

EDINBURGH TRAMS – redundancy payments to former TIE staff

TOP LINE: This is a matter for City of Edinburgh Council.

Edinburgh Trams remains a City of Edinburgh Council project and they will remain the client under the contract. Since the new governance arrangements were put in place last year, Transport Scotland has supported the Council in working with the contractor to deliver the project on schedule and budget for summer 2014.

The Scottish Government did not back the trams project when Parliament voted on it in 2007; and share the frustration of many people in Edinburgh over the way the scheme has developed since then.

We do not propose to provide additional funding beyond the £500m committed to the project in 2007.

CEC redundancy payments to former TIE employees

CEC yesterday published figures revealing the Council's payments to former TIE employees, which was widely reported in the media yesterday and today.

Council's Subsidiary Companies	Salary, Fees and Allowances	Bonus	Other Benefits	Compensation for Loss of Office	Total Remun. 2011/12
	£	£	£	£	£
<u>tie Limited</u>					
S. Bell, Tram Project Director					
R. Jeffrey, Chief Executive					
A Richards, Managing Director (ETL)					
F McFadden, Infracore Director					
S Clark, Programme Director					
D Murray, Commercial Director)					
G Roberts, Finance Director					
total					1,340,933

The total remuneration figures provided above of £1.3m details the payments of salary for period worked, a notice period, any bonus payments and the compensation award. These are figures for financial year 2011/12.

In total, this is £1.3m as reported in the media. As part of this the compensation payments totalled £406,635, also reported in the media today (Thurs).

CALLS FOR AN INQUIRY

The Scottish Government will be delighted to have a public inquiry into the problems surrounding this project. However, the current situation demands that the immediate focus should be on delivering the project. The First Minister is on record as having publicly stated support for such an inquiry (FMQs on 23 June)

We have previously stated that we support a public inquiry (FMQs on 23rd June to Kezia Dugdale). Ms Dugdale, MSP, has written two letters, the first to the First Minister (MACCS ref: 2012/0021728) in relation to her constituents concerns that no date has been set for a public inquiry. She has also advised that she and Lord Fraser do not share the government's view that "no inquiry should start whilst the tram works are still underway". Ms Dugdale has also asked the First Minister "would you give consideration to naming the date whereby you will announce who will chair the Public Inquiry". Ms Dugdale has asked if the First Minister could "commit to appointing a chair and a terms of reference by December 2013".

Ms Dugdale has also written to the Cabinet Secretary for Finance, Employment and Sustainable Growth (MACCS ref: 2012/0021064) stating that her constituent would like to know "whether Transport Scotland had sight of the tram contract prior to its signature. If this is the case, did Transport Scotland have any concerns regarding its term and if so, could you outline what they were". Her constituent also asks "whether any of these concerns were expressed to elected members or officials of City of Edinburgh Council, prior to its signing".

In addition her constituent wishes to know "if it is the case that Transport Scotland expressed their concerns to Edinburgh City Council and these were subsequently not addressed, why the Scottish Government continued to fund the tram project".

The Cabinet Secretary for Infrastructure and Investment has requested that both MACCs cases are responded to as one letter from the Minister for Housing and Transport.

KEY POINTS:

Transport Scotland now has a more direct role in the delivery of the Edinburgh Trams project in partnership with the City of Edinburgh Council.

- Edinburgh Trams remains a City of Edinburgh Council project and they will remain the client under the contract.
- Revised grant conditions are in place for the release of the remaining £72 million and there are revised governance arrangements, including how Transport Scotland can best assist the Council in delivering the project.
- **SG does not propose to provide additional funding beyond the £500m committed to the project in 2007.**

Transport Scotland's role

- A Transport Scotland Director is on the project Board and a small team of Transport Scotland staff are working alongside Edinburgh Council staff in key senior roles.
- Transport Scotland staff are based in the same offices as CEC and the contractor and work in partnership to ensure that problems are identified quickly and solutions implemented.
- **Ministers will have the power to direct strategic project decisions. Ministers will also be given regular progress updates from the project team.**

FINANCE AND EXPENDITURE TO DATE: To date, the SG has paid £12m from the £72m leaving £60m of grant funding remaining. In total £440m out of the £500m allocation has been paid. The council is proposing to use prudential borrowing to raise additional £231m to complete the line to St Andrew Sq and York Place. Previous Council Leader, Jenny Dawe, confirmed they would not be seeking any more money from the Scottish government above the £500m already allocated.

Iain Gray approved the funding for trams in 2003

In a press release issued by the then Scottish Executive on 4 March 2003 headlined "Funding secures Edinburgh's new tram line" the Transport Minister announced the promise of £375 million investment in public transport improvements for Edinburgh.

Ministerial meeting with CEC

Arrangements for the Minister for Housing and Transport to meet with Councillor Lesley Hinds on Wednesday 27 June at 13:45 hrs are being progressed.

Ministerial meeting with Neil Findlay MSP

On 30th May, Stewart Stevenson Minister for Environment and Climate Change met with the following to discuss the alleged removal of contaminated waste by Bilfinger Berger from the Baird Drive

Lin Buntin	Head of Operations, East of Scotland, SEPA
Ian Buchanan	Area Manager, SEPA
George Burgess	Deputy Director, Environmental Quality, Scottish Government
Neil Murchison	Environmental Quality, Scottish Government,
Neil Findlay	MSP
Tommy Kane	Ministerial Researcher

The Minister for Environment and Climate Change reported at the meeting that SEPA can't say too much on this matter while an investigation is ongoing. However there has been no harm caused to the environment or the community.

SEPA have offered to meet with Neil Findlay again, once they have concluded and finalised their analysis of the material.

CURRENT ISSUES

TIE Redundancy Costs

The responses from CEC officials and transport convener Lesley Hinds:

Alastair Maclean, Director of Corporate Governance, said:

"The Council took direct control of the tram project in 2011 at a point when it was clear a change of direction was needed. Following the Council decision on 2 September 2011, construction is now proceeding in line with the revised budget and programme. New governance arrangements were put in place and the Council brought in professional project management expertise and agreed to wind down tie Limited, as was reported on 25 August 2011. There was a significant cost in resolving the issues with tie and putting in place more effective control of the project."

Cllr Lesley Hinds, transport convener, said: "I have long called for greater transparency into the tram project and the publication of these figures is a step in the right direction - even if I don't agree with the amounts. This is an opportunity to draw a line under tie's involvement and for us as councillors to ensure that, from here on in, the project is tightly managed and all spending is properly scrutinised."

Tie redundancy costs – City of Edinburgh Council Q&A's

1. What is published?

Information relating to tie redundancy (and associated) costs will be contained within the remuneration report section of the Council's financial statements – a draft of which will be considered by the Audit Committee next Tuesday (26 June).

Total tie directors' remuneration for 2011/12 was £1.34m (out of a total of £2.561m for tie's voluntary redundancy costs)

2. How much of this figure relates to 'pay-offs'?

£357,505

(incl. Richard Jeffrey's pay-off of £■■■■ – half of the £■■■■ figure widely assumed to be the case)

3. Why didn't you (CEC) announce it before – similar figures seem to have been released last year?

The regulations governing the content of the remuneration report were revised last year to state that it should contain details for local authority subsidiary bodies (of which tie was one) of any 'relevant person' receiving 'remuneration' in excess of £150,00 per annum.

This statutory obligation supersedes any confidentiality provisions of any recent compromise agreements – hence the publication of these figures.

4. You claimed this was withheld before due a confidentiality clause in compromise agreements – what has changed?

Previous requests for information (under FOI) relating to Richard Jeffrey's settlement were dealt with by tie (in August 2011). These were declined on the basis that the publication of this info was restricted due to a confidentiality clause within his compromise agreement.

As noted above the relevant statutory obligation supersedes any confidentiality provisions of any recent compromise agreements.

[Note – from memory other requests were and still could be validly rejected as they are subject to a Compromise Agreement. i.e. anything not covered by the statute which relates only to financials. We have e.g. been asked before about whether people were gagged.]

5. How can you justify the amount of money (incl. bonuses) being spent given the track record of TIE?

As above

6. Will there be legal implications for CEC releasing this information, given you had previously highlighted the existence of the confidentiality clause?

There is a statutory requirement to release this information.

7. So basically CEC has misled the public on this issue?

No. See question 3 & 4

8. Has this money been taken from the Tram budget or from the Council's?

Council's (revenue) budget

9. If, council, will this impact on spending elsewhere?

This cost was expected and has been budgeted for.

10. Can this money be reclaimed?

No

11. Are there any outstanding costs still to be settled from TIE?

No

11. Are existing project staff entitled to bonus payments?

No

Temporary Bus Station Proposals

The City of Edinburgh Council (CEC) are proposing to completely close York Place for tram works, and as a consequence will require to have 2 temporary bus stations within the City; one initially opposite Bute House at Charlotte Square for a period of approximately 3 months from the end of August 2012 until the end of November 2012, then moving to St Andrew Square; and the second at Waterloo Place near St Andrew's House for approximately 12 months. CEC have reported (18/6/12) that following consultations with the bus operators, that the west-end bus stance will now be on George Street and not opposite Bute House.

For Ministers only - Briefing to Elected CEC members

Briefing by the Tram team (*Transport Scotland did not take part in this*) was given to elected members on 28 May of the programmed re-opening of Princes Street; and closure and works to York Place.

Princes Street is expected to re-open to buses, taxis and cyclists at the end of June 2012. The partial closure of York Place is scheduled to take place from 16 July 2012, and the full closure from 27 August for around 12 months for the tram works. The announcement of this is expected this week.

Council Coalition - Position on Trams

The new Labour and SNP coalition running Edinburgh City Council has agreed to press ahead with the tram line to the city centre during its term in office.

Council leader-elect Andrew Burns said: "Our focus is on finishing the tram project according to the plans agreed by the council last year. We are not closing our eyes to further development of the tram, but there will not be any further line extensions this side of 2017."

A joint statement from the Labour and SNP groups said: "Both parties support a public inquiry into the tram and look forward to working with the Scottish Government on the timing."

Coalition Agreement Commitment 3.1 - Complete the tram project in accordance with current plans.

Daily Record - Query to Bilfinger Berger

We expect a potential story in the Daily Record on further allegations re apparent illegal dumping of waste (this time from Russell Road) and alleged conflict of interest by parties involved in the waste disposal. A meeting has been organised between BB and

SEPA. CEC's holding line, if required: "We have the contractor's assurances that they are adhering to all relevant guidelines, as laid down by SEPA". Full briefing was submitted to the Minister on the issue on 3 May. Separately, SEPA have confirmed to us that there is no risk to public health

TS and CEC met with SEPA on 11 May to review the situation. SEPA are expected to present their findings to Bilfinger Berger this week. *(The outcome is that the material is likely to be classified as non-hazardous and new procedures are to be established to give CEC greater visibility and the ability to review assessments undertaken by the Contractor).*

SEPA has reported their findings to the Contractor by letter on 18 May 2012. The Contractor and Tram team members are to meet with SEPA to discuss the contents of the letter.