

**Edinburgh Tram Project
Current Corporate and Governance structure
Note for meeting – 13 January 2010**

Purpose

The purpose of this note is to provide a brief summary of the current structure following the conclusion of phase 1 of the restructuring in December 2009.

Phase 1 completion and current structure

The essence of the phase 1 restructuring was to bring tie under TEL's ownership and to streamline the Board structure and operations. An additional dimension was the introduction of Edinburgh Trams Limited (ETL) as a mechanism to deal with the revised Transdev arrangements. The current structure, following completion of phase 1, is set out in the attachment. The core elements are :

- TEL is wholly owned by CEC and is governed by an Operating Agreement which sets out TEL's delegated authority from CEC to deliver the integrated bus and tram system.
- The tie and ETL corporate entities are wholly owned by TEL and both are governed by Operating Agreements, which again codify delegated authority. Memoranda of Understanding among TEL, tie, ETL and CEC govern aspects of the interaction among these legal entities.
- LB remains 91% owned by CEC, though there is increasing involvement of senior LB management in many critical aspects of the project, focussed around traffic management and operational readiness.
- The TEL Board has delegated (with some critical reserved powers) its authority to a formal Board Committee, the Tram Project Board. This transfer of authority is formally documented in the TEL Operating Agreement. The TPB meets 4-weekly and oversees project delivery in all respects on behalf of the TEL Board.
- The TPB has formed three sub-Committees to facilitate more detailed scrutiny and support to the project – the Financial, Legal and Commercial Committee ; the Traffic Management Peer Group ; and most recently the Benefits Realisation and Operational Readiness Committee. The roles of these committees are enshrined in formal approved remits and are essentially what it says on the tin. None have any significant delegated decision-making authority, which continues to vest in the TPB. The sub-committees meet broadly on a monthly basis.
- The Project SRO (Richard Jeffrey) and the Tram Project Director (Steven Bell) have specific delegated authority vested in them through the TEL Operating Agreement and in essence control the management of the project in all respects. The staff who deliver the project in almost all cases are employed by tie Limited and now also by Edinburgh Trams Limited and report to the TPD or SRO. Employees of LB and CEC working on aspects of the project are practically responsible to the SRO with respect to those activities.
- A group of CEC employees are partly or largely dedicated to the project and this is recognised as an area where better clarity on roles and responsibilities is required to enable the organisations and the individuals involved to perform an efficient and transparent role.
- The TEL Board has established three other formal committees to monitor and support specific aspects of the project. These are the Audit Committee, the Remuneration Committee and the Health & safety Committee. Their roles are enshrined in formal remits.

- Health & safety has been addressed across the totality of these arrangements to ensure full compliance with law and regulation, operation of best practice and rigorous operational management of H&S responsibilities. This was refreshed as part of the phase 1 reorganisation.
- Certain matters are retained as reserved powers for CEC, either through an officer (the Tram Monitoring Officer – Marshall Poulton), the Council Chief Executive, a Committee of the Council (the Policy & Strategy Committee or the Transport, Infrastructure and Environment Committee) or the full Council. These are set out in the governance documents or in Council Reports.

Practical operation

The various governance documents – Operating Agreements, MoUs, remits, Council documents – provide the framework for the operation of the governance arrangements. The Edinburgh Tram is a complex multi-stakeholder project which requires clear roles and responsibilities to run efficiently. This will not always translate into simple procedures given the necessary but complicated interaction of stakeholders and their people with the project. The practical operation of the governance model is however relatively straightforward, with the TPB providing the fulcrum for decision-making. Delegated authority levels are clearly stated and well-understood. The Committees – TPB Committees or TEL Board committees - have defined remits and are operated in a professional manner as to meeting conduct and documentation of roles and decisions where appropriate. The management structure within tie is also well-defined.

There are weaknesses, but these are largely confined to effectiveness of operation in some areas and do not represent serious lack of project control or avoidable risk exposure. It has been a strength of the project, particularly in the more recent period, that the governance model has evolved to meet the demands of the project and a further critical strength has been the willing interaction of individuals from all of the organisations involved to work together in a constructive manner. Without this approach, no governance model will work regardless of the quality of the formal structure and documentation.

That said, the current model requires further evolution to be fully aligned to the needs of the operational period. These are to be addressed in phase 2 of the reorganisation.

Phase 2 reorganisation

The main corporate dimension to this phase will be the transfer of the LB shares to TEL, creating a coherent group under TEL's control. This is intended to ensure that all aspects of the management and development of integrated transport within Edinburgh are under coherent corporate and governance control. There are numerous challenging and sensitive aspects to this phase and work is underway involving people from all the relevant organisations, under the direction of Dave Anderson.

The objectives of the next phase are :

1. To create a model which provides the TEL family of companies with efficient and effective governance, supports the management and Board in defining and delivering TEL's objectives and supports the planning for and operation of a safe integrated bus and tram system.
2. To ensure the roles and responsibilities of the main stakeholders are clear – TEL, LB, tie and CEC – and to ensure that individual management responsibilities are also clear
3. To ensure that H&S responsibilities are clear at every stage of the process
4. To ensure full legal and regulatory compliance including competition law, procurement law, State Aid, TA85
5. To accommodate the structure required for efficient tax planning
6. To achieve buy-in from key stakeholder groups including employees, supplier and contracting partners and the travelling public
7. To support the development of a high-performance culture in all aspects of the business

The governance of the process falls under the Benefits Realisation and Operational Readiness Committee of the TPB. The TPB itself and the TEL Board will be kept fully up to date as the work proceeds.