
From: Graeme Bissett [graeme.bissett@networkrail.co.uk]
Sent: 01 October 2007 18:04
To: Colin McLauchlan; Steven Bell
Subject: FW: Tram governance - tie Board
Attachments: tie Board operations - proposal Oct 2007.xls

We got some feedback from the tie NXDs on the last draft of the Gov paper. Predictably, they are seeking to understand what exactly is the role of the tie Board. My previous proposition was that tie would stand well back as an entity but that the NXDs would be redeployed. We then concluded that the Board would be an effective check & balance. This however creates the duplication we are trying to avoid. So the proposal below attempts to keep the process vaguely efficient.

My instinct is to leave the proposal and the paper intact and to worry about the detailed mechanics when we get closer to the year-end. I suspect the practicalities will then drive us to the right solution once we are into the construction period.

Value your thoughts.

Regards
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From: Graeme Bissett [mailto:graeme.bissett@networkrail.co.uk]
Sent: 01 October 2007 12:03
To: 'Brian Cox'; 'Kenneth.Hogg@scotland.gsi.gov.uk'; Neil Scales (hazel.cheney@merseytravel.gov.uk); Peter Strachan (peter.strachan@networkrail.co.uk)
Cc: 'Willie Gallagher'
Subject: Tram governance - tie Board

A few comments on the helpful responses received from Kenneth, Brian and Peter.

The difficult challenge is to reconcile the desire to have an efficient tram project governance structure with the desire to sustain tie and its Board as an independent entity, capable of handling other projects. The analogy with a commercial project management firm is exactly right as a template, but the current reality of a single major project is where we have the tension.

We are working on the assumption that tie as an entity is to be kept intact, with its Board providing routine stewardship and compliance management ; and also with respect to the tram project providing :

1. Assurance that the tie Executive Chairman and management team continue to be kept under appropriate scrutiny, challenge and quality control
2. Assurance that tie Limited's contractual responsibilities are subject to proper stewardship

In addition, the tie Board will wish to continue to promote tie's strategic development

Statutory stewardship and compliance responsibilities can be executed through a sensible programme comprising :

1. Pre-planned agenda items covering statutory accounts / reporting and compliance with Operating Agreement (which will largely happen independent of the tram project operations)
2. The regular operation of the Audit, Remuneration and HSQE Committees (where there will be considerable interaction with tram project operations)

The tram project specific responsibilities can be discharged :

1. Through the operations of Board Committees, where there is a need to dovetail those activities with tie's responsibilities within the project governance model.
2. By regular Board meetings in addition to the Board Committee deliberations where the meaty business is related to progress in delivering the tram system construction against programme and budget ; forward planning and anticipation of issues ; and consideration of contractual issues as they emerge.

Kenneth raises the question of the scope of the tie Board's influence over project delivery – the point noted in the governance paper (repeated above) about ensuring “ the tie Executive Chairman and management team continue to be kept under appropriate scrutiny, challenge and quality control” is intended to capture this. The Board will be reported to, will be able to challenge the executive team and then either concur with executive recommendations and actions, or direct a different approach to be implemented through the executive team. This is clearly where there is maximum overlap with the TPB's formal governance responsibility, but the rationale is to leverage the tie Board's capabilities and provide additional quality control over delivery – albeit at the cost of some duplication. In principle this is also what a Board of an independent commercial delivery company would do, although they would have a much wider portfolio to oversee and would spend consequently less time per project. I hope these comments also respond to Brian's point about demonstrating where and how the tie Board has influence on delivery.

Strategic development would ordinarily operate on an annual cycle, but the nature of tie's business does not easily lend itself to that approach, at least for now. So the session we will have in January should be the time to address how the business can develop strategically. By then, the tram programme should be locked and loaded and tie's role in “Son of EARL” should be clearer.

To make the Board's proposed operations more tangible, a possible programme of meetings / agenda items is set out in the attachment. To feed into the TPB and TS / CEC 4-weekly cycle, the dates for the tie Board meetings cannot be easily fixed to a regular point in the month. However, the timing should precede the TPB by c 1 week. Assuming we continue with the current programme of dates through to January 2008 (Financial Close), the kick-off for a revised regime is Period 12 (February 2008), then Period 13 and into Period 1 2008-09. Rather than meet every 4 weeks, it may be better to adopt an 8-weekly cycle, partly to minimise duplication with the TPB's deliberations, partly to permit the tie Board to adopt a more detached view of progress and partly to compensate for NXD involvement on TEL Board / TPB governance committees. Every 12 weeks feels like too infrequent to be effective. If any serious issues emerged then additional Board meetings could be arranged.

To Brian's point on the authority delegated to the Executive Chairman, the issue is that the Exec chairman is effectively absorbing the role of Project Director. Under the existing structure, the PD has specific

delegated authority and tie's Executive Chairman will need to inherit this authority, which clearly also creates limits on his authority.

This leaves one final key point, namely the deployment of tie Board NXDs onto the TEL Board, TPB / sub-Committees. I believe Willie wants to speak individually about this.

We are trying to arrange a conference call for mid-week, but please give me a call to discuss before then if that would be helpful.

Regards

Graeme

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