

**Edinburgh Tram Network Minutes**

**STRICTLY PRIVATE AND CONFIDENTIAL**

**Tram Project Board**

**11<sup>th</sup> May 2011 (09:30 to 11:20)**

**tie offices – Citypoint II, Brunel Suite**

<b>Members in Attendance:</b>			
Vic Emery	VE	Bill Campbell	WWC
Richard Jeffrey	RJ	Dave Anderson	DA
Donald McGougan	DMcG		
<b>In Attendance:</b>			
Steven Bell	SB	Andy Conway	Acon
Brian Cox	BC	Alastair MacLean	AM
Alastair Richards	AR	Cllr Gordon MacKenzie	GMac
Alan Coyle	AC	Cllr Phil Wheeler	PW
Gregor Roberts	GR	Cllr Allan Jackson	AJ
Peter Strachan (telecon)	PS	Mandy Haeburn-Little	MHL
Kenneth Hogg	KH	Alasdair Sim (minutes)	AS
Ian Craig	IC		

**Apologies:** Cllr Tom Buchanan, Cllr Maggie Chapman, Cllr Ian Perry, Neil Scales, Marshall Poulton

<b>1.0</b>	<b>Introduction, Review of Previous Minutes and Matters Arising</b>	
1.1	VE opened the meeting and welcomed the participants.	
1.2	VE asked the participants to declare and confirm any conflicts of interest, and there were none.	
1.3	<u>Review of Previous Minutes</u> The minutes from the previous TPB held on 13th April 2011 were approved as an accurate record.	
1.3	<u>Matters Arising</u> There were no matters arising.	
1.4	<u>Rolling Actions List Review</u> A number of actions identified on the rolling actions list have been closed out. Those actions remaining open were discussed and target timeframes were set. The rolling actions list to be updated accordingly, and reported to the next TPB.	AS
<b>2.0</b>	<b>Update on Mediation/CEO Report</b>	
2.1	VE presented a status summary on the emerging outcomes from the mediation process. It was again confirmed that those involved in the process are bound	

by confidentiality undertakings, and as a result VE was unable to go into the detail of the agreements reached with the Contractor to date. VE noted that an interim Minute of Variation agreement (MOV4) has been proposed for the recommencement of a series of limited scope priority works at the A8 underpass, Gogar Depot and Haymarket Yards. These works started week commencing 2/5/11.

VE noted that a report has been prepared for consideration at a Special Council Meeting on 16<sup>th</sup> May, this to discuss the next series of steps in regard to the project. Briefings with the political groups are scheduled to take place this afternoon, in advance of the public release of this paper.

RJ went on to brief the Board on the main items covered in the draft council paper. The outcome of these discussions are summarised below:

1. **The TPB Noted** the existence of the proposed Minute of Variation and that a Paper in regard to this and other tram related matters has been prepared for consideration at a Special Council Meeting scheduled for 16<sup>th</sup> May.
2. **The TPB Noted** that the Council Paper will include proposals for repair works on Princes Street to be undertaken at the Contractor's cost. The proposals involve a traffic diversion for the full length of Princes Street and if approved, will commence at the beginning of July to 27 November 2011 (and break for the Festive Period) and recommence in January 2012 with a scheduled completion date in May 2012.

The Board discussed this proposal and recognised the significant stakeholder engagement that would be required in advance of and during these works. It was recognised that there is a balance to be struck between effective, efficient and speedy working with respect for the wellbeing of the City during these tough economic times.

3. **The TPB Noted** that the Council Paper refers to a consultation on the future project management and governance of the project. This consultation will focus on all parties reverting more to the project partnering ethos of mutual cooperation set out in the original contract, and on identifying opportunities for savings in project management costs.

RJ noted the implications surrounding the ongoing staff uncertainty internally within **tie** and requested that a target timeframe of 4 weeks be set out for identifying the strategy in regard to project management and governance (at least in principle), prior to the next TPB. DMcG pointed out that a final Council decision on the matter will not be made before the summer of 2011. It was agreed that CEC and **tie** will work towards a proposal for review by the TPB in June. **In the meantime, the existing ratified project governance arrangements will apply.**

RJ/DA/  
AM

PS queried how responsibilities for the Safety Case for the tram system and

legal responsibilities will be addressed under the proposed new working arrangements, and pointed out that this must be documented in full as part of the process.

SB confirmed this remains the case, and that:

- the Design, Integration & Assurance Case responsibility still lies with BSC (and that self certification is an established principle in the existing contract);
- the Duty Holder under the Safety Verification System remains with **tie**, and that;
- the Independent Competent Person (ICP) carries out an overview role over both processes. It was noted that prior to operations, a statement of 'No Objection' will be required from the ICP.

4. **The TPB noted** that CEC has appointed an independent certifier operating under a duty of care to CEC, **tie** and to the Infraco. It was acknowledged that the appropriate level of Professional Indemnity (PI) insurance arrangements should be in place in respect of this role. DA to confirm.

DA

5. **The TPB noted** that the Council Paper refers to consideration of interim lease options for surplus tram vehicles to Transport for London. **tie** is supporting CEC as required in this tender process.

DMcG confirmed that temporary authority to relax the conditions of the TEL/**tie** Operating Agreements is being sought in response to the VE letter sent to CEC following the April TPB, in regard to the availability of additional funding beyond £546m. Until such time as this confirmation is obtained, the project should continue to minimise costs as far as is practically possible.

SB

This led to a general discussion around the existing governance arrangements on the project and in particular to the role of the **tie**/TEL and Tram Project Board in regard to agreements or undertakings emerging from the mediation. It was confirmed to the Board that MoV4 includes a schedule of payments to BSC, certified by the independent certifier. RJ confirmed that Transport Scotland have been engaged in the process leading to MoV4. AM to arrange for a copy of MoV4 to be sent to the TEL Board members.

AM

KH stated that the agreement of MoV4 and the associated payments, costs and risks were all matters which should have been the subject of scrutiny by the **tie**/TEL Non Executive Directors and respective Board members, but this had not happened. He welcomed the proposal to ask the Council on 16 May to agree that revised governance arrangements should be developed and put in place, in line with the new commercial strategy and arrangements emerging from the mediation agreement. KH said that in the absence of new governance arrangements however, the existing governance arrangements should have been used in respect of this agreement of a binding variation to the contract. BC and PS as the other present Non Executive Directors

	<p>participating in the meeting supported these statements and this position. It was acknowledged that until such time as any changes to the existing governance arrangements are formally ratified, then the TEL Board and TPB are to be afforded the opportunity to scrutinise the terms of any proposals emerging from the post-mediation engagement.</p> <p><b>The Board agreed on the need to resolve the ongoing governance concerns as a matter of priority.</b></p>	RJ/DA
<b>3.0</b>	<b>Building the Tram</b>	
3.1	<p><u>HSQE – Deliver a Tram Safely</u>  There were no reportable accidents during the period. The rolling 13 Period AFR is at 0.09. CoCP compliance was recorded at 100% during Period 1.</p> <p>a) Progress on closing out the Stage 3 RSA report findings are being tracked by the SHE Sub Committee. A planned meeting to discuss with BSC on 27/04/11 was postponed and BSC have not yet responded on the findings of this RSA. SB to formally raise this issue with BSC.</p> <p>b) A joint inspection was carried out on Princes Street. This highlighted that the repairs being carried out by BSC are not in line with the road rail interface. This issue has been escalated to BSC and <b>tie</b> Directors. An outcome of this exercise is awaited and a report will follow.</p>	SB SB
3.2	<p><u>HSQE – Deliver a Safe Tram</u>  1 metrics inspection carried out during Period 1 – Depot Access Bridge review of updated ITP's including Structural Concrete, Bridge Bearings, Earthworks and Waterproofing.</p> <p>2 audits were carried out in the period. BSC have still not provided a response to the Haymarket Audit carried out on the 14th Jan 2011.</p> <p>Independent Competent Person RFI and RFO status - 5 open RFI's (2 on hold); 1 open RFO and 1 open ANC.</p>	
3.3	<p><u>Progress Overall</u>  SB reported that progress achieved was 0.1% in the period, but noted that the remobilisation had taken place at the priority sites (Haymarket Yards, A8 underpass and Gogar Depot), with the expectation that a much improved rate of progress may be expected in Period 2.</p>	
3.4	<p><u>Project Risk Register</u>  SB referred the Board to the Top 12 project risks reflecting the relative probability of each of these risks becoming a reality. It was noted that a proportion of these risks relate to conditions which existed prior to the mediation process.</p> <p>a) As agreements from this process emerge, the risk register will be modified</p>	SB

	accordingly.																																	
3.5	<p><u>Financial Position at end of Period 01</u> GR presented the detailed project financial position at Period 1. Key points arising from this were:</p> <ul style="list-style-type: none"> <li>▪ Spend in Period 1 £1.5m - low activity as forecast.</li> <li>▪ BB+S major cost recognised against maintenance/mob Spare Parts (£268k)</li> <li>▪ Significant reduction in underlying project costs run-rate from £1.8m (P13) to £1.1m (P1)</li> <li>▪ DRP and mediation costs spike in P13 (£958k) now levelling out (£218k)</li> <li>▪ PM staff costs reduced in-line with forecast. Anticipate run-rate to fall to £350k in P2 &amp; P3</li> <li>▪ Actual cash spent to end Period 1 - £394.4m</li> <li>▪ Payment of £27.0m (+VAT) made to the Infracore on 3rd and 4th May relating to MoV4</li> </ul>																																	
3.6	<p><u>Change Requests and Risk Drawdown</u> GR summarised the change and risk allowance status at Period 1. This is shown below:</p> <table border="1" data-bbox="242 1013 1359 1373"> <thead> <tr> <th>Description</th> <th>Base cost</th> <th>Risk</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td><b>Position at Financial Close (PCB)</b></td> <td><b>481,680,811</b></td> <td><b>30,336,196</b></td> <td><b>512,017,007</b></td> </tr> <tr> <td>Increase in Approved Budget</td> <td></td> <td>32,982,993</td> <td></td> </tr> <tr> <td><b>Total Risk</b></td> <td></td> <td><b>63,319,189</b></td> <td><b>545,000,000</b></td> </tr> <tr> <td>Changes to end Period 13</td> <td>59,015,584</td> <td>-59,015,584</td> <td></td> </tr> <tr> <td><b>Position at end Period 13</b></td> <td><b>540,696,395</b></td> <td><b>4,303,605</b></td> <td><b>545,000,000</b></td> </tr> <tr> <td>Period 1 Changes</td> <td>548,981</td> <td>-548,981</td> <td></td> </tr> <tr> <td><b>Position at end Period 1 (CAB)</b></td> <td><b>541,245,376</b></td> <td><b>3,754,624</b></td> <td><b>545,000,000</b></td> </tr> </tbody> </table> <p><b>Note.</b> The figure of £545m does not reflect a reliable and approved anticipated final cost of the project, but points to the best view of the funding position within the funding available for the delivery of the entirety of phase 1a.</p>	Description	Base cost	Risk	Total	<b>Position at Financial Close (PCB)</b>	<b>481,680,811</b>	<b>30,336,196</b>	<b>512,017,007</b>	Increase in Approved Budget		32,982,993		<b>Total Risk</b>		<b>63,319,189</b>	<b>545,000,000</b>	Changes to end Period 13	59,015,584	-59,015,584		<b>Position at end Period 13</b>	<b>540,696,395</b>	<b>4,303,605</b>	<b>545,000,000</b>	Period 1 Changes	548,981	-548,981		<b>Position at end Period 1 (CAB)</b>	<b>541,245,376</b>	<b>3,754,624</b>	<b>545,000,000</b>	
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3.7	<p><u>Board Papers for Consideration &amp; Review</u> The Period 1 Change Control Paper was not specifically discussed at the meeting, and therefore the position is noted.</p> <table border="1" data-bbox="229 1632 1359 1782"> <thead> <tr> <th>Paper</th> <th>TPB Decision</th> </tr> </thead> <tbody> <tr> <td>Project Change Control Update – Period 1, 2011/12, dated 11/05/11, prepared by Gregor Roberts.</td> <td>The TPB noted the project change control status at Period 1.</td> </tr> </tbody> </table>	Paper	TPB Decision	Project Change Control Update – Period 1, 2011/12, dated 11/05/11, prepared by Gregor Roberts.	The TPB noted the project change control status at Period 1.																													
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<b>4.0</b>	<b>Preparing for Operations</b>																																	
4.1	<p><u>Tram Progress</u> AR reported that all 27 trams now completed or in production with 25 trams now completed factory testing and stored for delivery.</p>																																	

	It was noted that <b>tie</b> are assisting CEC in the tender process with Transport for London for potential tram lease opportunities in Croydon.	
4.2	<p><u>Operational Readiness</u> AR reported the following:</p> <ul style="list-style-type: none"> <li>▪ Construction works at the depot continue apace, with BSC remobilised in a number of areas across the site;</li> <li>▪ Main Workshop and store rooms nearing completion with final plant being installed;</li> <li>▪ The Siemens control room equipment is being installed;</li> <li>▪ External track works are being progressed;</li> <li>▪ Work progressing with the Mini Test Track;</li> <li>▪ Testing staff preparations being made;</li> </ul> <p>A number of key operational key dates are well in progress as follows:</p> <ul style="list-style-type: none"> <li>▪ Depot workshop trackwork - Completed</li> <li>▪ Depot substation fit out – Completed</li> <li>▪ Limited HV power in workshop</li> <li>▪ Building and workshop completed May 2011 except for the tramwash</li> <li>▪ Building occupation scheduled for July</li> <li>▪ Recruitment of testing staff for training July 2011</li> <li>▪ Tram dynamic testing to start in December 2011</li> </ul>	
<b>5.0</b>	<b>Building the Brand</b>	
5.1	MHL presented an analysis of media coverage and social media and online activity for Period 1. It was noted that a number of speculative articles and commentaries were reported in the media in the run up to the Scottish Parliamentary Election.	
<b>6.0</b>	<b>AOB</b>	
6.1	Nothing to report in the Period.	
<b>7.0</b>	<b>Date of Next Meeting</b>	
7.1	VE thanked the Board for their participation and confirmed that the date of the next meeting will be <b>Wednesday 8<sup>th</sup> June 2011</b> commencing at <b>09:30hrs</b> .	
7.2	The meeting closed at 11:20.	

Prepared by Alasdair Sim, 12<sup>th</sup> May 2011