

## TRAM PROJECT GOVERNANCE

### GOVERNANCE BODY REMITS and related matters

At the TEL Board meeting on 19 June 2006, the overall revised framework was agreed subject to ensuring that important detailed areas were resolved, including definition of the remits for the governance bodies. This paper addresses these areas.

#### Governance body remits

The four primary bodies are :

- TEL Board
- Tram Project Board (a Committee of the TEL Board) (“TPB”)
- TPB sub-committees : 1) Business Planning, Integration and Commercial (“BPIC”) ; and 2) Design, Procurement and Delivery (“DPD”)

The philosophy was set out in the paper for the 19 June meeting and the proposed detailed remits are set out in Appendices 1, 2 and 3. These incorporate the levels of delegated authority contained in the 19 June paper with the following exception.

The suggested membership of the TPB includes all of the TEL Board Directors to ensure that all directors have equal access to the substantive TPB discussions. The TPB also includes senior representatives of TS and senior CEC officials. It is therefore suggested that there is no need for a separate set of financial delegations between the TEL Board and the TPB. It is also suggested that the TPB exercises authority over project design matters which significantly affect prospective service quality, physical presentation or have material impact on other aspects of activity in the city.

The proposal retains the TEL Board’s role in formally approving critical documents which are likely to require full Council approval.

#### Members and participants

Appendix 4 sets out the suggested composition of the four primary governance bodies. The status of individuals is defined either as Member (restricted to TEL Board Directors) with all other attendees being “Participants”. As set out in the 19 June document, this is necessary to clarify the legal status of each individual and to ensure that only members can be held legally responsible for decisions taken. It is worth reiterating that the effectiveness of the TPB will depend on the willingness of all involved to contribute fully and consistently in the dialogue.

The content of Appendix 4 remains subject to the views of the individuals concerned and is set out for discussion.

## Actions outstanding from 19 June paper

- 1) *Legal responsibilities of participants in governance committees to confirm and re-confirmation that previous legal and tax advice holds good (GB)*
  - Will be actioned following approval of the current paper.
- 2) *Chairmen of the two sub-committees to address membership and consider creation of a separate "Stakeholder / Comms" programme (DM / WG)*
  - Composition described above. Chairmen and TPB to consider whether a further sub-committee is required.
- 3) *Consider evolution to "Independent" Project Board (GB)*
  - It is necessary to get the existing proposal fully documented, approved and operational before evolving to an independent structure. The Council may have difficulty offering delegated authority to an official. This option needs further debate.
- 4) *TS to approve and to set out their milestone reporting requirements, approval requirements, timetable and persons involved. (TS)*
  - The dialogue is developing and approval processes are becoming increasingly embedded (by agreement) within the Tram programme.
- 5) *CEC to approve and to set out their milestone reporting requirements, and consider the appointment of a "Tram Tsar" within CEC. (CEC)*
  - Progress on approval processes as for TS. There remains a concern applicable to both TS and CEC that more junior officials are not fully appraised of decisions taken at senior level, leading to unnecessary debate within working groups.
  - Progress on the matter of a Tram Tsar to be communicated by CEC at the meeting.
- 6) *Finalisation and agreement of CEC / TPB protocols and linkage to project delegated authorities. (BC)*
  - As for approval processes under 5.
- 7) *Tie Board to approve their quality assurance processes (GB – tie Board)*
  - A paper was approved by the tie Board on 26 June which establishes a more rigorous framework of review and challenge within tie.
- 8) *Detailed delegated authority rules (DARs) need to be agreed for the DPD and BPIC programmes, including cover for emergency situations ; change control procedures to be adapted and documented, including any relevant influencing groups (SMcG / AH / WWC)*
  - These have been agreed in principle and are in the process of being documented.

9) *Finalisation of Safety Management responsibilities (GB / SC / AH +DLA)*

- A separate paper for the meeting covers this area, taking cognisance of these governance arrangements.

10) *CEC / TEL Operating Agreement to finalise (CEC / TEL)*

- CEC to communicate progress.

11) *Review Memorandum and Articles of Association of all three companies to ensure there are no inconsistencies with the revised governance arrangements which might require amendment (CEC Legal)*

- CEC to communicate progress.

12) *Other matters : contract relationships (JRC, DPOFA) (GB); funding flows (GB); TEL management roles and availability (DM / WG / NR)*

- It has been concluded that there is no advantage in early novation of either the JRC or DPOFA contracts from tie to TEL.
- Similarly, the processes for controlling funding are established and working and will not benefit from amendment at this stage.
- DM / NR will communicate progress on TEL management roles and resource.

## Approvals requested

The Board is requested to :

1. Approve the remits of the four primary governance bodies as set out in Appendices 1, 2 and 3 and reflecting the revised delegated authority structure described above.
2. Approve the proposed membership and participation set out in Appendix 4 and to authorise the Chair of each body to amend the composition as he sees fit.
3. Note the action taken and proposed on the outstanding matters.

GB 17 July 2006

## *Appendix 1 – TEL Board Remit*

The TEL Board has the following responsibilities :

### (1) Company stewardship

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

### (2) Integrated Edinburgh Tram and Bus Network

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

## *Appendix 2 – Tram Project Board (“TPB”) Remit*

The TPB is a Committee of the TEL Board to which the TEL Board has delegated the following responsibilities :

1. To oversee the execution of all matters relevant to the delivery of an integrated Edinburgh Tram and Bus Network, with the following delegations :
  - Changes above the following thresholds
    - i. Delays to key milestones of > 1 month
    - ii. Increases in capital cost of > £1m
    - iii. Adversely affects annual operational surplus by >£100k
    - iv. is (or is likely to) materially affect economic viability, measured by BCR impact of > 0.1
  - Changes to project design which significantly and adversely affect prospective service quality, physical presentation or have material impact on other aspects of activity in the city
  - Delegate authority for execution of changes to TEL CEO :
    - i. Delays to key milestones of up to 1 month
    - ii. Increases in capital cost of up to £1m
    - iii. Adversely affects annual operational surplus by <£100k pa
    - iv. is (or is likely to) materially affect economic viability, measured by BCR impact of <0.1
2. To appoint the Senior Responsible Owner for the project and to receive reports from the SRO on project progress
3. To receive reports from sub-committees established to oversee 1) Business Planning, Integration and Commercial (“BPIC”) ; and 2) Design, Procurement and Delivery (“DPD”).
4. To ensure BPIC and DPD workstreams are executed according to robust programmes under the leadership of Project Directors appointed by the TPB.
5. To approve the release of procurement documentation to the market, to approve procurement selection decisions and to recommend to the TEL and tie Boards (as appropriate) that they enter into contractual commitments.
6. To approve the submission of funding requests and to recommend approval of funding terms to the TEL and tie Boards (as appropriate)
7. To report to the TEL Board through the TPB Chairman : 1) on matters which are reserved to the TEL Board ; and 2) generally, as deemed appropriate by the TPB Chairman. The extent of common membership of the TEL Board and TPB is anticipated to minimise the requirement for such reporting, thereby avoiding duplicate discussion.

### *Appendix 3 – Sub-committees’ Remit*

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

Appendix 4

TRAM PROJECT – MEMBERS AND PARTICIPANTS IN GOVERNANCE BODIES				
	TEL Board	Tram Project Board	BPIC Sub-Comm	DPD Sub-Comm
<b>Members (TEL Board directors) :</b>				
David Mackay	Chair	Chair	Chair	
Willie Gallagher	X	X	X	Chair
Neil Renilson (TEL CEO and Project SRO)	X	X	X	X
Bill Campbell	X	X	X	X
Donald McGougan	X	X		
Andrew Burns	X	X		
Fred Mackintosh	X	X		
<b>Participants :</b>				
Bill Reeve / Damian Sharp		X		
Damian Sharp			X	X
Andrew Holmes / Tram Tsar		X		
Tram Tsar / Delegate			X	X
Andie Harper		X	X	X
Graeme Bissett		X	X	X
Stewart McGarrity		X	X	X
Barry Cross		X	X	X
Alastair Richards		X	X	X
Transdev		X	X	X
Miriam Thorne			X	
David Ramsay				X
David Powell				X
James Stewart (PUK)		X		
James Papps (PUK)			X	X
Norman Strachan (Secretary)	X	X	X	X