
From: Graeme Bissett <graeme.bissett@[REDACTED]>
Sent: 27 January 2010 09:03
To: Stewart McGarrity
Cc: Gregor Roberts; Richard Jeffrey; Steven Bell; Alastair Richards; Susan Clark
Subject: RE: Delegated Authority Rules - Update V2 DRAFT - Private & Confidential
Attachments: Revised TEL Operating Agreement v7 180909 FINAL.doc; img000161 Baseline ltr 4.01.10.pdf

Stewart, the cost baseline was raised to £545m under TEL's authority through the new TEL / CEC OA, supported by the letter from Tom, both attached. The delegation from the TEL Board to the TPB has to be formalized, although there is technically no change to the previous level of cost authority up to £10m (within the £545m envelope) and you might want to formalize the revised authority to SRO (RJ) and TPD (SB) at the next TEL Board on 10th Feb, again though there is technically no change to current levels. This could then interface with your revised delegated authority document. I'll leave this with you but let me know if I can help.

On the broader points, I suggest an omnibus report goes to the next TPB on use of the risk allowance to date. Each application has gone through TPB due process and a note on the full picture would settle any future concerns that the full picture was not presented, even if each component has been. Implicit in any approval to use the allowance is approval of what is left and the Board are fully aware that the aggregate position is fluid and that £545m is under severe threat. Also that certainty remains elusive. Your comments are obviously valid but my view would be that the governance structure has been kept firmly in the loop against a very uncertain backdrop. The revised OA provides the flexibility to deal with day to day risk allocation and overrun matters and there seems little point in establishing a revised overall estimate as a firm yardstick while there are such significant uncertainties.

Regards
Graeme

Graeme Bissett
m : +44 (0) [REDACTED]

From: Stewart McGarrity [mailto:Stewart.McGarrity@tie.ltd.uk]
Sent: 22 January 2010 11:00
To: Richard Jeffrey; Graeme Bissett (external contact); Steven Bell; Alastair Richards; Susan Clark
Cc: Gregor Roberts
Subject: RE: Delegated Authority Rules - Update V2 DRAFT - Private & Confidential

RE: Delegated Authority Rules - Update V2 DRAFT - Private & Confidential

All,

Attached is a mark up of the document I circulated on Monday which reflects feedback from Steven – principally sorting out the typos.

Sharing a continuing worry (sorry).....we have a practical challenge for processing changes in a world of continuing uncertainty and a Operating Agreement obligation we should maybe be clarifying between us internally :

1. There is but £2m or so in aggregate left of the original £30m risk allowance included in £512m. Are we happy with Steven's / Richards Delegated Authority to continue approving changes which lead to allocations from the risk allowance after this £2m is gone? (ie we'd end up with a -ve risk allowance in order to balance the budget back to £512m)
2. The validity of regarding the risk allowance in aggregate is open to challenge anyway – ie we have already been approving changes to allocate sums from the risk allowance for such as increases in utility costs and additional costs on Princes St when there was no allowance or insufficient (with hindsight) specific allowances for these in the breakdown of the original £30m.
3. TEL has an Operating Agreement obligation to go back to Council for approval of “ any actual or reasonably expected increase in capital cost which would mean that the Baseline Cost (initially £545m) is exceeded by greater than £1,000,000”. We are indeed in a world where we can reasonably expect the costs to go above £545m and we should just be doubly comfortable with the varying ways in which we are complying with this obligation including briefings to Council officers and Group leaders.

One practicable answer to 1 and 2 above would be for TEL to approve an increase to a number between £512m and £545m to accommodate changes which have already crystallised such as the aforementioned utilities and Princes St cost. This however goes well against the plan to take all the pain of budget reset in one hit, it risks getting everyone very nervous and therefore I'm not keen at all on doing it if we continue to be happy that it can be legitimately avoided.

It is now seven months since a Board saw a set of numbers other than the £527m/£533m numbers we continue to report to Transport Scotland but which are now well, well out of date.

Nae wonder I drink!

Regards,
Stewart

Stewart McGarrity
Finance Director
tie Limited
Mobile: [REDACTED]

From: Stewart McGarrity
Sent: 18 January 2010 12:55
To: Richard Jeffrey; 'Graeme Bissett'; Steven Bell; Alastair Richards
Subject: Delegated Authority Rules - Update V2 DRAFT

All,

I've drafted an update to the DARs to reflect changes in personnel since the last version and the Governance change in December. This procedure explains how delegated authority is received and exercised on the Edinburgh Tram Project in order to maintain proper control over budgets and changes thereto, financial commitments, expenditure and payment. As such the scope encapsulates the activities of Transport Edinburgh Limited (TEL) and its wholly owned subsidiaries tie Limited (tie) and Edinburgh Trams Limited (ETL) insofar as they relate to or impact on budgets, financial commitments, expenditure and payments on the Tram project.

Before I give this wider circulation can I ask the addressees to read this document and let me know if you believe any matters require clarification or correction.

Thanks,
Stewart

Stewart McGarrity

Finance Director

tie Limited

Mobile:0 [REDACTED]

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