	1,123	1,123	0	1,123	1,123	0	1,123
Congestion Charging - Procurement		0	0	0	-0	0	-0	0	0	0
Congestion Charging - Information Programme		5,332	0	5,332	21,327	0	21,327	26,660	0	26,660
WEBS		42,852	7,088	35,764	141,306	205,147	-63,841	262,945	262,945	0
One Ticket		3,068	3,119	-51	12,640	12,476	164	75,912	75,912	0
EARL		367,222	374,528	-7,306	1,120,398	1,447,909	-327,511	5,557,074	5,557,074	0
SAK		22,738	27,161	-4,423	92,660	108,260	-15,601	329,676	329,676	0
Ingliston Park & Ride		433,145	2,549	430,596	1,508,080	1,489,564	18,516	1,510,548	1,510,548	0
FETA		4,162	6,592	-2,431	16,776	26,225	-9,450	82,000	80,412	1,588
Trams - DPOF		0	0	0	0	0	0	0	0	0
Trams - INFRACO		383,817	1,679,614	-1,295,797	1,926,007	4,069,651	-2,143,644	17,816,452	21,872,843	-4,056,391
Tram 1		232,638	173,208	59,430	825,747	861,452	-35,705	2,250,000	1,786,755	463,245
Tram 2		166,579	155,387	11,192	637,445	767,021	-129,575	1,639,432	1,577,593	61,839
Tram 3		16,667	0	16,667	98,341	134,221	-35,880	110,591	134,222	-23,631
Sub-Total		1,679,343	2,429,246	-749,903	6,401,850	9,121,927	-2,720,077	29,662,412	33,187,979	-3,525,567

6 Balance Sheet

	Year Ended 31/03/2005	1 Month Ended 30/04/2005	2 Months Ended 31/05/2005	3 Months Ended 30/06/2005	4 Months Ended 31/07/2005
FIXED ASSETS	100,649	97,692	129,658	91,779	88,986
	100,649	97,692	129,658	91,779	88,986
CURRENT ASSETS					
Trade Debtors	2,135,669	3,870,363	3,193,728	3,852,265	1,247,258
Other Debtors	0	2,852	1,000	3,434	2,871
Prepayments & Accrued Income	2,330,438	1,971,574	2,301,621	2,316,649	2,928,209
Petty Cash	55	55	85	245	245
	4,466,162	5,844,844	5,496,434	6,172,593	4,178,582
CURRENT LIABILITIES					
Trade Creditors	491,230	1,896,855	3,280,969	2,740,180	1,492,824
Employee Creditor	-124	2,589	4,185	683	4,920
Bank Account	1,495,301	1,874,920	-220,532	962,707	-375,304
Payroll Creditors	49,798	56,572	56,890	61,367	64,962
Capital Grants	100,649	97,693	129,658	100,649	88,823
Accruals	2,330,438	1,971,574	2,301,621	2,293,827	2,951,030
VAT Payable/(Refundable)	98,517	41,333	72,300	103,959	39,312
Other Creditors	0	0	0	0	0
	4,565,811	5,941,536	5,625,092	6,263,372	4,266,568
NET CURRENT ASSETS/(LIABILITIES)	-99,649	-96,692	-128,658	-90,779	-87,986
Liabilities > 1 Year	0	0	0	0	0
NET ASSETS	1,000	1,000	1,000	1,000	1,000
Represented by:					
Share Capital	1,000	1,000	1,000	1,000	1,000
Reserves	0	0	0	0	0
Profit & Loss Account	0	0	0	0	0
Balance as at Period End	1,000	1,000	1,000	1,000	1,000

7 Cash Flow - Year to Date and Next Month Forecast														
Jul-05														
	ACTUAL				FORECAST									
	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Totals	
Balance b/forward	-1,495,301.49	-1,874,919.68	220,531.58	-962,706.62	375,303.72	-14,755.41	-14,755.41	-14,755.41	-14,755.41	-14,755.41	-14,755.41	-14,755.41	-14,755.41	-1,495,301.49
Income														
Sales Ledger	30,696.12	2,468,565.32	1,392,010.80	3,821,214.88	1,247,257.54	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,959,744.66
Miscellaneous	0.00	2,116.03	2,765.14	176.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,057.42
	30,696.12	2,470,681.35	1,394,775.94	3,821,391.13	1,247,257.54	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,964,802.08
Expenditure														
Purchase Ledger	191,227.99	244,379.23	2,407,957.40	2,230,996.62	1,492,824.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,567,385.67
Expenses Ledger	1,005.16	0.00	3,623.57	0.00	4,920.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,548.78
Miscellaneous	218,081.16	130,850.86	166,433.17	252,383.97	139,572.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	907,321.55
	410,314.31	375,230.09	2,578,014.14	2,483,380.79	1,637,316.67	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,484,256.00
Net Movement in Month	-379,618.19	2,095,451.26	-1,183,238.20	1,338,010.34	-390,059.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,480,546.08
Balance c/forward	-1,874,919.68	220,531.58	-962,706.62	375,303.72	-14,755.41	-14,755.41	-14,755.41	-14,755.41	-14,755.41	-14,755.41	-14,755.41	-14,755.41	-14,755.41	
NEXT MONTH FORECAST: Assumptions														
Income														
Sales Ledger														
Invoices issued to CEC in Merch					30,705.74									
Invoices issued to CEC in July					1,186,894.26									
Invoices issued to Clacks in July					21,411.30									
Invoices issued to FETA in July					3,854.00									
Invoices issued to One-Ticket in July					4,047.52									
Invoices issued to SM in October					344.72									
					1,247,257.54									
Expenditure														
Trade Creditors per Balance Sheet					1,492,824.23									
Employee Creditor per Balance Sheet					4,920.05									
Aged Creditors List @ 31/7/05					1,497,744.28									
Miscellaneous														
Pension Fund(s) - Contributions Due on 19/8/05					14,514.73									
HMC&E - VAT Return to 30/9/05 (Due for payment 31/10/05)					0.00									
PAYE/NI - Due on 19/8/05					50,447.39									
August Payroll					89,000.00									
Bank Interest - Quarter ending 15/9/05					0.00									
Bank Charges for month					100.00									
Petty Cash for month					25.00									
					139,572.39									



Agenda Item 5b

Finance

- b) **Tram Project Board/Terms of Reference/DAR's**

* = paper enclosed (available under FOISA but subject to review under Section 5b of tie's publication scheme and exceptions in The Act)



Agenda Item 5b

Finance

- b) **Tram Project Board/Terms of Reference – Appendix 2**

* = paper enclosed (available under FOISA but subject to review under Section 5b of tie's publication scheme and exceptions in The Act)

Tram Project Board

Remit

DRAFT – FOR APPROVAL BY TIE BOARD AND TPB

1. What is the Tram Project Board?

The Tram Project Board is a body consisting of the key stakeholders who have influence in facilitating the development and delivery of the Tram Project.

These key stakeholders include tie, CEC, SE, TEL, Lothian Buses and Transdev. The Board will also include a representative from PUK. The TPB exists to “champion” the best interests of the Tram project.

The tie Board will delegate substantial decision making to the TPB – these responsibilities and those retained by the tie Board are described in section 5. In turn, the TPB will delegate authority to the Tram Project Director. He or she will then create delegated authorities to operate day to day within the tram team.

The TPB remit is approved by the tie Board.

2. Membership

Core	Deputy
Non-Executive Chairman - Gavin Gemmell	tbc
Michael Howell, CEO, tie	Graeme Bissett, FD, tie
Tram Project Director, tie	Tram Deputy Project, tie
CEC senior representative	tbc
Head of PTMIT, SE	tbc
TEL CEO Designate / LB CEO	tbc
Transdev Project Director	tbc
James Papps, PUK	tbc
TEL NXDs (^)	n/a

Commentary

In due course, the Chairperson would be either the Chair of TEL or a NXD of TEL, probably to be crystallised when TEL takes on formal project responsibility from tie (see below). The prospective TEL Chairperson and NXDs would be invited to the TPB meetings as observers until TEL takes over.

Attendance as deputies by persons with lower authority levels than those stipulated above should be by exception only to ensure the TPB remains a senior level body.

Attendance by specialist members of respective operational teams – eg for tie the Project Finance and Communications leaders – may be appropriate, but the TPB must avoid the tendency to over-populate its meetings.

(^) Observer

3. Vision

To be agreed by the TPB in an initial session to ensure all parties have a clear shared view of the Project objectives, the remit of the TPB and practical working issues.

It is particularly critical that limiting factors are acknowledged by all members of the TPB at the outset. These include the need to handle parliamentary processes effectively ; the need for rigorous coordination of activities with consequential impact on other aspects of the project or on other parties' interests ; and the need to ensure that particular parties' interests do not drive up cost.

4. Frequency

The TPB will meet monthly. The Chairperson may change the frequency of the meeting.

5. Responsibilities and delegated authorities

5.1 tie Board

The intent is that the TPB will take over most of the authority vested in tie Limited through approved delegated authorities, whilst retaining ultimate overall control of the project and retaining the ability to restructure or disband the TPB. The delegated authorities are described in the attached document, while a companion schedule sets out the precise delegated limits.

These arrangements will change when the tie Board hands over formal responsibility to the TEL Board, who will inherit the responsibilities set out in the delegations. At that point, the tie Board's responsibilities will be focussed on delivery under contract to TEL (see below).

The tie Board, at its discretion, may delegate any aspect of its responsibilities to the tie CEO, who may take the actions he considers necessary through his delegate or through the tie Executive Board.

5.2 Tram Project Board

- 5.2.1 Members of the Project Board are required to “champion” the best interests of the Tram project within their respective organisations.
- 5.2.2 Members of the Project Board are expected to identify any potential hurdles to the project from their organisation’s perspective. They are then responsible for trying to resolve this within their own organisation on a proactive basis. It is recognised that the Project Board cannot legally bind the organisations represented unless this is explicitly accepted. However, it is expected that the Board members will have the authority to take decisions which will be effected by their respective organisations as appropriate. It is also expected that the members will take effective steps to manage any issues of dispute in a manner which does not impede progress or result in undue cost.
- 5.2.3 The Project Board can make recommendations to the tie Board with respect to the ongoing governance arrangements of the project to ensure its effectiveness through implementation of the project. This may result in changes to this remit.
- 5.2.4 The Project Board can make recommendations to the tie Board with respect to the ongoing Project Management arrangements to ensure progress to timetable is maintained.
- 5.2.5 The Project Board can make recommendations to the tie Board with respect to major changes to scope, cost & programme.
- 5.2.6 The Project Board can approve changes of scope, budget & programme within its Delegated Authority Rules.
- 5.2.7 The Project Board should ensure that effective mechanisms are in place to manage the project and in particular that :
 - 5.2.7.1 Rigorous controls over expenditure are in place and being operated effectively, including monthly comparison of expenditure and outputs against budget
 - 5.2.7.2 Effective change control processes are in place and are operating effectively, both within the delegated authority limits provided to the Project Director and between the Project Director and the Project Board

5.2.7.3 Effective risk management procedures are in place

5.2.8 The Project Board will approve a) the procurement strategy ; b) procurement steps and award of all contracts except the main work(s) contract(s) ; and c) publication of OJEU and invitation to tender for main works contract ; in accordance with the Delegated Authorities

5.2.9 The Project Board will ensure that a process is in place for Stakeholder communication and will monitor its progress. This will encompass public consultation and external communication in relation to the parliamentary process.

6. Interface with Other Groups

Tram Project Director – a designated individual within tie will be the Tram Project Director responsible for all aspects of the project, including, but not restricted to, procurement ; design ; development of business cases and funding sources (including funding from CEC and SE) ; parliamentary process and management of secondary legislation (TROs) ; public consultation and external communication ; land and property acquisition and construction. These responsibilities incorporate the management of the interests of and relationships with Transdev, Lothian Buses, Network Rail, other stakeholders (such as BAA and Forth Ports) and all advisers.

It is the responsibility of the Tram Project Director to report regularly and comprehensively to the TPB on programme, scope / quality and cost.

CEC – the tie Board and not the TPB is the direct interface with CEC as its shareholder and as scheme Promoter.

The Tram Project Director will ensure that a dedicated member of the tram project team is responsible for the operational interface with CEC on matters including traffic management, planning, public consultation and external communication , legal and financial matters.

CEC will create a new post for a dedicated responsible person who will report to the Director of City Development and who will be the direct interface with the appropriate person in the tram project team, as set out in the previous paragraph. This CEC appointee will be responsible for ensuring that CEC's interests in matters including traffic management, planning, public consultation and external communication , legal and financial matters are properly coordinated and represented in operational dialogue with the tram team.

SE – as the principal funder to the project will be expected to focus its interests and requirements through the TPB. It is acknowledged that there will be a requirement for parallel discussions with CEC, tie Board and other parties but it is requested that discussion on key issues is channelled through the TPB.

TEL – in the period prior to TEL's formal acceptance of responsibility for the tram project from tie Limited, it will be the responsibility of the Tram Project Director, working with the TEL CEO Designate, to ensure that service integration activity is effectively handled under the legal auspices of TEL. This activity will include dialogue with other transport operators, but at this stage it is not anticipated that these parties would have representation with the TPB. This may change in the future if effective integration agreements are designed.

7. Change control process

This is a critical area which requires careful definition. The change control process relating to the TPB and the definition of delegated authority by the TPB to the Tram Project Director are two sides of the same coin and the documentation needs to reflect this. The concept of creating a Project Definition Statement to support this process has merit and will drive a decision-making culture at an early stage.

The tram project team has an established change control process which needs to be related to the delegations it enjoys through the Tram Project Director from the TPB.

It is particularly important that matters which require approval by Council departments of the full Council are clearly accommodated in the procedures. The Tram Project Director has responsibility to develop these procedures in collaboration with CEC.

8. Voting & Escalation

The TPB is not a legal entity, but has powers delegated to it by the tie Board, which in turn is legally empowered under its Operating Agreement with CEC.

The TPB Chairperson is responsible for seeking so far as possible that a workable consensus on all key issues is achieved within the group. Where this cannot be achieved, each person on the board has one equal voting right. Members, speaking on behalf of their respective organisations, have the right to reserve their position where there is dispute but will be expected to take effective steps to resolve any such dispute.

The TPB is a critical element of the project governance process. It is necessary and reasonable to assume that members will act in the interests of the project, unless there is an important conflict with the interests of their respective organisations. Any such conflicts should be addressed at the operational level so far as possible, under the direction of the Tram Project Director. In the event that the conflict cannot be resolved at operational level, it

is the role of the TPB Chairman to determine how best to manage the matter, including the process of meetings, dialogue etc required to reach a resolution.

The Chairman of the TPB will be responsible for ensuring that disputed matters are managed effectively including communication with and involvement of the tie Board and other key stakeholders.

9. tie Limited handover to TEL

This needs to be closely controlled to ensure continuity of experience and of processes and also to ensure that there is no duplication of reporting lines. In the period until tie hands over to TEL, TEL requires to be populated at Board and senior management level and the TPB should take an active role in ensuring that this process is handled effectively.

It makes sense to select a date when there is a substantive change in the project's progress. The main options are :

- Handover at the point of OBC approval in Spring – Early Summer 2006 ; or
- Handover at the point of FBC approval and financial close on vehicle and systems contracts (late 2006 - early 2007)

It is important that TEL's role as "single economic entity" is borne in mind. At this point, tie Limited's relationship with the project will change structurally but tie Limited will retain full delivery responsibility, contracted to TEL, and will therefore be able to minimise the actual level of disruption to the delivery process.



Agenda Item 5b

Finance

- b) **Delegated Authority Rules
(DAR's)**

* = paper enclosed (available under FOISA but subject to review under Section 5b of tie's publication scheme and exceptions in The Act)

1. INTRODUCTION

This procedure details the principles and rules under which the tie Board, Tram Project Board (“TPB”) and Tram Project Director exercise and delegate authority over budgetary control, capital cost commitments, expenditure and the key milestones in relation to the Tram Project. The Tram Project Delegated Authority Rules (“Tram DARs”) are detailed in the matrix in Appendix 1. Section 2 below gives an explanation of the terms used in developing the matrix. Section 3 describes the principles of the Tram DARs.

In order to provide proper control over spending and commitment within the authority provided to the Tram Project Director, he will require to prepare and have approved by the TPB a set of delegated authority rules (“the Tram Project Team DARs”) which will embody similar principles to those which are currently set out in the tie DARs.

2. DEFINITION OF TERMS

Project Definition Statement - Describes the scope of the project in terms of the extent of the tram network, the required service levels which the tram network will provide to the public and the quality of the engineering solutions identified to deliver the project. The existing Project Definition Statement is that embodied in the submissions made by tie and its advisors in support of the Tram Bills before Parliament. It is anticipated that the Tram Project Board will address a succinct statement of common purpose at an early stage.

Project Master Programme – Established and maintained by tie and encompassing the key milestone dates on the project including Royal Assent, delivery of Business Cases, approval of funding, award of contracts and commencement of tram operations.

Key Milestones – The dates in the Project Master Programme for (1) financial close (award of infrastructure and vehicle contracts) and (2) commencement of tram operations.

Project Control Budget – The budget quantifies and details the capital cost estimate, expressed in nominal terms, of delivering the project as described in the Project Definition Statement and the Project Master Programme and including the Specified Contingency. For clarity the initial Project Control Budget totals to the capital costs required to deliver the whole of lines 1 and 2.

Specified Contingency - That level of contingency assessed as necessary to deliver the project in terms of the defined scope and programme of the project having due regard to an assessment of the risks associated with individual elements of the budget. The Specified Contingency is not sufficient to cover the costs of significant changes in either the scope of the project or the Key Milestone dates.

Funded Capital Costs – The total of available sources of funding for capital expenditure up to the date of commencement of tram operations including SE

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TRAM PROJECT – DELEGATED AUTHORITY RULES

grants, CEC contributions, borrowings and other identified sources of finance. The difference between the total of Funded Capital Costs and the Project Control Budget is the Scope / Programme Contingency.

Scope / Programme Contingency – The limit of funding available to make significant changes to the scope and/or Key Milestones of the project.

Approved Funding – That scope of activities and monetary limit for which funding has been approved from time to time by SE and CEC. For illustration, in the period up to anticipated Royal Assent, system design and related activities will have approved funding but the execution of utility diversions will not – even though they are fully provided for in the Project Control Budget. The practical implication is that before any financial commitment is made the costs must be both within the scope and quantum of the budget and the scope and quantum of funding approved at that time.

Business Case Model – Which incorporates, inter-alia, the capital cost estimates as quantified in the Project Control Budget as well as the LifeCycle Costs, Operating Costs, Farebox Revenues and Other Income during the 30 year period beyond commencement of tram operations. The current Business Case Model is that contained in the May 2005 IOBC.

Management of Change Procedure – By which any proposed or consequential changes to the scope, programme and costs of the project are documented as Change Requests and presented for approval by the Project Director, Tram Project Board and tie board as dictated by the Tram DARs .

The Change Control Procedure also provides continuity of decision making between changes to capital costs or programme and the impact those changes may have on LifeCycle Costs, Operating Costs, Farebox Revenues and Other Income as described in the Business Case Model.

Fixed Price Contracts – All major capital expenditure will be incurred under fixed price contracts including but not limited to the SDS, Infrastructure and Vehicles contracts. NB - The level of commitment under these contracts is not necessarily the fixed price e.g. under the terms of the SDS contract notwithstanding the total contract sum and duration of the contract, tie's commitment under the contract is limited only to the specific elements which are instructed plus termination considerations. Changes to the budget provisions for these works, both before and after award of the related contract are processed in accordance with the Management of Change Procedure.

Cost Reimbursable Contracts – These are governing contracts under which tie makes periodic instructions, in most cases for the provision of professional services. There is no fixed price and each element of work is committed and managed in accordance with tie's procedure "Management of Cost Reimbursable Contracts for the Provision of Services". It is anticipated that the Utilities contact will be a hybrid such that there will be a contract price but this will be subject to remeasurement within strictly defined financial limits.

3. PRINCIPLES OF DELEGATION

The overarching principles of delegation can be summarised as follows:

- Delegated authority is anchored on the agreed scope and budget for the project. The approval and adoption of the Project Control Budget is a key element of the initial application of this procedure. There are two levels of contingency, the Specified Contingency required to deliver the project in terms of scope and programme as defined from time to time (the Project Control Budget is inclusive of the Specified Contingency) and the Scope / Programme Contingency available to implement significant changes in scope or programme.
- The Tram Project Director has authority to approve changes which result in movements in the Specified Contingency subject to the application of monetary limits as below, but does not have authority to approve significant changes in scope or programme.
- The Tram Project Director can approve Change Requests which result in a change in the budget for a particular element of capital costs up to **£2.5m** except where the change:
 - Must be considered in the context of local or national transport policy
 - Will result in a “significant” change to the scope or programme for the project.
 - Requires approval by CEC, for example in relation to planning or legal considerations

The capital cost impact of the related Change Request will result in a movement from (or to) Specified Contingency. The Tram Project Director provides a comprehensive report to the Tram Steering Group each month on the Change Requests approved under this delegated authority.

- All Change Requests not falling within the Tram Project Director’s delegated authority must be approved by the Tram Project Board. Further, individual Change Requests which have an impact on capital costs in excess of **£5m** are approved in the first instance by the Tram Project Board, then referred to the tie board for approval.
- The Project Director has authority to make new contractual appointments up to a value of **£10m** subject always to the commitment being within approved scope, budget and funding. Contractual appointments in excess of **£10m** are approved by the Tram Project Board and those in excess of **£20m** are referred to the tie Board for approval. The resulting change in budget (difference between pre-existing budget and awarded contract price) is the subject of a Change Request and a corresponding adjustment to Specified Contingency.

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TRAM PROJECT – DELEGATED AUTHORITY RULES

- The Tram Project Director has authority to make new commitments (instructions or variations) on Fixed Price Contracts up to a value of **£10m** and on Cost Reimbursable Contracts up to a value of **£250k**, again subject to the commitment being within approved scope, budget and funding. The Tram Project Board must approve such commitments up to **£20m** on Fixed Price Contracts and **£1.5m** on Cost Reimbursable Contracts. Above these levels the commitment must be approved by the tie Board.

The Tram Project Director provides a comprehensive report to the Tram Steering Group each month on the commitments approved under this delegated authority.

- As a rule, where a Change Request relates to an awarded contract, the value of the Change Request will have been agreed with the contractor in advance of it being presented to the Tram Project Board. Where this has not been possible the Tram Project Director will resubmit for approval all change requests where the agreed value with the contractor is 5% or more higher than that already approved.
- The Tram Project Director is responsible for presenting to the Tram Project Board a monthly review of the required Specified Contingency on the project with respect to remaining risks, anticipated changes, claims etc. on the project. This review may result in a transfer in either direction between the Specified Contingency and the Scope & Programme Contingency at the discretion of the Tram Project Board.
- The tie CEO sits on the TPB and is responsible for communicating matters reported at the TPB to the tie Board through the tie Board Chairman. This communication is in addition to the formal applications to the tie Board for approvals under the Tram DARs, the responsibility for which is anticipated to rest with the Tram Project Director once TPB approval has been received.

Note on Stagegate Funding Approvals

In August 2005, SE will approve funding for activities during the period to 31 March 2006 including design services and associated site investigation (SDS contract) and the development of an Integrated Transport Model (JRC contract).

In February 2006, tie will submit an Outline Business Case (OBC) with an agreed format and content. Accompanying the OBC will be a schedule of activities including contractual commitments and capital expenditure (including Specified Contingency) for the period from 1 April 2006 to 30 June 2007 being the date of expected Financial Close (award of the main Infrastructure and Vehicle contracts). tie anticipates significant capital expenditure on utilities diversion works and land purchases during this period. It is expected that approval of the OBC will be concurrent with approval

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TRAM PROJECT – DELEGATED AUTHORITY RULES

of funding for this capital expenditure and approval to issue tenders for the Infrastructure and Vehicles contracts assuming Royal Assent has been granted.

In November 2006, tie will submit a Final Business Case, following receipt of tenders for the Infrastructure and Vehicles contract. An update of the Final Business Case will be submitted in June 2007, approval for which will be accompanied by approval of funding for the balance of the Project Control Budget as it stands at that time.

Notwithstanding the application of these rules to the estimated capital costs of the project in total as quantified in the Project Control Budget, the authorities delegated are also governed by interim funding approvals i.e. commitments made and expenditure incurred must fall within the scope of activities and monetary limits set by the related interim funding approval.

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**TRAM PROJECT – DELEGATED AUTHORITY RULES
APPENDIX 1 AUTHORITY MATRIX**

	<u>Project Director</u>	<u>Tram Project Board</u>	<u>tie Board</u> (Note 1)
<u>Budget and Changes to Budget</u>			
-Approval of Budgets	-	Subject to tie Board approval	All
- Change Requests in relation to new contractual appointments - including Infraco and Vehicles (movement in Specified Contingency Only)	Up to £2.5m	>£2.5m < £5m	>£5m
- Change Requests re proposed variations to existing contracts where no material change in scope or programme (movement in Specified Contingency only)	Up to £2.5m	>£2.5m < £5m	> £5m
- Change Requests re proposed changes to estimates for works not yet contracted and no material change in scope or programme (movement in Specified Contingency only)	Up to £2.5m	>£2.5m < £5m	> £5m
- Change requests where material change in scope or programme (movement in Scope / Programme Contingency)	-	Up to £10m +/-or change in Key Milestones up to 2 mths	> £10m +/-or change in Key Milestones > 2 mths
<u>Commitments</u>			
- New contractual appointments of any kind – Change Request already approved if necessary and scope and costs within Approved Funding	Up to £10m	> £10m < £20m	> £20m
- Instructions (variations) under Fixed Price Contracts - Change Request already approved if necessary and scope and cost within Approved Funding .	Up to £10m	> £10m < £20m	> £20m

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**TRAM PROJECT – DELEGATED AUTHORITY RULES
APPENDIX 1 AUTHORITY MATRIX**

	<u>Project Director</u>	<u>Tram Project Board</u>	<u>tie Board</u> (Note 1)
<u>Commitments (continued)</u>			
- Instructions under Cost Reimbursable Contracts – Change Request already approved if necessary and scope and cost within Approved Funding	Up to £250k	> £250k < £1.5m	> £1.5m
- Any instruction required on safety grounds or to mitigate adverse programme implications - with retrospective Change Request	Up to £1m	Up to £5m in accordance with procedure for emergency teleconference w/ quorum of TPB	> £5m
<u>Expenditure</u>			
- Approval of Invoices and Certificates for payment	Unlimited subject to compliance with internal Tram Project Team DAR's	-	-

tie limited

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APPENDIX 1 AUTHORITY MATRIX**

	<u>Project Director</u>	<u>Tram Project Board</u>	<u>tie Board</u> (Note 1)
<u>Key Non-Financial Delegations</u>			
- Approve Delegated Authority Rules	Within Tram Team	Delegations to Tram Project Director	Delegations to Tram Project Board
- Approve and execute restructure or disbandment of the Tram Project Board	-	Subject to tie Board approval	All
- Approve membership and composition of Tram Project Board	-	Subject to tie Board approval	All
- Approve Business Cases (including OBC and FBC)	-	Subject to tie Board approval	All
- Approve the appointment of the Tram Project Director	-	Subject to tie Board approval	All
- Approve procedures including but not limited to management of change, risk, costs and delegation by the Tram Project Director	-	All	-
- Procurement Strategy and documents issued (eg PIN,ITT) pursuant to procurement process	-	All	-

Notes:

1. The tie Board, at its discretion, may delegate any aspect of its responsibilities to the tie CEO, who may take the actions he considers necessary through his delegate or through the tie Executive Board.



Heavy Rail

- a) EARL – Project Progress Report *
- b) EARL – Parliamentary Report *
- c) EARL – GI Advisors *
- d) SAK - Project Progress Report *

* = paper enclosed (available under FOISA but subject to review under Section 5b of tie's publication scheme and exceptions in The Act)



Agenda Item 6a

Heavy Rail

a) EARL – Project Progress Report *

* = paper enclosed (available under FOISA but subject to review under Section 5b of tie's publication scheme and exceptions in The Act)



tie Limited
Project Progress Report

tie Board Meeting – 22nd August 2005

EARL

1 – 31st July 2005

Prepared by:, Scott Prentice

(Signature)

Approved by: Susan Clark, Project Director

(Signature)

Project Name: EARL
Progress Report No. 2: 1 – 31st July 2005

1. Executive Summary

1.1 Cost Status

Actual cost in July was 2% under budget and is 22% under budget for the year to date.

Annual cost forecast remains on budget.

*Update on
B.B. process*

1.2 Programme

The Scottish Executive continues to advise the project to plan for a bill submission at end October 2005. They have, however, not advised of any decision to address the conflict between simultaneous bill submissions for EARL/GARL.



A presentation was given on 29th July to the SE explaining initial thoughts on procurement and packaging options. It was well received and the project team will now engage with Network Rail and BAA before conducting market tests.

The invitation to tender for GI works has been issued. Tender interviews are scheduled for w/c 22nd August. Work scopes have been developed for the GI Advisor and Technical & Design Advisors packages and OJEU notices will be during August.

A lessons learned workshop is scheduled for 10th August with advisors involved in the parliamentary bill process for the Tram and Waverley Route projects.

1.3 Issues that have/will affect Cost or Progress

Approval of 2005/06 & 2006/07 funding for EARL is still required from Scottish Executive. Rollover funding of £1m from 2004/05 was exhausted this period.



1.4 Decisions required of Governance Team

Authority to continue until the next tranche of funding is confirmed from the Scottish Executive. This confirmation is now required in writing.

2. Parliamentary Progress

Consultation continues on the draft bill with a closing date for feedback of 17th August. SNH, Historic Scotland and SEPA have until 31st August to provide their comments.

A meeting was held with the Private Bills Unit on 12th August to discuss the bill introduction and parliamentary process.

Good progress has been made in the work to secure Network Rail's support for the Bill and draft Protective Provisions have been submitted for their review.

Work continues to obtain BAA's support.

The objection management database is fully operational and being managed directly by the project team.

3. Public Relations & Media

There has been deliberately little PR activity during July.

In August and September PR activity will increase to give a general update on progress and announce funding. We hope that the Minister will be involved in this. Meanwhile, meetings with MSP's have been ongoing to continue momentum and support.

The project team will be represented at the SNP Annual conference along with the INFRARAIL and Underground Construction trade events in September.

4. Capital Cost

	July	Year to Date	August	September
Budget	£374,528	£1,447,901	£482,528	£499,092
Actual	£367,222	£1,120,397		
Variance	-£7,307	-£327,512		
Forecast	£323,666	£1,162,460	£185,313	£131,561

Cumulative Actual Spend to Month End: (current): **£5,189,509**

There is minimal variance between actual and budget expenditure within the period. Under-spend against budget over year to date remains due to the slippage in the Bill submission date from May until October and achievement of progress at less cost than estimated.

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