



[PAPER !]

Confidential

Cllr Andrew Burns
City of Edinburgh Council
Room 9/33
City Chambers
High Street
EDINBURGH
EH1 1YJ

Our Ref: 09.16/EB/JRM

Date: 12th January 2004

Dear Andrew

You will receive on 14th January 2004 a report from tie which contains our recommendations on the congestion charging scheme. That report is focused on the configuration of the scheme and the consultation process and is the product of considerable analysis by the tie team and their advisers. During broadly the same period, the team have finalised the two Tram Bills, with comprehensive supporting documentation. As a consequence, tie has a very good and detailed perspective on the overall integrated nature of the range of schemes which we have for a long time captured in the description "Integrated Transport Initiative" and which it is tie's responsibility to promote. The purpose of this private letter is to underline tie's view of the inseparability of the main components of the ITI, in response to any voices which may favour severe curtailment or elimination of the congestion charging scheme.

In operational terms, it is proposed that a new tram system will be constructed and will have a positive effect on the City's economy and on other key social objectives. However, the tram will have a marginal effect at best on congestion within the City Centre - this is not the purpose of the tram.

More fundamentally, since mid 2003 tie has been required to approach the funding of the tram (lines 1 & 2) independently from congestion charging revenues. Our work since then has identified a funding requirement greater than the level of Executive grant award. The linkage and attitude of the Executive is critical here. The additional funding requirement is of such a scale that additional Executive money will be required if lines 1 and 2 are to be built. Line 3 would likewise have no serious likelihood of ever being built. In the absence of any such financial increment, only a severely truncated system could be constructed. Having created an expectation of a city wide system, any such truncation will inevitably appear to the public and press to be an abject failure in execution by the Council.

In addition, there is no guarantee that a truncated system will produce the robust economic appraisal which the existing proposal exhibits. A less robust economic case

91 Hanover Street Edinburgh EH2 1DJ
Tel: +44 (0) 131 [REDACTED] Fax: +44 (0) 131 718 4271
e-mail: ewan.brown@tiedinburgh.co.uk web: www.tiedinburgh.co.uk

Registered in Scotland No: 230949 at City Chambers, High Street, Edinburgh EH1 1YJ

transport initiatives edinburgh

TR100000148_0001

could be an excuse for the Executive's withdrawing the grant offer. There is therefore a clear risk that Edinburgh could end up with no tram system at all. It is the considered and strong view of the tie Board that the chance of persuading Scottish Ministers to provide further substantial support to the Edinburgh tram project will be virtually zero if the congestion charging scheme is not pursued, at least to the point of a referendum. Our exchanges with the Executive have been extensive and this is the view of all the senior tie team who are involved.

On the other hand, a real commitment by the Council to implementing congestion charging will in our view transform the funding opportunity for the trams. Clearly, we have a joint responsibility to seek funds from all relevant sources, but tie's view is that in these circumstances a residual funding gap will be looked on favourably by the Executive. At a minimum there is a basis for a robust negotiation. Without a commitment to congestion charging we believe that, realistically, there would be little likelihood of productive dialogue.

There is a further potentially fundamental financial issue. tie has spent considerable time assessing how operational cash flow within the tram system should be managed and concluded there was no chance of getting the private sector to take the lion's share of revenue risk at an acceptable price. Accordingly, someone must take that risk if the tram is to operate and at present this is presumed to be the Council. This risk assessment has still to be quantified and may yet prove to be a barrier to the tram's proceeding. However, it would be possible to construct a risk underwriting or sharing arrangement with the Executive to mitigate the risk to the Council. tie believes that the likelihood of reaching such an agreement is caught in exactly the same trap as the prospect of incremental capital funding. With congestion charging, the probability of reaching agreement improves enormously; without it, we believe there is little chance of passing any of this risk to the Executive.

The ITI is visionary and it is also deliverable. Without a commitment to congestion charging tie believes there is in fact no ITI – instead, at best only a limited tram system with no guarantee that even that can be delivered. We hope these points are considered fully in determining the way forward for congestion charging.

Yours sincerely,

A large black rectangular redaction box covering the signature area.

pp Ewan Brown
Chairman

Transport Initiatives Edinburgh (tie) Business Plan – 2004/05

The City of Edinburgh Council

29 April 2004

1 Purpose of report

All Council owned companies are routinely required to submit annual reports to receive Council approval for their business plans. The purpose of this report is, in respect of the Integrated Transport Initiative and the proposed Edinburgh Airport Rail Link, to seek approval from the Council for the contents of a draft annual Business Plan by Transport Initiatives Edinburgh Ltd (**tie**) for the financial year 2004/5. A further report reviewing overall financial performance of **tie** will be submitted to the Executive later in this financial year.

2 Summary

- .1 **tie** is a private company wholly owned by the City of Edinburgh Council. The company was established by the Council to assist the development, procurement, project management and implementation of certain nominated projects as determined by the Council and contained in the Integrated Transport Initiative (ITI). The past year has seen a significant increase in the level of activity in **tie** who are now developing or implementing seven major transport projects. These comprise:- Congestion Charging; the West Edinburgh Busway Scheme (WEBS); and three tram schemes serving north, west and south east Edinburgh (designated Tram Lines 1 to 3 respectively); Ingliston Park and Ride and the Edinburgh Airport Rail Link (EARL). The last project is, in effect, being channelled through the Council on behalf of the Scottish Executive and is supported by a direct grant of £5m. All the other projects form part of the Council's Integrated Transport Initiative.
- .2 **tie** are also responsible for the SESTRAN 'One-Ticket' travel ticket scheme. This project provides a travel ticket throughout the SESTRAN area. This has seen a favourable growth in turnover compared with last year.
- 2.3 The legal operating agreement between CEC and **tie**, identifies the requirement for an annual business plan setting out the company's activities, costs and funding to be approved by the Council.

- 2.4 This report summarises the status of **tie**, and projects remitted to **tie**. The monitoring arrangements remain as reported to Council in last year's report on the Business Plan. However a review of the operating agreement between **tie** and the Council is presently underway. Progress on the various projects is described and staffing and accommodation requirements are discussed. A summary of costs and funding is given before financial implications, conclusions and recommendations are presented.

3 Main report

tie

- 3.1 **tie** is a private limited company wholly owned by the City of Edinburgh Council, with a private sector majority board. The company was registered at Companies House in April 2002 and started operating in May 2002. The objectives of **tie** are defined in the Company's Memorandum of Association and relate to assisting the Council in developing and delivering its Integrated Transport Initiative (ITI).
- .2 Under the terms specified in the legal operating agreement between CEC and the Company, **tie** are required to submit a draft annual business plan for the following financial year which sets out the companies activities, costs and funding requirements. This plan requires the approval of the Council.
- .3 **tie** has submitted a draft Business Plan for financial year 2004/ 05 (Copies are available for inspection in party group rooms). Internal **tie** costs are based on continuation of 2003/4 costs with allowance for anticipated increases in staff numbers, salary levels and other costs.
- 3.4 No detailed projections have been made for year 2005/06 as there are likely to be major changes in work programmes after April 2005 as projects move from their initial planning phases through to detailed design and procurement especially following receipt of Parliamentary powers for the tram projects. The Business Plan includes indicative costs likely to accrue in 2005/06, based on current information. More accurate costings will be provided in the next Business Plan.

tie Monitoring

- 3.5 In the Business Plan, **tie** confirms its commitment to high standards of corporate governance. To ensure these standards are maintained the Council has put several levels of monitoring in place. The detailed monitoring structure remains as reported to Council in connection with the annual Business Plan for 2003/04 in June 2003.

tie Projects

- .6 The Council has directed **tie** to progress 6 key projects from its Integrated Transport Initiative. Progress on these projects is given below:
- a *Congestion Charging*. Following clarification, with the Scottish Executive, of the statutory processes necessary for approval of the system, a draft order was published for consultation in October 2003. The results of that consultation were presented to Council in January 2004 and led to the Council's decision to continue with the statutory procedures. Following a public inquiry, a referendum will be held, as previously agreed by the Council, before a final decision is taken on whether to seek confirmation of the order from Scottish Ministers.

- b *Edinburgh Tram Lines 1 and 2* (serving the city centre and north Edinburgh and west Edinburgh respectively). **tie** undertook stage 2 transport assessments following the Scottish Transport Appraisal Guidance (STAG) procedures. Preparatory work was also undertaken to enable the Council to obtain powers to construct these tram lines by promoting Parliamentary Bills. The Council submitted Bills for both these tram lines to Parliament on 29 January.
 - c *Edinburgh Tram Line 3* (serving south east Edinburgh). **tie** is presently undertaking a STAG stage 2 appraisal and will make the necessary preparations for submission of a Parliamentary Bill. Public consultation commenced on 24th March 2004.
 - d *West Edinburgh Busway Scheme (WEBS)*. **tie** have completed development of this project and awarded a design and build contract for the off road guideway sections in January 2003. Following completion of the design, progression to the build stage of the contract was authorised in November 2003. Works are now well underway, with the current programme set to make up the initial construction start delay. The contract is now expected to be completed by the original target date of October 2004.. Traffic Regulation Orders for the on-street elements of the project are in preparation and the works contract at tender stage.
 - e *Ingliston Park and Ride* Detailed design and planning procedures for this project are underway with a design and build contract award scheduled for May 2004. It is envisaged that the site will become operational early in 2005.
- 3.7 **tie** is also responsible for the 'One-Ticket' scheme and has been given a wider remit by the Scottish Executive for heavy rail schemes including the airport rail link. Consideration is currently being given to **tie** managing the delivery of the *Stirling Alloa Clackmannan Kincardine line*.
- .8 *Edinburgh Airport Rail Link*. Technical Operational and Environmental feasibility studies for this project, which is wholly funded by the Scottish Executive are now underway. The studies are examining the provision of a new underground heavy rail link integrated into the existing rail network. The project is programmed for Parliamentary submission in March 2005. This project is not part of the Council's Integrated Transport Initiative.
- .9 SESTRAN 'One-Ticket' travel ticket scheme. This project provides a travel ticket scheme throughout the SESTRAN area. Sales for the year ending 31 March 2004 are still to be finalised but are estimated at £500,000. This compares favourably with last years turnover of £152,000.

Staff and Accommodation

Chief Executive

- 3.10 The interim and part-time Chief Executive position described in the previous report to Council (June 2003) was made full time and permanent on the recommendation of the **tie** Board in view of the substantially increased scope and responsibility. This recommendation was accepted on behalf of the Council by the Director of City Development through delegated powers that were granted to him on 2 May 2002.

Staffing

- 3.11 Details of the current staffing levels together with proposals for the coming financial year are set out in the Business Plan, which includes a full staff organisation chart.

- .12 There are currently 18 employed posts in **tie** augmented by substantial consulting and seconded resources. There will be a considerable increase in activity in the coming financial year within **tie** as the major projects in their portfolio are progressed. To cope with this increased workload and to reduce costs through greater in-house working **tie** propose to increase the staff complement to about 40 members. Additional posts are proposed in Tram programme management, tram operations, congestion charging and finance. **tie** also emphasise the need for an additional £600,000 to publicise issues surrounding congestion charging in advance of a referendum.

New Office Accommodation

- 3.13 The company presently occupies serviced office accommodation at 91 Hanover Street, Edinburgh. The expanding staff compliment necessitates a move to larger premises and gives the opportunity to reduce costs with standard leased office accommodation.

Costs

- .14 The Business Plan reports an underspend, of £3.6m, for the financial year 2003/04. Arising mainly from slippage, the largest underspend is noted in the WEBS project. Reduced spends are also reported in the tram projects but these are contrasted by additional expenditure on congestion charging of £0.7m in the financial year 2003/04.
- .15 As a result of reaching a more advanced stage of the programme, in financial year 2004/05 **tie** propose further substantial increases in spending on congestion charging. The planned spend is £4.2 m – an increase of £3.1m over the budget for 2003/04 approved by the Council in June 2003.
- .16 **tie** report that during the financial year 2004/05 about half of the expenditure on the congestion charging scheme will arise from technical development and the statutory and decision making processes. The remainder of the congestion charging expenditure will be associated with the detailed design and procurement processes considered by **tie** to be necessary to meet the 2006 implementation deadline.
- .17 In response to the concerns over the impact on the Council's budget that were expressed by the Directors of City Development and Finance, **tie** has proposed several efficiency savings. The savings comprise a reduction in the budgeted staff bonus level; a reduction in proposed salary increases to match the anticipated Council increases; a re-profiling of the proposed staff intake and a reallocation of key overheads associated with congestion charging. In total, **tie**'s savings amount to £238,000 of which £100,000 are realised in the Council's budget (match funding contribution).
- .18 Total costs for congestion charging for the year 2004/05 are £4.159m. Funding available from the Scottish Executive (awaiting ministerial approval), plus funding already provided in the Council budgets amount to £3.177m. There is therefore a shortfall of £0.982m. Details of how to fund this shortfall are set out in the financial implications section (paragraph 4.3 below).
- .19 The table at the end of Section 3 of this report summarises the costs and funding of Transport Initiatives Edinburgh for the financial year 2004-05.

Risk

- .20 Concerns have been expressed over the risks of incurring abortive expenditure since the implementation of congestion charging is dependant on a successful outcome of the referendum and approval to implement the Charging Order being received from the Scottish Executive. While this is clearly an important issue, and one which requires to be managed carefully, it is not unique to the Council's Integrated Transport Initiative. It applies to any major transport project, especially those requiring Statutory Powers, including the Scottish Executive's other strategic transport projects. There are probably significant sums at risk across Scotland at the present time associated with the delivery of key transport projects.

Previous reports have indicated an introduction date for congestion charging of Spring 2006 and the supporting work has been prepared on this basis. To delay introducing beyond that date would be to erode the value of the income stream and disrupt the delivery of the integrated investment package.

- .21 The referendum was agreed by Council in January 2003 and is scheduled for January 2005. A public hearing on the proposal will commence in April 2004, the results of which will be fed into the Council's case, for obtaining the necessary powers from the Scottish Executive to make the Charging Order.
- .22 To avoid a lengthy delay following the public hearing and the anticipated receipt of powers, the Council has elected for a target implementation of spring 2006. To ensure that this implementation date is met **tie** have proposed a procurement strategy to minimise procurement risks and maximise public acceptance of the proposals. Key features of the strategy are an early start to the procurement process, parallel development of prototype systems by two short-listed tenderers, and an active role in public relations and opinion leadership - the stakeholder "client management" approach. "This was the approach successfully followed in the run up to implementation of the London congestion charging scheme".
- .23 All of these steps necessitate incurring expenditure that may prove abortive should the referendum or the Scottish Executive not favour the implementation of congestion charging.
- .24 At the request of the Directors of Finance and City Development **tie** has set out the financial and programming implications of a deferral in the implementation of congestion charging until after the referendum and after receipt of approval from the Scottish Executive.
- .25 **tie** note that the costs associated with congestion charging fall into two categories. The first category of expenditure are those costs which needed to allow the public inquiry to take place and therefore allow the recommendations of the inquiry to be known before the referendum is held. The second category of expenditure is directly associated with the procurement of the system for collecting and enforcing the congestion charge. This would encompass the system design and prototyping.
- .26 Deferral of the second category of expenditure would reduce the risk of abortive expenditure totalling £1.98m, of which the Council's share is £0.99m. This deferral, **tie** suggest, would delay the start of the congestion charging scheme to October 2007. However current proposals envisage a £2 cash charge to be applied whenever the scheme starts. Any delay in start would reduce the real value of the toll revenue by the amount of inflation of the period of the delay. **tie** has suggested that inflation over this period could be between 3.5% and 4%. While the toll charges thereafter would increase in line with the RPI, the diminished value of the start-up toll level reduces the lifetime revenue return by £28m. A 20-year scheme life is assumed by **tie**. Delay in the investment programme also follows from deferral of congestion charging implementation.

As a consequence **tie** point to a total of £60m in project funding being unavailable between spring 2006 and autumn 2007.

- .27 The Council's current funding relationship with the Scottish Executive is based around the total Integrated Transport Initiative and the approved Local Transport Strategy. To remove or delay any element obviously raises a risk in terms of this partnership. The Scottish Executive is aware of the risks set out above and has indicated that it is provisionally prepared to continue with its current 50/50 matched funding commitment.

Summary of TIE Costs and funding 2004-5

Congestion charging	£
Costs	
Development and Procurement	3,759,033
Information Campaign	600,000
Efficiency Savings	-200,000
	<u>4,159,033</u>
Funding	
Scottish Exec Match Funding	2,079,517
Total Approved Funding	822,566
Additional Revenue Funding	275,000
CC Funding Shortfall	<u>981,950</u>
<hr/> Trams	
Costs	
Tram 1	1,356,612
Tram 2	1,929,474
Tram 3	1,782,532
DPOF	1,031,538
Infraco	270,000
Savings	-38,000
	<u>6,332,156</u>
Funding	
Integrated Transport Fund	4,541,420
Slippage from previous years	501,698
Advance on £375m award (to be confirmed)	1,289,038
Trams Funding Shortfall	<u>0</u>
<hr/> WEBS	
Costs	6,763,944
Funding	<u>3,551,000</u>
Slippage adjustment	3,212,944
WEBS Funding Shortfall	<u>0</u>
<hr/> Ingliston	
Costs	2,033,662
Funding	<u>2,033,662</u>
Ingliston Funding Shortfall	<u>0</u>
<hr/> EARL	
Costs	4,138,629
Funding	<u>3,500,000</u>
Slippage adjustment	638,629
EARL Funding Shortfall	<u>0</u>
<hr/> One Ticket	
Costs	50,665
Funding	<u>50,665</u>
OT Funding Shortfall	<u>0</u>
<hr/> Total CEC Funding Shortfall	
	<u>981,950</u>

Awaiting ministerial approval

4 Financial Implications

- .1 There is an increase in **tie** net funding requirements from the report to the Executive in June 2003. This conclusion is based on the draft business plan supplied for 2004-5 and the **tie** forecast out-turn for 2003-04 and is subject to any expenditure in excess of **tie** projected out-turn for 2003-04 being contained within the **tie** 2004-05 budget
- .2 Additional matched funding is being sought from the Scottish Executive for congestion charging, and a verbal indication of approval has been received. Advanced funding is also being sought from the Scottish Executive to cater for the accelerated programme for tram implementation including early operator involvement.
- .3 It is now expected that the net budgetary shortfall of £0.982m identified in paragraph 3.18 can be offset by increased sums anticipated to be received by the Council in respect of the Lothian Investment Fund for Enterprise (LIFE). The total of such realisations is now expected to be significantly in excess of that assumed in the setting of the Council's budget on 12th February 2004. A prudent view is that funding from LIFE will be more than sufficient to meet expenditure in 2004/5, but there may be a funding shortfall in later years. This will be kept under review in the light of actual disposals from the LIFE portfolio and other income streams in the City Development Budget.

5 Conclusions

- .1 **tie**'s operation as an arm's length company has progressed in the period since the last Business Plan was reported to Council. The present plan represents a significant stage in the development of **tie** and the major transport projects under its direct control. **tie** is proposing a major increase in in-house resources to cater for future demands.
- .2 The coming year will see the passing of critical points in the development and implementation of **tie**'s projects. A commensurate effort will be required from the Council's own staff in their close partnership with **tie** to ensure a successful outcome for all **tie** projects.

6 Recommendations

- .1 To approve the **tie** Business Plan, for the financial year 2004-05, and subject to any expenditure in excess of the **tie** projected out-turn for 2003-04 being contained within the **tie** 2004-05 budget.
- .2 To reaffirm approval of the implementation programme for congestion charging with a start date of Spring 2006, noting that in the event of the scheme not progressing and other major projects being reviewed that significant abortive expenditure would be incurred.
- 6.3 To instruct **tie** not to commit to any expenditure until written funding approvals have been received.

Andrew Holmes

[PAPER 3]

From: "Andrew Burns" <andrew.burns@edinburgh.gov.uk>
Subject: Re: Meeting with Scottish Executive re trams (URGENT & CONFIDENTIAL)
Date: Fri, June 10, 2005 5:01 pm
To: "Donald Anderson" <donald.anderson@edinburgh.gov.uk>, tom.aitchison@edinburgh.gov.uk, "Michael Howell" <Michael.Howell@tie.ltd.uk>
CC: rew.holmes@edinburgh.gov.uk, keith.rimmer@edinburgh.gov.uk, ewan.brown([REDACTED])

Michael (Donald/Tom)

Thanks for the e-mail update, as below.

Having discussed this with a variety of colleagues, I've sent the attached letter Nicol Stephen first class today. I will follow this up with a 'phone call on Monday. The scenario painted below, by Scottish Executive officers, is clearly not acceptable for a whole host of reasons and I hope the attached letter conveys this.

I'll let you know of any response I receive.

Andrew

=====
 =====Councillor Andrew Burns
 Executive Member for Transport & Public Realm
 (and Councillor for Moat Ward)
 Mobile: [REDACTED]
 Tel: 0131 [REDACTED]
 Fax: 0131 529 3184

Transport Edinburgh: Making Connections
 read how at: www.transport-edinburgh.org.uk
 Moat Ward and further transport info.
 at: www.andrewburns.labour.co.uk

----- Original Message -----

From: Michael Howell
 To: andrew.burns@edinburgh.gov.uk ; tom.aitchison@edinburgh.gov.uk
 Cc: Graeme Bissett ; Alex Macaulay ; [Ian Kendall](mailto:Ian.Kendall@hw.ac.uk) ; ewan.brown@hw.ac.uk ;
[gavingemmell@\[REDACTED\]](mailto:gavingemmell@[REDACTED]) ; Jim Brown ([jim.brown2@\[REDACTED\]](mailto:jim.brown2@[REDACTED])) ;
[John.richards@\[REDACTED\]](mailto:John.richards@[REDACTED]) ; keith.rimmer@edinburgh.gov.uk ;
andrew.holmes@edinburgh.gov.uk
 Sent: Friday, June 10, 2005 10:50 AM
 Subject: Meeting with Scottish Executive re trams (URGENT & CONFIDENTIAL)

As you know, tie's business plan for this year is based upon £21.9 million from the Scottish Executive (SE) to progress the detail design and development of the tram. We met with John Ewing, Kenneth Hogg and Damian Sharp this morning to discuss this matter since, for the programme to remain on schedule, these funds need to be committed by 17th June - only one week away.

We did not hear comforting news:

a.. The SE feels that there is a loss of clear transport strategy for Edinburgh since the loss of the congestion charging referendum

a.. Ministers feel that CEC is not addressing the fact that Edinburgh tram cannot proceed without a substantial financial commitment from the Council. No
https://wmail3.hw.ac.uk/webmail/src/printer_friendly_bottom.php?passed_ent_id=0&... 10/06/2005

number was mentioned but the implication was that this should be measured in £10s of millions.

a.. In the environment where costs are rising and the real value of the sum committed by the SE is falling, the SE feels is a need for hard thinking and hard decisions by CEC, which may include the abandonment at this stage of one of the tram bills (inferred that this should be tram line 2), particularly in view of the pressure on parliamentary time for other transport bills, including EARL.

a.. There is a move afoot by SE to ensure that a clear message is delivered f the highest political level to Donald Anderson to make it clear that the tram project now hangs in the balance, unless the issue of CEC's contribution to funding is immediately addressed.

The implications of this message are very serious in terms of the credibility o SE/CEC/tie to deliver major transport projects. tie cannot resolve these issues and only engagement between SE and CEC can do so.

In view of the seriousness of this message, Ewan and I feel that any need for t proposed meeting at Tom Aitchison's office on Monday about TEL has been supersede by events.

Likewise, the implications for tie's ongoing momentum are clearly very serious. Our temporary employees have one month's notice and notices of end of contract will have to be given before month end at the latest since present funding runs out at the end of July. It also means indefinite postponement of any steps to appoint design and technical support contractors, both of which are imminent.

Michael

tie limited

Verity House

19 Haymarket Yards

Edinburgh EH12 5BH

Tel: +44 (0)131 [REDACTED]

Fax: +44 (0)131 622 8301

Email: michael.howell@tie.ltd.uk

delivering transport projects

file

Councillor Andrew Burns
Executive Member for Transport & Public Realm
City Chambers, High Street, Edinburgh, EH1 1YJ.
Tel: 0131 [REDACTED] Fax: 0131 529 3184

Nicol Stephen MSP
Minister for Transport
Transport Department
Scottish Executive
Victoria Quay
Edinburgh
EH6 6QQ

Friday 10th June 2005

Dear

URGENT - Edinburgh Trams Project Funding

I write with a sense of urgency concerning the above topic.

As you'll know, discussions between Scottish Executive and City of Edinburgh Council officers have been ongoing for several months about the release of the next tranche of the Edinburgh Trams Project funding. These discussions have been detailed and considered, and towards the end of May had reached what I (and many others) considered to be a clear understanding of the way forward:

- Both tram Bills (lines 1 and 2) are in the middle of the Stage 2 Parliamentary Process
- Securing Parliamentary Powers for both Bills does not correlate to immediate construction of both lines
- The £375million commitment from the Scottish Executive for this project will not cover that full construction of the two lines
- Once powers are secured, then a phased construction approach will undoubtedly be required
- The City of Edinburgh Council, at the request of Scottish Executive officers, recently committed (February 2005 budget) an additional sum of £1million to go towards the ongoing development costs during this Parliamentary Process phase

- contd./

TRI00000148_0013

- The City of Edinburgh Council has thus moved towards the signing of 'Design' and 'Technical Support' contracts for the trams project – these contracts are not yet finalised as we are awaiting the release of the next tranche of Scottish Executive monies (some £21.9million of the £375million committed) to enable this
- This sum (£21.9million) was built into **tie's** 2005/06 Business Plan in the full knowledge of Scottish Executive officers
- The 2005/06 **tie** Business Plan has now been approved by the City of Edinburgh Council – on Thursday 2nd June 2005
- In the run-up to this approval - all requests for additional information relating to the trams project Outline Business Case, made by Scottish Executive officers, have been actioned by **tie**

The City of Edinburgh Council and **tie** have thus been working on the timetable of the £21.9million being released by Friday 17th June 2005 in order to allow the signing of 'Design' and 'Technical Support' contracts, as mentioned above.

Today (Friday 10th), I am being advised that that release date may not now be met? This possibility would have very serious consequences for the trams project, for the wider credibility of the Council, and not least Scottish Executive transport policy:

- The 'Design' and 'Technical Support' contracts could not be signed
- The whole trams project would therefore lose at least a year's momentum, making a mockery of the Council and Scottish Executive target of operational trams by 2009/2010
- The recently approved **tie** Business Plan for 2005/06 would need to be completely re-written – literally days after the Council has just approved it
- **tie's** current funding then runs out (again literally) at the end of July 2005
- **tie** itself would have to suspend all temporary staff working on the above contracts, sending a hugely damaging signal to the industry, which would have serious long-term consequences for the credibility of the trams project

I seriously fear such a scenario would damage the whole trams project irreversibly. It would further undermine – at what is an obviously difficult, post-referendum, time – Council and Scottish Executive transport policy.

There appears to be some suggestion, coming from Scottish Executive officers, that just 'dropping' the Tram Line 2 Bill would solve all these problems? I frankly find this astounding:

- It will not help anybody's credibility to cease the progress of a Bill when it is half-way through Stage 2 in the Parliament
- It will be perceived as yet a further 'punishment' on Edinburgh for the no-vote in the recent referendum – as you know, the shelving of Line 3 is already perceived thus
- It completely ignores the first four bullet points in this letter, which all sides (Council/Executive/**tie**) clearly understand

-contd./

- The prospect of “no Tram Line 2” will not be welcome news to the major development area of West Edinburgh – it is not hard to imagine the exact reaction of the Royal Bank of Scotland whose world headquarters is about to open on the route, never mind the numerous businesses at Edinburgh Park and the Gyle who are likewise on the route

Given all the above, and the detailed and considered discussion that has – to date – been given from all sides to this project, can I ask you to quickly confirm what the Scottish Executive’s current intentions are? The City of Edinburgh Council, as clearly outlined, would find it completely unacceptable to see this project stalled at such a developed stage. Such an outcome would be hugely damaging to the City of Edinburgh, and the Scottish Executive, and I hope you can agree to release the next tranche of funding as discussed above.

I look forward to an early reply.

Yours sincerely

Councillor Andrew Burns
Executive Member for Transport & Public Realm

c.c. Councillor Donald Anderson, Leader of the City of Edinburgh Council
Tom Aitchison, Chief Executive, City of Edinburgh Council
Ewan Brown, Chairman of tie
Adrian Colwell; Scottish Executive, St Andrews House



tie limited

[PAPER 4]

Minutes of tie BOARD MEETING
In the tie Boardroom, Verity House, 19 Haymarket Yards
@ 10.00 hrs – 12.00 hrs on Monday 24th October 2005

Directors: Ewan Brown
Gavin Gemmell
Jim Brown
Andrew Burns
John Richards

EB
GG
JB
AB
JR

In attendance: Michael Howell, tie Chief Executive
Graeme Bissett, tie Finance Director
Susan Clark, tie Project Director, EARL
Ian Kendall, tie Project Director, Tram
Barry Cross, tie Depute Project Director, Tram
Richard Hudson, tie Senior Project Manager, SAK
Heather Manson, tie Central Services
Keith Rimmer, CEC, Head of Transport
Damian Sharp, SE, Head of PTMIT
Neil Renilson, TEL, Chief Executive Designate ||
David Mackay, TEL, Non-Executive Director
James Papps, PUK

MH
GB
SC
IK
BC
RH
HM
KR
DS
NR
DM
JP

Apologies: Bill Cunningham
Maureen Child
Alex Macaulay, tie Projects Director
Stewart McGarrity, tie Project Finance Manager
Paul Prescott, tie Heavy Rail
Andrew Holmes, CEC, City Development Director
Bill Reeve, Head of Rail Delivery, Transport Scotland

WC
MC
AM
SMcG
PP
AH
WR

Circulation: as above

Note: The Board papers were issued for the meeting only. Observers were required to return all the papers to tie at the end of the meeting. Those in receipt of papers and who did not attend the meeting were required to confirm their copies had been destroyed or returned to tie.

* = paper enclosed (available under FOISA but subject to review under Section 5b of tie's publication scheme and The Act)
(C) = minute exempt under Section 5b of tie's publication scheme and The Act.

<u>Item</u>	<u>Action By</u>
<p>1. MINUTES OF THE MEETING OF 22nd AUGUST FOR APPROVAL AND SIGNING</p>	
<p>The minutes were approved.</p>	
<p>2. MATTERS ARISING</p>	
<p>None</p>	
<p>3. CHIEF EXECUTIVE'S REPORT *</p>	
<p>There was concern that project delays that were not caused by tie were resulting in inevitable cost escalation and that for major projects these extra costs could be considerable. The Board requested that it be kept informed at every meeting on delays that had arisen or could arise and the associated cost impacts and that a letter be prepared for the Minister (to be shown first to DS) making that point and proposing a meeting. (Neither the Chairman nor MH had yet met the new Minister). DS reported that the TSA were reviewing the current delivery program of all committed major projects prior to acceptance of responsibility for their delivery</p>	<p>DS</p>
<p>As newly appointed Head of Rail, Transport Scotland Agency, Bill Reeve had been invited to, and has agreed to attend, future tie Board meetings. He sent his apologies on this occasion.</p>	
<p>4. HEALTH & SAFETY</p>	
<p>The report on "the role of the tie Board with regard to health and safety" was noted. The requirement of the Board to assume accountability for Health & Safety management, on all sites where tie was the principal or client, was noted.</p>	
<p>The Board would assume collective accountability in this context, and delegate it to the Chief Executive, recognising that he is not formally a Director of the Company. No individual Director would be nominated.</p>	
<p>Health & Safety would become a regular item on the Board agenda at future meetings.</p>	<p>MH</p>
<p>5. RISK</p>	
<p>a) <u>Risk Report *</u></p>	
<p>The monthly Risk report was presented and discussed. It would be reformatted so that risks attaching to the tram projects and EARL would be addressed in the first instance by the respective project boards.</p>	<p>AM</p>

An early meeting with Stephen Baxter, the new MD of BAA Scottish Airports, was recommended.

The final SE/ tie operating agreement will be presented for approval at the next tie Board Meeting.

b) SAK

The project progress and financial reports* were noted.

The Asset Protection Agreement had been signed by Network Rail and Clackmannanshire Council.

Delays to the programme not related to tie could give rise to a further cost escalation of up to £2m.

The provision of signage at the site with evidence of tie's involvement in the project is to be progressed.

9. TRAM

a) Progress Report*

The report was presented and noted.

It was indicated by SE that a decision on indexation of funding on the £375m grant would be made before Christmas. It was also indicated that the date for release of funding for utilities diversion was under review. It was noted that the impact of any delay on project cost escalation could be serious.

A formal request for the release of funding required until the end of March 2006 for additional parliamentary activity was requested by SE.

GG provided an update on the first TPB. The proposed timetable of future TPB meetings requires revision.

b) TEL and service integration matters *

MH has been nominated as the tie representative on the TEL Board.

10. OTHER PROJECTS

a) Business Development

The report was noted in Alex Macaulay's absence.

Responsibility for sign-off of the contract between tie and FETA was delegated to the Chief Executive. It was requested that the level of liability insurance be queried.

Action

By

MH

SC

RH

IK

IK

IK

MH

<u>Action</u> <u>By</u>
MH
MH
MH
HM

b) Waverley Railway Bill

It was indicated that, in view of its existing heavy rail experience and public sector non-profit status **tie** would not intend to bid competitively for the Waverley Railway project delivery contract. An early meeting between the **tie** Chairman and the Chief Executive of Borders Council would be sought.

c) Ticketing

It was agreed that consideration would be given to a letter advising the Minister of the importance of a) progress on multi-mode ticketing to aid the growth of public transport usage and b) for a timely introduction of common technical standards in good time for the commissioning of **tie**'s projects.

11.AOB

Pressure on accommodation meant that **tie** was reviewing its office options and would keep the Board informed.

12. Date of Next Meeting

The date of the next meeting is 19th December 2005 at 14:00 hrs – 16:00 hrs at the **tie** office.

Signed and approved on behalf of the Board of **tie** limited by:

Ewan Brown (Chairman).....

Date.....

Declaration:

*Agenda Items marked * indicate that a report or relevant paper on this subject was attached and will be made available under FOI(S)A but will be subject to review under Section 5b of **tie**'s publication scheme and The FOI (Scotland) Act 2002. The contents of these minutes will be reviewed by **tie** prior to release and items marked with a (C) may be deemed exempt according to the provisions of The FOI (Scotland) Act 2002.*

[PAPER 5]

Brown, Ewan

From: Michael Howell [Michael.Howell@tie.ltd.uk]
To: Brown, Ewan
Cc: Graeme Bissett
Subject: FW: Cost of delays

Sent: Sun 30/10/2005 23:11

Attachments:

I received a message from Damian to say that a time in the Minister's diary is to be provisionally assigned pending receipt of a letter from us, but that Damian requests sight of the letter before it is formally sent. You have below the raw material which will be crafted into a letter tomorrow. Any intermediate observations welcome. M.

From: Graeme Bissett [mailto:graeme.bissett@██████████]
Sent: 27 October 2005 14:06
To: Michael Howell
Cc: Susan Clark; Stewart McGarrity; Richard Hudson; Ian Kendall; Pat Diamond; Paul Prescott (external contact)
Subject: Cost of delays

Michael, I've copied below my request for info to the PMs, and their replies in full, which have useful insights, so you can select what you or Ewan want. The summary is :

- **Tram** – now delayed to mid 2010 from an anticipated mid/late 2009. The delay is primarily due to delayed commencement to the design process while funding and other matters was being assessed ; the annual cost of delay is mainly inflation, but allowing a little for tie people / overhead wheel-spinning, it is running at c£40m pa. So 6 months is roughly £20m of cash. However, there are now some signs that utilities work will be delayed by up to 6 months while the overall scope, funding and revenue parameters are addressed. If a further 6 months' delay is imposed we'd be moving to a full year off the original programme (of which the Executive were aware) at a cost of c£40m. May be best not to go in too hard on the utility issues because there is logic in their absolute position even if it does cause a delay if you assume that there is a 100% go / no-go decision still to be made ; also the comments received are not remotely an agreed position yet and I'm sure Ian & Stewart have good ideas which would mitigate the delay and keep SE comfortable about possible abortive spend. The more fundamental issue is whether there is a political impediment to any on-street activity prior to May 2007, regardless of the commercial risk analysis.
- **EARL** – on the face of it, no overall delay foreseen in the original planned commencement date of Oct 2010. However, we've lost 11 months in Bill submission and the assumed Royal Assent date of 12/06 will only be met if submission is 2/06 and the souped-up parliamentary process works ; a big if. Further risk is being threatened by a possible decision to delay issue of OJEU until after Royal assent, whereas the programme assumes issue date as mid 2006, ie 6 months earlier. The capital cost and inflation parameters are similar to Tram, so a 6 month delay would be in the region of £20m. A further risk may be that delay pushes EARL down the UK pecking order of major rail projects when construction consortia interest and skilled labour resource is being sought from the market.

<https://webmail.hw.ac.uk/exchange/exueb/Inbox/FW:%20Cost%20of%20delays.EML?C...> 31/10/2005

TRI00000148_0020

- **SAK – the delay to focus on is that since tie established a credible cost & programme in spring 05 ; it took until August to get the ball rolling and the cost of management / consultants' downtime is £0.7m, and the inflation effect on the capital cost is c£1m.**

As you'll appreciate, deployment of this information needs to be done sensitively to preserve working relationships.

If I've misrepresented the responses, Susan, Stewart or Richard will let us know - meantime thanks to all for responding at short notice.

GB note, then responses :

Michael is looking for an assessment of the effect on cost and programme of external influences on our two main projects. The primary culprit will be political / Executive process / Parliament process which have affected Bill submission timing, funding availability etc. There may also be other factors.

If we go back to the original project plans for the two projects, there has been no significant increase in the underlying cost estimates caused by these factors but there has been a consequential inflationary cost effect from delay. We should also factor in the incremental management cost of extended timetables, plus any other significant one-off elements. The programme benchmarks would be : Tram - original planned construction commencement mid 2006, trams running mid-2009 ; EARL - original Bill submission date March 2005, now a year later. We should also take account of incremental cost of getting Tram through Parliament on extended timescales, although what is time-driven v what is volume of work driven is hazy.

Paul, Richard - can we also get a feel for the same issues on SAK ?

This all has two purposes - 1. Ewan is meeting the Minister shortly and wants the information to underline the cost of poor process ; 2. the implications for tie's performance in assessing annual corporate achievement and bonus.

<https://webmail.hw.ac.uk/exchange/exueb/Inbox/FW:%20Cost%20of%20delays.EML?C...> 31/10/2005

[PAPER 6]

To mll
Re Council report on Tram Finance

Edinburgh Tram

Full Council

26 January 2006

1 Purpose of report

- 1.1 To provide an update on the Edinburgh Tram and to make recommendations for funding and phasing.

2 Summary

- 2.1 The Scottish Executive has indicated a willingness to increase its financial commitment of £375m to Edinburgh Tram in line with inflation. This would give an estimated contribution of £490m.
- 2.2 This is conditional upon the Council committing to contribute £45m from a range of sources.
- 2.3 This funding would enable a first phase to be constructed from Edinburgh Airport to Leith via Haymarket and the City Centre.

Not clear
that it is
for what
is set
out in
3.13 →

3 Main Report

- 3.1 The Bills for powers to construct and operate Tram Line 1 and Tram Line 2 are now in the final stages of consideration by the Scottish Parliament. It is envisaged that final stage debates will take place early in 2006 with, if approved, Royal Assent being given shortly thereafter.
- 3.2 As the Parliamentary process has progressed discussions have taken place between the City of Edinburgh Council (the Promoter), the Scottish Executive on behalf of the Transport Minister (the principal funder) and tie Ltd (the project manager). These discussions have focussed on the capital funding currently available and what sections of the tram network can realistically be afforded, within the funding levels available, as the first phase of the network.
- 3.3 From the inception of the tram development process, both the Council and the Scottish Executive have taken great care to ensure that value for money and cost control are kept fully in mind. Investment has been made in carefully controlled stages to reduce the risk of future cost escalation and delivery plans are now well-advanced.

- 3.4 In March 2003, Iain Gray MSP, then Transport Minister, committed £375m to “secure at least the completion ... of the ‘north Edinburgh loop’, the first tram line for the city in almost 50 years.
- 3.5 During the recent discussions the Scottish Executive has indicated a willingness to increase the original £375m in line with inflation (referred to as “indexation”). This indexation will be linked to the year on year rise in the cost of construction which is currently estimated at 6% (compared with under 2.5% for the Retail Price Index). Applying this estimate of inflation to the grant award would result in aggregate grant funding, on a cash basis, of £490m. It is recognised that this estimate will vary and the estimate will of course be the subject of close scrutiny in the period through to final contractual commitment, which is currently scheduled for mid-2007. Forward estimates of capital cost utilise the same indexation measure and would similarly change depending upon actual inflation.
- 3.6 In response to the Scottish Executive's position the Council, as Promoter, would also make a contribution towards the capital cost of its tram project, to be structured in a manner which achieves acceptable risk management. The Council must balance its desire to support the project with its fiduciary responsibility to manage its affairs prudently.
- 3.7 The Council's contribution would therefore comprise only such amounts as can reasonably be expected to be funded from future tram related income streams and receipts, rather than from general funds or from the Council Tax. The anticipated sources of such receipts include:
- S75 agreements already negotiated,
 - anticipated development gains accruing to the Council on Council-owned
 - ~~sites~~ third party developments around the tram routes,
 - assumed level of borrowing by the Council to be serviced by [tram-related income once the system is operational].
- The total Council contribution is currently estimated at £45m.
- 3.8 This gives a capital funding availability of £535m for the first phase of the network. This is set out in Table 1.

Table 1 Capital Funding Availability

Indexed Scottish Executive Grant (estimate) CEC contribution	£490m £ 45m
Total funding available allowing for inflation	£535m

- 3.9 The total cost of the full Line 1 and Line 2 Tram Network is estimated at £634m in projected inflated prices. When the additional contingency set out in government guidelines and known as “Optimism Bias” is added this rises to £714m. Although it is arguably prudent to include the additional Optimism Bias contingency, extensive work has been done to support the robustness of the underlying cost estimates, which already include contingency. These costs are set out in Table 2.

Table 2 Capital Costs

£m	Lines		
	Line 1 A	Line 2 B	C
Total Base Cost in Q2 2003 Prices	219.3	253.2	440.0
Specified Contingency	23.7	25.3	44.0
Total Cost Estimate in Q2 2003 Prices	243.0	278.5	484.0*
Estimated Inflation	75.3	86.3	150.0
Total Inflated Cost Estimate	318.3	364.8	634.0
Incremental Optimism Bias (Inflated [to 20xx])	40.2	46.4	80.7

* Line 1+2 costs do not total the costs of Line 1 and Line 2 in aggregate due to the elimination of the costs of the common running section from the Line 2 costs and to minor additional costs in relation to the effective operation of the two lines as a network.

- 3.10 It is considered that the first phase of the tram construction should be restricted in order to ensure that adequate 'headroom' is maintained between funding availability and likely costs. Taking a prudent view on capital cost estimates and funding sources, an examination has been undertaken of which sections of Tram Lines 1 and 2 should be progressed as a first phase within the available funding, if Royal Assent is granted for both Bills.
- 3.11 This work has been carried out under the umbrella of the Council's new transport company, Transport Edinburgh Limited (TEL) and has involved extensive discussions with ~~the~~ Limited, Transdev Edinburgh Tram Limited, the proposed operator of the tram network and Lothian Buses plc. It has always been a critical element of the planning for the tram system that the operations of bus and tram (and other modes) should be as fully integrated as possible in order to achieve a world-class integrated system.
- 3.12 ~~the~~ has given consideration to a range of options for first phase network construction and to the pattern of construction of subsequent phases.
- 3.13 This work indicates that the line from Edinburgh Airport to Leith, via Haymarket and the City Centre, gives the greatest benefits and is therefore the optimum first phase. Council staff have reviewed this recommendation, and concur.
- 3.14 This proposed first phase would directly link the major growth centres at the Airport / Gogarburn / West Edinburgh and Leith Waterfront with the City Centre. It would provide access to the major housing and commercial developments under construction and planned and would underpin the role of these developments in sustaining the City's role as a growing successful Capital City.
- 3.15 The tram would give a world class gateway to the City for visitors arriving at the Airport. It is proposed that the Airport tram stop would be integrated into a single multi-modal transport hub alongside the new EARL Station, if the latter project

progresses to implementation. The Parliamentary powers being sought by both projects reflect this intention.

- 3.16 The first phase line would give direct access to the major shopping destinations of The Gyle, Ocean Terminal and the City Centre.
- 3.17 The line would serve existing communities and would provide access for residents to employment, leisure, shopping and other opportunities.
- 3.18 The line would also link with existing transport hubs at Edinburgh Park, Haymarket and Waverley Railway Stations and at the Bus Station in St Andrew Square to give first class interchange with rail, local bus and long distance coach services.
- 3.19 The line would serve an expanded 'Park and Ride' at Ingliston. The existing car park, opened in September 2005, has spaces for [500] cars and use is ahead of expectations. This would be extended to accommodate a total of about [1000] cars as part of the tram project. The tram would link this car park to a wide range of destinations across the City offering a high quality alternative to driving.
- 3.20 There would be a stop at Roseburn Street to serve both the Murrayfield and Tynecastle Stadiums for access to International and National sporting and other events.
- 3.21 This first phase would provide the core network upon which expansion of the network would be built. This future expansion could include extensions to Granton on Line 1, Newbridge on Line 2 and the New Royal Infirmary on Line 3."
- 3.22 The development of this core section of Lines 1 and 2, as a first phase is supported by Neil Renilson, Chief Executive of Lothian Buses and Chief Executive of Transport Edinburgh Limited (TEL).
3.22.1 "We see the Leith / Leith Walk / Princes Street / Haymarket section of line 1, and the Princes Street / Airport section of line 2, as forming a sensible and potentially viable tram element of Edinburgh's future public transport network. We do not see the Ingliston / Newbridge section of line 2, and the Haymarket / Granton / Leith section of line 1, as being in this category, although they may be justifiable on other, e.g. economic development, grounds."
- 3.22.2 "Looking at the scheme solely from a transport viewpoint, the sensible and economically prudent way forward would be to build the above elements of lines 1 and 2 to provide an Airport / Gyle / Haymarket / Princes Street / Leith Walk / Leith tramway."
- 3.22.3 "This first phase builds upon the existing Lothian Buses bus network, incorporating as it does key sections of highly successful routes such as Service 22 (Ocean Terminal to The Gyle) and Service 100 (Waverley Bridge to the Airport).
- 3.23 Transdev, the proposed tram operator, has also given considerable attention to what a first phase should comprise:
3.23.1 "Transdev supports the concept of an initial tram system that runs between the Airport and Leith. Current passenger movements along the Gyle to Ocean Terminal corridor are already apparent in bus service 22 with the potential to save buses both on that service and the Airlink 100 service in particular. There is also the potential for integration with First West Lothian services at Ingliston."

- 3.23.2 “It will further promote the use of the successful Park and Ride facilities at Ingliston by offering excellent reliability and good ride quality and enhance transport links with the expanding Edinburgh Airport.”
- 3.24 The total cost of the Airport / Leith system is estimated at [£429m]. The additional contingency for Optimism Bias requested by the Scottish Executive would take the planning estimate for construction to £484m. It is considered that these estimates offer a high level of headroom against the available funding as set out in Table 1, above.
- 3.25 The Council's proposed contribution of £45m represents 10.5% of the underlying cost estimate. [This is a comparable percentage to that funded locally elsewhere, for example in Nottingham, a scheme successfully launched in 2004 and which has so far exceeded its operational and financial targets.]
- 3.26 The Council would remain committed to seeking the funding for subsequent phases. The section planned from Roseburn to Granton, which would serve the new housing and office developments as well as the new Telford College, is estimated to cost [£75m] and could be accommodated within the current funding estimates if prudent levels of contingency prove not to be required. This section remains an important priority in social inclusion and economic development terms and would be likely to be the first phase of activity after the Airport to Leith / Newhaven phase.
- 3.27 Similarly, the section from [Ocean Terminal] to Granton is estimated to cost £41m and remains firmly part of the Council's desired outcome in the longer term.
- 3.28 The Ingliston to Newbridge section is estimated to cost [£60m] and has a weak business case at present. It is most likely that this section will be constructed after the other sections of the combined network.
- 3.29 tie will manage the construction tender process over the next few months and expect to have tenders submitted by late Summer. At that stage it will be possible to assess what additional sections of the whole network can prudently be constructed as a first phase. For now, the planning and detailed design is focussed on the Airport to Leith section.
- 3.30 Working together with TEL, tie is considering the introduction of scheduled, high quality bus services to complement the initial phase of the tram network, including the safeguarded Tram Line 3 and those parts of Lines 1 and 2 not constructed in the first phase.

4 Financial Implications

4.1

5 Conclusions

5.1

6 Recommendations

- 6.1 To note the Scottish Executive's position in respect of the 'indexation' of its committed £375m.
- 6.2 To approve, in principle, a Council contribution of £45m as detailed above.
- 6.3 To approve the development of the Airport to Leith sections of Lines 1 and 2 as Phase 1 of the Edinburgh Tram Network.
- 6.4 To note that recommendations in respect of;
- Roseburn to Granton,
 - Granton to Leith, and
 - Ingliston to Newbridge sections will be reported in late summer 2006.

Andrew Holmes
Director of City Development

Appendices

Contact/tel	Ewan Kennedy	0131	██████████
	Lex Harrison	0131	██████████

Wards affected

**Background
Papers**

◆ EDINBURGH ◆
THE CITY OF EDINBURGH COUNCIL

27/2,

[PAPER 8]

Tom Aitchison CBE
Chief Executive

Mr Ewan Brown



Our Ref: ceo/transport/ebrown01

Your Ref:

Date: 31 January 2006

Dear Ewan

Thank you for your letter of 30 January 2006. Like you, I feel that a positive way forward on the trams project is close to being realised. I was also much heartened by the Council decision last week when all councillors supported the recommendations in Andrew Holmes' report.

I know you have committed a great deal of time and effort on behalf of **tie** and your contribution to the tram and other projects is much appreciated by the City of Edinburgh Council.


I note your intention to stand down as Chairman of **tie** around the end of March when, hopefully, Royal Assent will be achieved. It will certainly be the Council's intention to continue with a strong **tie** board, with private sector representation.

I look forward to seeing you again soon.

Yours sincerely



TOM AITCHISON
Chief Executive

Council Headquarters, Wellington Court, 10 Waterloo Place, Edinburgh, EH1 3EG
Tel 0131  Fax 0131 469 3010 tom.aitchison@edinburgh.gov.uk



INVESTOR IN PEOPLE

TRI00000148_0028

tie Ltd

The City of Edinburgh Council

23 February 2006

Purpose of report

- 1 This report advises of the imminent resignation of the Chairman of the Board of tie and recommends an appointment to fill an existing vacancy on the board.

Main report

- 2 Ewan Brown, Chair of the tie Board, has written to me intimating his intention to stand down from the board, once the Parliamentary process for the Edinburgh Tram project has concluded. This is expected to be around the end of March 2006 and it has always been Mr Brown's intention to demit office at that time.
- 3 Mr Brown has chaired the Board of tie during what has been a very difficult time and the Council will wish to express its thanks to him for fulfilling his role in a professional and competent manner.
- 4 There is an existing vacancy on the Board of tie, as a result of the resignation of Jim Brown, one of the private sector directors, and my report to the Council on 17 November 2005 stated *inter alia* that I was considering arrangements for the filling of this vacancy.
- 5 While I would normally recommend that this vacancy be filled by open competition, I consider that there would be merit, on this occasion, in appointing Willie Gallagher, who was appointed as a non-executive director of Transport Edinburgh Limited (TEL), following advertisement, in summer 2005.
- 6 Mr Gallagher is currently the Director of Touchdown Services Ltd, which provides consultancy and engineering services to the utility and construction sectors. He has extensive engineering and transport experience, with previous positions including:-
 - (a) senior roles within the Scottish Power Group, in particular, as the Director responsible for the management of Deregulation, for which he was awarded the "outstanding utility individual of the year" and his final role as Director of Customer Services;
 - (b) Board Member of the Strategic Rail Authority for eight years, with specific responsibility for Scotland, and a member of the Franchising Committee,

which was responsible for management of the rail franchise competitions – including ScotRail; and

(c) Board Member of the Scottish Legal Aid Board.

- 7 In addition, he has been a Board Member of Lothian Buses since 2001.
- 8 Since his appointment to the Board of TEL, Mr Gallagher has demonstrated his formidable grasp of the challenges facing Edinburgh in the delivery of its transport agenda and his appointment to the **tie** Board would allow full exploitation of the synergies which exist across **tie**, Lothian Buses and TEL.
- 9 Ewan Brown's departure will, of course, create a further vacancy on the **tie** Board and I recommend that this should be filled following open advertisement.
- 10 With regard to the appointment of the Chair of the **tie** Board, I shall report to an early meeting of the Council with a recommendation.

Recommendations

- 11 The Council is asked to:
- (i) record its thanks to Ewan Brown in his role as Chair of the Board of **tie**;
 - (ii) approve the appointment of Willie Gallagher as a non-executive director of **tie**;
 - (iii) agree that one of the Board vacancies be filled by open advertisement;
 - (iv) note that I shall report further to an early meeting of the Council in relation to the appointment of the new Chair of **tie**.

Tom Aitchison
Chief Executive

Appendices

Contact/tel Tom Aitchison 

Wards affected

Background Papers Report to Council – 17 November 2005

[PAPER 10]

Mr Tom Aitchison
Chief Executive
City of Edinburgh Council
Wellington Court
10 Waterloo Place
Edinburgh
EH1 3EG

Date: 28th February 2006

Dear Tom,

I am writing on behalf of the independent directors of **tie** limited with regard to the forthcoming appointment of a new Chair of this company's Board.

During the course of the past four years, **tie** has developed enormously under Ewan Brown's leadership, and is, as you know, not only charged with the delivery of the Edinburgh tram, but also with the Edinburgh Airport Rail Link, and the Stirling-Kincardine railway, in addition to other smaller projects. The value of these projects is well over £1 billion.

Ewan Brown has fulfilled his role as Chairman most admirably, particularly in the matter of securing agreement at the highest level between different stakeholders on the direction and emphasis of **tie**'s projects. We are collectively grateful for the leadership role that he has displayed.

With the creation of Transport Edinburgh Limited as the client for the Edinburgh tram, **tie** now has its clear role as a fully capable delivery organisation for major projects. **tie** is well positioned to execute and extend this role, provided that the company's governance is fully adapted to its expanded task, and that the board of the company has the trust and confidence of its significant stakeholders.

We feel that the new Chair of the company must be fully acceptable to all involved parties. We hope therefore that a formal consultation on the Chair's desired attributes will be undertaken with these same stakeholders, most notably the Scottish Executive and Transport Scotland, before a recruitment process is undertaken. Our belief is that demonstrable experience in large scale infrastructure or construction project businesses should be an important qualification.

TRI00000148_0031

This recruitment should start as soon as possible, with the active collaboration of all parties. We believe it is only with the execution of recommended practice for senior public appointments that appropriate external confidence in the Board of **tie** can be secured.

We look forward to your comments.

Yours sincerely,

John Richards
Director

PW/Transport/tie.05

Tom Aitchison Esq
Chief Executive
The City of Edinburgh Council
Wellington Court
10 Waterloo Place
EDINBURGH EH1 3EG

Dear Mr Aitchison

tie Limited Board Appointments

You will recall that, at the Council Meeting on 23 February, I seconded an amendment questioning the way the appointment of Willie Gallagher to the tie Board and the search for an additional director was being handled.

John Richards has, I know, written to you with his concerns about the way vacancies on the tie Board are filled by the Council. I was amazed to discover at the directors' meeting on Monday that it would appear that neither Ewan Brown nor Michael Howell had been consulted about these matters. As I understand it, they had merely received advance copies of the report which went to the Council.

Once again, I would like to pay tribute to Ewan Brown for his achievement in bringing tie to its present position. His successor as chairman will, amongst other things, need to have a high level of technical skills in handling major projects in the construction and transport industries. To ensure the continued success of the company, and therefore the Council's investment in it, the new chairman must also be fully conversant with the nuances of the issues that arise, and also have the confidence of all stakeholders in the various projects entrusted to the company.

As John Richards has written, "it is only with the execution of recommended practice for senior public appointments that appropriate external confidence in the Board of tie can be secured". You will not be surprised to learn that I fully support this view, and reiterate my stated opinion that all recruitment to the tie Board should be handled in a public way that avoids any risk of criticism and ensures general confidence in the persons appointed.

I look forward to your response to these comments.

Yours sincerely

[PAPER 11]

Brown, Ewan

From: Michael Howell [Michael.Howell@tie.ltd.uk]
To: Brown, Ewan
Cc:
Subject: FW: APPOINTMENT OF CHAIR
Attachments:

Sent: Thu 30/03/2006 10:49

As discussed.

From: Michael Howell
Sent: 29 March 2006 21:27
To: Sally Griffiths
Subject: RE: APPOINTMENT OF CHAIR

Here are my thoughts in italics. I am sure we can find the funds for the advertising! MH

tie Limited

Appointment of Chair

The Chair of the Board is vacant as the result of the *end of the term of office* of Mr Ewan Brown, CBE, who has been the Chair from **tie's** incorporation in 2002. The period of appointment will be for three years, with the possibility of renewal.

tie (formerly *Transport Initiatives Edinburgh*) Limited is responsible for the delivery of *high-profile* transport projects in and around Edinburgh, with an aggregate *delivered* value of £1.5 bn. Most notable are the Edinburgh tram system, *for which parliamentary approval has now been granted*, and the Edinburgh Airport Rail Link (EARL). *Both projects are scheduled for delivery in 2010/11.*

Employing around 70 people, **tie** is a private company, 100% owned by the City of Edinburgh Council. *tie manages major contracts with consultants in the engineering, legal and financial fields. Funds to be expended in the next financial year alone will exceed £100 m.*

The Chair will play a critical role in steering the company through the *exciting* delivery challenges of the next few years, *and thereby building the company's reputation to*

ensure its long-term future. To qualify for this position, you will have a proven track record in business at Board level as an Executive or Non-Executive Director. You will also have a current understanding of working relationships with UK or Scottish ministers and officials and, ideally, with local authorities. You will also possess knowhow gained at a senior level in the fields of project management, or consultancy linked to major project delivery.

You will be required to chair bi-monthly meetings of the Board and monthly meetings of the EARL Project Board. The overall time commitment should be no more than 1 day per week. A *competitive* remuneration is payable.

Closing Date: Friday 28 April 2006

For a recruitment pack call 0131 [REDACTED] or e-mail recruitment.pms@edinburgh.gov.uk

From: Sally Griffiths [mailto:sally.griffiths@edinburgh.gov.uk]
Sent: Wed 29/03/2006 16:49
To: Michael Howell
Subject: Re: APPOINTMENT OF CHAIR

Michael

Can you please give me an 'enthusiastic' sentence on the size and scale of the projects which fits in and is short.

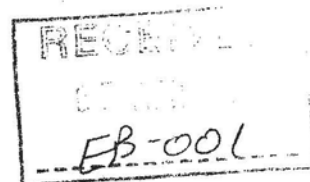
Tom is happy to agree to advertising in the Herald, but he understands that tie will be meeting all the costs of the recruitment exercise.

Sally

----- Original Message -----

| From: Michael Howell

◆ EDINBURGH ◆
THE CITY OF EDINBURGH COUNCIL



Tom Aitchison CBE
Chief Executive

[PAPER 12]

Mr Ewan Brown
Chair
tie Limited
Verity House
19 Haymarket Yards
EDINBURGH
EH12 5BH

Our Ref: ceo\admin\trambus02

Your Ref:

Date: 5 April 2006

Dear Ewan,

DEVELOPMENT OF INTEGRATED TRAM AND BUS SYSTEM IN EDINBURGH

I am writing to the respective chairs to clarify the relative roles of Transport Edinburgh Limited (TEL), Transport Initiatives Edinburgh (**tie**) and Lothian Buses in relation to the overall governance of the Edinburgh Tram Network. This letter deals with the issues for the **tie** Board.

Tie's overall role

The Council has followed recent progress on the development of TEL and is satisfied that the current and planned activities of TEL, as outlined at recent TEL and **tie** Board meetings, are consistent with the purposes for which TEL was established. In overall terms, TEL is required by the Council to specify, develop, promote and operate an efficient and fully integrated tram and bus network and to support the Council in such related activities as the Council may direct. The Council expects the Board and management of **tie** to play a key and constructive part in supporting TEL's delivery of this objective. It has reviewed and is satisfied with the governance arrangements which will support and control these activities, including the interface arrangements under which **tie** Limited will continue to execute the technical design, procurement, funding and delivery of the Edinburgh tram system. The purpose of this letter is to set out certain of the Council's specific requirements of **tie** against this background.

The proposed governance structures for the tram project re-align the Council's focus through the TEL Board rather than the **tie** Board. I expect TEL and **tie** to have an open line of communication to Council officials as the project demands but **tie's** tram project team will report formally through the TEL Board under the new structure. **Tie** will, however, continue to have responsibility for the delivery of the tram project, through its

Council Headquarters, Wellington Court, 10 Waterloo Place, Edinburgh, EH1 3EG
Tel 0131 [REDACTED] Fax 0131 469 3010 tom.aitchison@edinburgh.gov.uk



INVESTOR IN PEOPLE

TRI00000148_0037

project team, and the **tie** Board will maintain quality control responsibility over these activities. It is also anticipated that **tie** Limited will be the principal contracting party with the suppliers of construction, vehicle, utility, design and all ancillary agreements and in relation to such contracts the Council will look to the Board of **tie** to exercise proper diligence as part of its quality control responsibilities. I understand that the TEL Board has approved these new arrangements.

Business case and involvement of Lothian Buses

The Council has given its approval to the conditional commitment of £45m toward the Edinburgh Tram Network. This is subject to the presentation of a robust business case for the project. In this, the Council's interests, and those of the Scottish Executive as majority project funder, are closely aligned. In order for the Council to make a proper assessment of the business case, it will be necessary to understand the full financial and operational implications of an integrated bus and tram network, incorporating the implications for Lothian Buses plc. Under the new governance arrangements, **tie** remains responsible for the initial preparation of the business case for approval by TEL and I expect **tie** to do so by taking appropriate steps to ensure that the full range of experience and expertise in TEL, **tie**, the proposed tram operator, Transdev, **tie**'s advisers and Lothian Buses is brought to bear. In doing so, the Council recognises that the management of Lothian Buses is uniquely placed to support the integration process. It is, therefore, crucial to the Council that the experience deployed by Lothian Buses, **tie** and TEL is targeted at achieving an inclusive arrangement which facilitates permissible integration with third party operators. The Council believes that its strategy and the interests of TEL and Lothian Buses will be aligned if the overall transport system in Edinburgh is optimised, not simply the arrangements between Council-owned entities.

Costs and funding issues

The Council also recognises that it will be necessary for Lothian Buses to release senior operational management resource to focus on bus/tram integration issues. I expect TEL to ensure that this resource is used effectively and that the resulting incremental and other costs incurred by Lothian Buses are accommodated within the overall tram project funding arrangements, with full exposure to and approval of the Scottish Executive. Accordingly, I expect **tie** to ensure that properly analysed budget submissions are prepared and to seek approval, in tandem with TEL, for funding to meet these costs.

Project monitoring

I understand that the detailed work programmes controlling the execution of the project will form the basis on which TEL will monitor progress against programme and budget. This will be done primarily through the TEL Board meetings, under the new arrangements, but Council officials will also monitor progress through provision of such other information from TEL or **tie** as the Council may require from time to time.

I should be grateful if you would acknowledge your acceptance of these requirements, on behalf of the Board of **tie**.

Yours sincerely



TOM AITCHISON
Chief Executive

cc Michael Howell, Chief Executive, **tie**
Andrew Holmes, Director of city Development

LETTER FROM TOM AITCHISON TO CHAIRMAN OF TEL

“Edinburgh Tram Network (“ETN”)
Transport Edinburgh Limited (“TEL”)
Tie Limited (“Tie”)
Lothian Buses plc (“LB”)

Development of integrated tram and bus system in Edinburgh

1. TEL’s overall role

The Council has followed the recent progress on the development of TEL and is satisfied that the current and planned activities of TEL, as outlined at recent TEL and Tie Board meetings, are consistent with the purposes for which TEL was established. In overall terms, TEL is required by the Council to specify, develop, promote and operate an efficient and fully integrated bus and tram network and to support the Council in such related activities as the Council may direct. We have reviewed and are satisfied with the governance arrangements which will support and control these activities, including the interface arrangements under which Tie Limited will continue to execute the technical design, procurement, funding and delivery of the tram system. The purpose of this letter is to set out certain of the Council’s specific requirements of TEL against this background.

The proposed governance structures for the tram project re-align the Council’s focus through the TEL Board rather than the Tie Board. I expect TEL and Tie to have an open line of communication to Council officials as the project demands but Tie’s tram project team will report formally through the TEL Board under the new structure. Tie will however continue to have the responsibility of delivering the tram project, through its project team, and the Tie Board will maintain quality control responsibility over these activities. It is also anticipated that Tie Limited will be the principal contracting party with the suppliers of construction, vehicle, utility, design and all ancillary agreements and in relation to such contracts the Council will look to the Board of Tie to exercise proper diligence as part of their quality control responsibilities. I understand that the Tie Board have approved these new arrangements and I am writing in similar terms to the Chairman of Tie to ensure consistent application of the Council’s requirements.

2. Business case and involvement of Lothian Buses

The Council have given their approval to the conditional commitment of £45m toward the ETN. This is subject to the presentation of a robust business case for the project. In this, the Council’s interests and those of the Scottish Executive as majority project funder are closely aligned. In order for the Council to make a proper assessment of the business case, it will be necessary to understand the full financial

and operational implications of an integrated bus and tram network, incorporating the implications for Lothian Buses plc. To this end, TEL should take appropriate steps to ensure that the full range of experience and expertise in tie, the proposed tram operator Transdev, tie's advisors and in Lothian Buses is brought to bear. In doing so, we recognise that Lothian Buses management are uniquely placed to support the integration process. It is very important to the Council that the experience deployed by LB, tie and TEL is targeted at achieving an inclusive arrangement which facilitates permissible integration with third party operators. The Council believes that its strategy and the interests of TEL and LB are aligned if the overall transport system in Edinburgh is optimised, not simply the arrangements between Council-owned entities.

3. Costs and Funding matters

The Council also recognises that, while tie and Transdev have personnel dedicated to the project, it will be necessary for Lothian Buses to release senior operational management resource to focus on bus / tram integration issues. Hitherto this has been managed on an informal basis, but it is desirable that matters are clarified in the near future. Accordingly, the Council is supportive of the proposal that Lothian Buses invest in appropriate additional resource which will enable existing management to engage fully on bus / tram integration. I expect TEL and the Lothian Buses Board to ensure that this resource is used effectively and that the resulting incremental and other costs incurred by Lothian Buses are accommodated within the overall tram project funding arrangements, with full exposure to and approval of the Scottish Executive.

4. Project monitoring

I understand that the detailed work programmes controlling the execution of the project will form the basis on which TEL will monitor progress against programme and budget. Council officials will monitor progress through regular attendance at TEL Board meetings and through provision of such other information from TEL or tie as the Council may require from time to time.

I would be grateful if you would acknowledge your acceptance of these requirements on behalf of the Board of TEL.

YF

Tom Aitchison

LETTER FROM TOM AITCHISON TO CHAIRMAN OF TIE

“Edinburgh Tram Network (“ETN”)
Transport Edinburgh Limited (“TEL”)
Tie Limited (“tie”)
Lothian Buses plc (“LB”)

Development of integrated tram and bus system in Edinburgh

1. Tie’s overall role

The Council has followed the recent progress on the development of the ETN and the role of TEL and is satisfied that the current and planned activities supporting the governance of the project, as outlined at recent TEL and tie Board meetings, are consistent with the Council’s objectives in promoting the tram project. In overall terms, TEL is required by the Council to specify, develop, promote and operate an efficient and fully integrated bus and tram network and to support the Council in such related activities as the Council may direct. The Council expects the Board and management of tie to play a key and constructive part in supporting TEL’s delivery of this objective. We have reviewed and are satisfied with the governance arrangements which will support and control these activities, including the interface arrangements under which tie Limited will continue to execute the technical design, procurement, funding and delivery of the tram system. The purpose of this letter is to set out certain of the Council’s specific requirements of tie against this background.

The proposed governance structures for the tram project re-align the Council’s focus through the TEL Board rather than the tie Board. I expect TEL and tie to have an open line of communication to Council officials as the project demands but tie’s tram project team will report formally through the TEL Board under the new structure. Tie will however continue to have the responsibility of delivering the tram project, through its project team, and the tie Board will maintain quality control responsibility over these activities. It is also anticipated that tie Limited will be the principal contracting party with the suppliers of construction, vehicle, utility, design and all ancillary agreements and in relation to such contracts the Council will look to the Board of tie to exercise proper diligence as part of their quality control responsibilities. I understand that the TEL Board have approved these new arrangements and I am writing in similar terms to the Chairman of TEL to ensure consistent application of the Council’s requirements.

The tie board should remain independent of the TEL board and I would not expect more than one appearance for each company work level as a an exercise done in the board of the other

2. Business case and involvement of Lothian Buses

The Council have given their approval to the conditional commitment of £45m toward the ETN. This is subject to the presentation of a robust business case for the project. In this, the Council's interests and those of the Scottish Executive as majority project funder are closely aligned. In order for the Council to make a proper assessment of the business case, it will be necessary to understand the full financial and operational implications of an integrated bus and tram network, incorporating the implications for Lothian Buses plc. Under the new governance arrangements, tie remains responsible for the initial preparation of the business case for approval by TEL and I expect tie to do so by taking appropriate steps to ensure that the full range of experience and expertise in TEL, tie, the proposed tram operator Transdev, tie's advisors and in Lothian Buses is brought to bear. In doing so, we recognise that Lothian Buses management are uniquely placed to support the integration process. It is very important to the Council that the experience deployed by LB, tie and TEL is targeted at an inclusive arrangement which facilitates permissible integration with third party operators. The Council believes that its strategy and the interests of TEL and LB are aligned if the overall transport system in Edinburgh is optimised, not simply the arrangements between Council-owned entities.

3. Costs and Funding matters

The Council also recognises that it will be necessary for Lothian Buses to release senior operational management resource to focus on bus / tram integration issues. I expect TEL to ensure that this resource is used effectively and that the resulting incremental and other costs incurred by Lothian Buses are accommodated within the overall tram project funding arrangements, with full exposure to and approval of the Scottish Executive. Accordingly, I expect tie to ensure that properly analysed budget submissions are prepared and to seek approval, in tandem with TEL, for funding to meet these costs.

4. Project monitoring

I understand that the detailed work programmes controlling the execution of the project will form the basis on which TEL will monitor progress against programme and budget. This will be done primarily through the TEL Board meetings under the new arrangements but Council officials will also monitor progress through provision of such other information from TEL or tie as the Council may require from time to time.

I would be grateful if you would acknowledge your acceptance of these requirements on behalf of the Board of tie.

YF

Tom Aitchison

“Edinburgh Tram Network (“ETN”)
Transport Edinburgh Limited (“TEL”)
Tie Limited (“tie”)
Lothian Buses plc (“LB”)

Development of integrated tram and bus system in Edinburgh

1. General

The Council has followed the recent progress on the development of the ETN and the role of TEL, tie and LB and is satisfied that the current and planned activities supporting the governance of the project, as outlined at recent TEL, tie and LB Board meetings, are consistent with the Council’s objectives in promoting the tram project. In overall terms, TEL is required by the Council to specify, develop, promote and operate an efficient and fully integrated bus and tram network and to support the Council in such related activities as the Council may direct. The Council expects the Board and management of Lothian Buses to play a key and constructive part in supporting TEL’s delivery of this objective. We have reviewed and are satisfied with the governance arrangements which will support and control these activities, including the proposals described below relating to senior LB management. I understand that the TEL and tie Boards have approved relevant aspects of these new arrangements and I am writing in similar terms to the Chairmen of TEL and tie to ensure consistent application of the Council’s requirements.

2. Business case and involvement of Lothian Buses

The Council have given their approval to the conditional commitment of £45m toward the ETN. This is subject to the presentation of a robust business case for the project. In this, the Council’s interests and those of the Scottish Executive as majority project funder are closely aligned. In order for the Council to make a proper assessment of the business case, it will be necessary to understand the full financial and operational implications of an integrated bus and tram network, incorporating the implications for Lothian Buses plc. Under the new governance arrangements, tie remains responsible for the initial preparation of the business case in close collaboration with, and for approval by, the Board of TEL and I expect tie to do so by taking appropriate steps to ensure that the full range of experience and expertise in TEL, tie, the proposed tram operator Transdev, tie’s advisors and in Lothian Buses is brought to bear. In doing so, we recognise that Lothian Buses management are uniquely placed to support the integration process.

3. Costs and Funding matters

The Council believes that it is in the long term interest of Lothian Buses, its shareholders and its staff that the company is fully engaged in the development of the integrated bus and tram system. We recognise that, in order to do so, it will be necessary for Lothian Buses to release senior operational management resource to focus on bus / tram integration issues. Hitherto this has been managed on an informal basis, but it is desirable that matters are clarified in the near future. Accordingly, the Council is supportive of the proposal that Lothian Buses invest in appropriate additional resource which will enable existing management to engage fully on bus / tram integration. Through working with TEL and with the active input of the Lothian Buses board, the Council will ensure that this resource is used effectively and that the resulting incremental and other costs incurred by Lothian Buses are accommodated within the overall tram project funding arrangements, with full exposure to and approval of the Scottish Executive. Accordingly, I have asked tie, with the support of TEL to ensure that properly analysed budget submissions are prepared and to seek approval, for funding to meet these costs so that LB is reimbursed for these additional costs and other costs it incurs on work on the tram project and, as a result, is left financially neutral. These arrangements will be subject to normal audit procedures to ensure that value for money is achieved and that funding is devoted only toward the costs of developing an integrated bus and tram system.

I would be grateful if you would acknowledge your acceptance of these requirements on behalf of the Board of Lothian Buses.

YF

Tom Aitchison



tie limited

[PAPER 13]

Minutes of tie BOARD MEETING
In the tie Boardroom, Verity House, 19 Haymarket Yards
@ 10.00 – 12.00 noon on Monday 8th May 2006

Directors: Ewan Brown (Chairman)
Maureen Child
Andrew Burns
Gavin Gemmell
Willie Gallagher
Phil Wheeler

EB
MC
AB
GG
WG

In attendance: Michael Howell, tie Chief Executive
Graeme Bissett, tie
Bill Reeve, Transport Scotland
Andrew Holmes, CEC
Keith Rimmer, CEC
Mike Gerrard, Partnerships UK
Paul Prescott, tie
Susan Clark, tie
Mark Bourke tie
Barry Cross, tie
Stewart McGarrity, tie
Alex Macaulay, tie
Julie Thompson, tie Executive Support

MH
GB
BR
AH
KR
MG
PP
SC
MB
BC
SMcG
AM
JT

Circulation: as above

Note: The Board papers were issued for the meeting only. Observers were required to return all the papers to tie at the end of the meeting. Those in receipt of papers and who did not attend the meeting were required to confirm their copies had been destroyed or returned to tie.

* = paper enclosed (available under FOISA but subject to review under Section 5b of tie's publication scheme and The Act)
(C) = minute exempt under Section 5b of tie's publication scheme and The Act.

[E1 139A]

Item

Action
By

1. MINUTES OF THE MEETING OF 24th March FOR APPROVAL AND SIGNING

The minutes were approved.

2. SUMMARY OF KEY MATTERS

3. CHIEF EXECUTIVE'S REPORT

The report was noted and the recommendations agreed.

Tram line 2 had received Royal Assent and Tram Line 1 was about to receive Royal Assent.

The new office at Citypoint was now complete and the Tram Project Team was due to move in on Friday 12th May.

Ian Kendall had resigned as Tram Project Director by mutual consent. MH is currently undertaking the role as Acting Project Director and interviews will be held to recruit a suitable replacement, possibly on an interim basis in the first instance.

MH

Readiness Review on the Tram Project will commence on 22.5.06.

Following the necessary approvals from Network Rail, the EARL project has appointed technical and geotechnical contractors.

A 2-day workshop was held with EARL/Transport Scotland/Network Rail to understand the issues concerning all three parties.

Process Improvement – AM is leading a progress review headed up by Nichols Group to integrate the cross-functional activities.

AM

4. RISK REPORT

The report was noted and the recommendations agreed.

MB was tasked with continuing to report on the key risks to the Board with proposed revised format whilst improving on the involvement of key stakeholders in risk assessments including CEC; reporting further on the potential inherent and incidental risks to procurement strategy on Tram; reporting on the risks arising from objections to EARL; indicating the individuals within organisations responsible for risk mitigation on each Summary Risk Card; and prioritising the reporting of Tram and EARL prior to other schemes.

MB

EB hoped that it would be possible for the new Chairman of **tie** to meet with John Armitt, CEO of Network Rail when he visits Scotland on 14/15 June.

5. FINANCE REPORT

The report was noted and the recommendations agreed.

It has been agreed with TS that the tram funding approval from last year can be rolled over into the current year. Project funding for 2006 is on the agenda for the TS Executive on 15 May 2006. BR confirmed that from preliminary discussions on the TS Board the biggest issue was over the contribution to the funding package from CEC and how it sits within the overall package. Transport Scotland would be uncomfortable about releasing further substantial sums without clarification that CEC funds will be delivered. AH believed that this was a communication issue and would be addressed. Clarification to be given within the next week and Transport Scotland/CEC to have a further meeting to resolve this issue.

Overdraft facilities had been increased by RBS to £6m. CEC have given approval. **tie** will continue to seek ways of avoiding the expensive use of the facility while meeting obligations to suppliers as they fall due.

The **tie** Business Plan had been approved by the Council on 4 May 2006.

An Audit Committee meeting will be held prior to the Board meeting on 26th June.

Ingliston Park + Ride's outstanding issue is the possible claim by Borders Construction. Legal advice has advised that **tie**'s case is contractually robust.

6. PROJECT REPORTS

Tram

The report was noted and the recommendations agreed.

EARL

The April EARL board had been cancelled due to the 2-day Workshop in Dunblane with Transport Scotland and Network Rail. This workshop was held to understand the relationship of the respective organisations and their roles in the project. Several action points need to be resolved and agreement should be reached by Summer 2006.

Good progress is being made on the Bill and the consideration phase should be complete by Christmas for Royal Assent early in 2007. The objection period closes on 15th May and to date eight objections had been lodged.

The Outline Business Case needs to be agreed with TS and requires the endorsement of BAA and NR.

Action

By

EB

AH

GB

Stirling/FETA/Cross Forth Ferry

The reports were noted and recommendations agreed.

Fastlink

The adjudication notice from MCI (now Verizon) was discussed.

Budget projections for this financial year of £120k have been retained. Once all issues have been resolved, the balance will be released.

7. COMMUNICATIONS

The report was noted and recommendations agreed.

A regular summary programme for tram to be built into the Communications Report.

8. READINESS REVIEW

The report was noted and recommendations agreed.

9. AOB

EB raised the subject of the letter from Tom Aitchison sent earlier in the year regarding the composition of the **tie**/TEL boards and that a key governance sentence, which was in the version approved by the Board in March, was missing from this. This is now to be incorporated. AH agreed to raise directly with TA.

The search for the new Chairman of the **tie** Board was progressing. It was hoped that the new Chairman would be in place for the June board.

MH raised a vote of thanks to EB on behalf of the Board for the work he has carried out on their behalf and wished him well for the future.

**Action
By**

AM

**BC/
SW**

AH

10. DATE OF NEXT MEETING

The date of the next meeting is Monday 26th June at 10:00 hrs – 12:00 hrs at the **tie** office.

Signed and approved on behalf of the Board of **tie** limited by:

Ewan Brown (Chairman).....

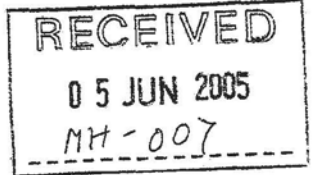
Date.....

Declaration:

*Agenda Items marked * indicate that a report or relevant paper on this subject was attached and will be made available under FOI(S)A but will be subject to review under Section 5b of **tie's** publication scheme and The FOI (Scotland) Act 2002. The contents of these minutes will be reviewed by **tie** prior to release and items marked with a (C) may be deemed exempt according to the provisions of The FOI (Scotland) Act 2002.*

◆ EDINBURGH ◆
THE CITY OF EDINBURGH COUNCIL

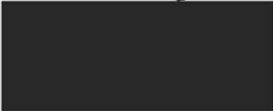
[PAPER 14]



Tom Aitchison CBE
Chief Executive

PERSONAL AND CONFIDENTIAL

Mr W Gallagher



Our Ref: ceo\transport\wgoffer

Your Ref:

Date: 1 June 2006

Dear Mr Gallagher

OFFER OF APPOINTMENT OF CHAIR OF tie LIMITED (NON EXECUTIVE POSITION)

I refer to your interview on 24 May 2006 for the non-executive position of Chair of tie Limited. I am pleased to confirm that at its meeting today the Council approved your appointment as recommended by the Recruitment Committee. The details are set out below.

The period of appointment will be for three years, with the possibility of renewal.

You will be required to chair meetings of the Board of tie Limited, which are unlikely to exceed six or seven meetings a year. In addition, you will chair a monthly meeting of the EARL Project Board. You will also be expected to represent the company on official occasions and participate in the business of Board sub-committees.

The appointment carries a basic remuneration of [REDACTED] plus reasonable expenses incurred during tie business. There is no entitlement to superannuation benefits. This remuneration is based on a time commitment of up to two days a week. However, since it is likely that for an initial period the role will require a greater time commitment, I confirm that in these circumstances the level of remuneration will be increased on a pro rata basis. I also refer to your request at interview regarding allowances and confirm that a degree of flexibility can be applied.

I would be grateful if you would confirm your acceptance of this position by signing the attached copy of this letter.

Yours sincerely



TOM AITCHISON
Chief Executive

Council Headquarters, Wellington Court, 10 Waterloo Place, Edinburgh, EH1 3EG
Tel 0131 [REDACTED] Fax 0131 469 3010 tom.aitchison@edinburgh.gov.uk



INVESTOR IN PEOPLE

TRI00000148_0052