

---

**From:** Nick Smith  
**Sent:** 10 June 2010 10:16  
**To:** Alan Coyle  
**Subject:** FW: Remuneration Matters

Kind regards

Nick

Nick Smith  
Principal Solicitor  
Legal Services Division  
City of Edinburgh Council  
Level 3, Waverley Court  
East Market Street  
Edinburgh EH8 8BG

(t) 

Please note that I am not in the office on a Monday

---

**From:** Nick Smith  
**Sent:** 10 June 2010 09:35  
**To:** Dave Anderson  
**Cc:** Donald McGougan; Jim Inch  
**Subject:** Remuneration Matters

Dave

As I promised last week this is a brief update re the remuneration related issues to summarise where I think we are:

### **tie/TEL bonuses**

I understand that the TEL remuneration committee will make a decision on bonuses in early June.

Having revisited the TEL Operating Agreement terms:

All relevant tie remuneration matters will be monitored and controlled by the Remuneration Committee of the TEL Board. ***TEL shall procure that TEL and tie shall develop and have approved by the TEL board a remuneration policy setting out inter alia the benchmarks and procedures for proposed bonus achievement and the project milestone outcomes to which any such bonuses are linked.*** Such policy for both TEL and tie shall require to be approved by the TEL board, through its Remuneration Committee, in advance of each annual reporting period as it will apply in the succeeding annual reporting period.

Notwithstanding that it has already commenced, ***the first such period will be Financial Year 09/10.*** TEL shall ensure that both TEL and tie's performance bonus incentive arrangements are aligned to appropriate Project milestones and reflect performance achievements beyond the level that might reasonably be expected of individual staff in fulfilling their assigned job roles. ***The remuneration policy principles to be adopted by TEL's Remuneration Committee each year for both tie and TEL will also require to be approved by the Council's Chief Executive in advance of each annual reporting period.*** In addition to annual approval by the Council Chief Executive, a full review of TEL and tie's remuneration strategy by the

Council Chief Executive will take place every three years to ensure that such strategy remains appropriate in the market from time to time.

You will note that before any bonus can be approved, the relevant requirements above need to have been signed off by Tom. On the assumption that he has not approved these to date (and I am not aware that he has), how should this be dealt with?

Action required: - This needs discussed with Tom and David to ensure the correct procedures have been followed. There has been previous interest in the press re bonuses and I expect further interest will be shown. The required terms of compliance set out in the TEL Operating Agreement are public domain.

### **Bonus roll-up**

Alan and my brief understanding is that some tie employees are rolling up their bonuses until project completion. Alan and I have a concern that (depending upon what happens with tie), this could count as part of "final salary" for pension purposes if, for example, people were made redundant as a result of tie wind-up post-completion. This could be a very large pension strain given some of the bonuses are 40%.

Action required: - The exact position needs clarified as to whether this would happen. Alan has not been able to obtain a definitive answer to date. The individuals concerned should also be identified. Again, this needs discussed with Tom and David to obtain a view.

### **Remuneration Details**

Now that we have a list of current Council companies and have identified the more significant operations I think we need to obtain details of remuneration and additional entitlements and pension for all directors and senior executives in order that we have a comprehensive record so that Council can take a view on how best to deal with any anomalies in the future.

Action required: - I think Tom should write to all the relevant Chairmen and ask for these details. Tom indicated that he had trouble obtaining the information previously. If this is the agreed way forward I am happy to draft a letter for Tom.

Please let me know if you need anything else.

Kind regards

Nick

Nick Smith  
Principal Solicitor  
Legal Services Division  
City of Edinburgh Council  
Level 3, Waverley Court  
East Market Street  
Edinburgh EH8 8BG

(t )

*Please note that I am not in the office on a Monday*